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Senate

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

PRAYER

The Chaplain, Dr. Lloyd John Ogilvie, offered the following prayer:

Gracious Lord, the divine Potter of our lives, our days are in Your hands. Shape the clay as You have planned. May the day work out exactly as You have arranged it for Your glory and our growth. We say with the psalmist, ''I delight to do Your will, O my God, and Your law is within my heart.''—Psalm 40:8. We long to know what is best for our Nation. Now at the beginning of the day, we commit to You the challenges and decisions of this day. We desire to glorify You, so show us what You desire. With inspired intentionality, we put our relationship with You first and make our primary goal what is best for our Nation. In the name of the Way, the Truth, and the Life. Amen.

THE BALANCED BUDGET RECONCILIATION ACT OF 1995

The PRESIDENT pro tempore. The clerk will report the bill.

The assistant legislative clerk read as follows:

A bill (S. 1357) to provide for reconciliation pursuant to section 105 of the concurrent resolution on the budget for fiscal year 1996.

The Senate resumed consideration of the bill.

Pending:

Rockefeller motion to commit the bill to the Committee on Finance with instructions.

Brown modified amendment No. 2949 (to instructions of motion to commit), instructions that the committee should consider the findings of the trustees of the Federal Insurance Trust Fund.

Abraham amendment No. 2950, to establish beneficiary incentive programs to collect information on fraud and abuse against the Medicare Program and to collect information on program efficiency.

Harkin amendment No. 2957 (to amendment No. 2950), to strengthen efforts to combat Medicare waste, fraud, and abuse.

Bradley motion to commit the bill to the Committee on Finance with instructions.

Nickles/Brown amendment No. 2958 (to Bradley motion to commit the bill), to increase the earned income tax credit for families.

Mr. WELLSTONE addressed the Chair.

The PRESIDING OFFICER (Mr. ASHCROFT). The Senator from Minnesota.

MOTION TO COMMIT

Mr. WELLSTONE. Mr. President, I am proud to be an original cosponsor of the motion by Senator BRADLEY. Let me start out by saying, last night I think we had a good technical discussion and an important policy discussion. I must say, I think all of my colleagues are enormously impressed with Senator BRADLEY's mastery of the material.

Mr. President, what I would like to do today in the 5 minutes that I have, is to talk about this vote before us in a slightly different context. I say to my colleague from Wisconsin, my good friend, I have been thinking about the first class I will teach again at the college or university, community college, or University of Minnesota. In this class, which I hope to teach in 7 years from now, the first lecture is going to be about this week. It is going to start out with a definition of politics, and I am going to say politics is, in part, about values and what we all care about, and we can have honest disagreements.

The second part of the lecture I am going to give when I go back to teaching is going to be titled: Who decides? Who is asked to sacrifice? And how do these decisions take place? That really summarizes this motion that the Senator from New Jersey has offered, which I am so proud to be a cosponsor of.

A question: Who decides that we are going to have $245 billion of tax giveaways to people already high-income and wealthy, least in need of those breaks? And whose parents, or whose children, go without adequate health care? It is that simple. Or, Mr. President—and this refers to some amendments that I will later on make sure that colleagues vote on—who decides that we are going to, essentially, leave untouched this area of corporate welfare, that if you have a $5 million estate, you are going to get a tax cut, as my colleague from New Jersey pointed out last night, to the tune of $1.7 million?

But at the same time that you have that kind of tax giveaway, at the same time you have special tax loopholes and breaks for oil companies, or insurance companies, or you have citizens who work abroad in other countries that do not have to pay any taxes on the first $70,000 they make, or special breaks for pharmaceutical companies and, at the same time, Mr. President—and there is no better example—a $5 million estate. How many people ever have that, and you get a $1.7 million tax break.

Who decides that we are going to have that kind of tax giveaway to the wealthiest of the wealthiest citizens in this country, and not those whose children go hungry and whose children are not able to afford a higher education?

In the lecture that I give, when I teach again, I am going to continue to raise these questions. I will ask the question: Who decides that we are going to raise taxes for more than 200,000 people in Minnesota, families in Minnesota, with incomes under $30,000 a year, hard-pressed people and, at the same time, we are going to let the one person in my State—or maybe two—with a $5 million estate get $1.7 million in a tax giveaway?

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

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We make choices here, and these are the questions: Who decides? Who benefits? Who is asked to sacrifice?

In my State of Minnesota, I say to my colleague from New Jersey, we have an interesting situation where back in 1991 we decided that we would have a 15-percent EITC at the State level, tied to the Federal EITC. So working families in Minnesota get an added benefit.

The final point in my lecture: How did this decision get made? I would tell you that what we have going on here in the U.S. Senate is deficit reduction based on the path of least political resistance, deficit reduction in inverse relationship to economic justice. If you have the big bucks, if you have a $5 million estate, you get the tax breaks. If you are low or moderate income, your taxes are raised, or you cannot afford health care, or you cannot afford to send your kid to college.

Mr. President, it is clear that the big givers are getting their way. The heavy hitters are getting their way. All these large financial institutions and corporations are not asked to tighten their belts at all. Mr. President, what we have here is decisionmaking, democracy for the few, not democracy for the many.

This motion brings back some fairness and justice to this process.

Mr. BRADLEY addressed the Chair.

The PRESIDING OFFICER. The Senator from New Jersey.

Mr. BRADLEY. Mr. President, I yield 5 minutes to the senior Senator from Wisconsin.

Mr. KOHL. I thank the Senator. Mr. President, I rise today as a strong supporter and original cosponsor of Senator BRADLEY's motion. It presents a straightforward tradeoff to the Senate. It says restore the tax credit for lower income working families in exchange for cutting some of the tax breaks available to healthy corporations.

Before I get into the arguments for this motion, I want to say a brief word on this budget, in general.

Mr. President, like many of my colleagues, I cannot agree with the priorities established in the budget bill before us today. But what I find more disturbing than the bill itself is the partisan and destructive direction the debate over this budget has taken.

We have polarized in extreme political positions firing slogans and half-truths at each other. The two parties agree on many basic principles that could underpin a balanced budget plan. There are billions of dollars and miles of middle ground between the Democratic and Republican budget battle stations. Yet we have chosen to stay locked in our traditional partisan positions.

I want to use the few minutes I have today to talk about the ample room for compromise in the current budget debate. I want to remind my colleagues about the principles that bring us together as public servants—rather than those that drive us apart into our partisan political camps.

First, we believe in balancing the budget. This is a year in which a majority of the Senators voted for a balanced budget amendment to the Constitution and a vast majority voted for a 7-year balanced budget plan. Whether we talk about 7 or 10 years, most of us agree it is time to stop adding to our national debt. Whether we cut defense or domestic programs, most of us agree that Government should spend less.

Second, we believe that the growth of spending on Medicare and Medicaid must be restrained and doing so will involve difficult cuts. I have heard no one deny that the aging of our population and out-of-control health care costs have put into jeopardy these two basic health care programs. I do not think anyone is seriously suggesting that we can continue to let them grow at their current rates.

How much we cut this year, how much we put back into Medicare and Medicaid, how we make those cuts are all legitimate items for debate. Whether cuts need to occur at all is not debatable.

Third, we believe that our economy needs to grow and grow in a manner that rewards families who choose work over welfare. A huge majority of this Senate just voted for a welfare bill—a bill included in the budget before us—that radically changes welfare into a flexible program that moves people into jobs. A majority of those who have served in this and past Congresses have support the earned income tax credit, a tax incentive for families that work. Encouraging work—rewarding work—supporting working families. These ideas are not Democratic or Republican. They are American.

On these three points of agreement alone, we could build a credible balanced budget plan. And if we did that, this Congress would be praised for its responsibility, its leadership, and its service.

Furthermore, producing a bipartisan budget plan—without partisan bickering, without vetoes, without shutting the government, without press conference—would respond to what people outside the beltway are demanding I strongly believe that Americans want to see us debate the budget, not use it to divide our country.

Americans are sickened by the hostile rhetoric, the blind partisanship, the misleading use of figures and facts. They are demanding some honesty, some comity, and some real attempts to craft a balanced budget that a huge majority of them and us can support.

That said, Mr. President, the budget before us is not the place to start a fruitful debate on balancing the budget. It has been written without the input of our party, the President, or any outside witnesses brought in for public hearings. It contains too many tradeoffs that I believe are unfair and unbalanced—and that I believe most Americans would believe are unfair and unbalanced.

Mr. President a report recently released by the Census Bureau showed the gap between our wealthiest families and low-income families growing to the widest point recorded since the Bureau began taking such measurements in 1967. That income disparity is a cancer that is eating away at economic productivity and the standard of living in this country. Any responsible balanced budget plan would take it into account and would certainly not make it worse.

The budget before us makes it worse. The bottom 51 percent of tax filers—those with incomes of less than $30,000—would be worse off under the Senate package than under current law, according to Joint Tax Committee data. Further, wealthy taxpayers—those with incomes above $200,000—would gain an average of $5,088 per taxpayer in the year 2000. How can I justify asking a sacrifice from so many while I myself would get a big tax break under this bill?

Mr. President, this basic unfairness—this basic unbalance—is the primary reason I will vote against this budget, and why I do not believe it can form the basis for the compromise we so sorely need. I can and will ask and stand for sacrifices for the common good as long as they are shared sacrifices. But I will not support a bill that imposes real pain on many to provide gain for a few.

Mr. President, I am afraid that we are missing an historic opportunity because of our focus on short-term political benefit. If we gave up our infatuation with sound bites and brinkmanship, we have the chance to pass a balanced budget, to undo the economic damage of the last decade. As this debate proceeds, I urge my colleagues on both sides to move toward the position most Americans have already taken: Stop tearing each other down and start building a future for this country with a bipartisan and fair balanced budget.

Mr. President, like many of my colleagues, I cannot agree with the priorities established in the budget bill before us today. But what I find more disturbing than the bill itself is the partisan and destructive direction the debate over this budget has taken. We have polarized in extreme political positions, firing slogans, and half-truths at each other. Americans are sick of the blind partisanship and misleading use of figures and facts. They are demanding some honesty, some cooperation, and some real attempts to craft a balanced budget that a huge majority of them and us can support.

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Our time is limited, so let me offer three brief arguments for the amendment on the earned income credit before us.

First, the amendment would make the balanced budget plan more fair. According to Joint Tax Committee data, the budget before us makes most taxpayers with incomes of $30,000 or less worse off than they are under current law. Compare that with the top 1 percent of taxpayers—those with incomes above $200,000—who would receive a tax break of an average of $5,088 under this budget plan.

The primary reason for this imbalance is the cut in the earned income tax credit [EIC]—the only tax break targeted to low-income working families.

No one here would claim that balancing the budget is easy or can be done without sacrifices by many people. However, how can we ask a majority of the taxpayers to accept a balanced budget plan in which they lose and a small, wealthy minority wins? That is not balanced, and, once it is fully understood, I do not believe it will be supported by most Americans.

Second, the amendment before us keeps a bipartisan promise we made to working families. The EIC was enacted during the Ford administration and supported by every President since then. The EIC represents a bipartisan commitment to keeping low-income working families with children above the poverty line. In short, the EIC makes work pays better than welfare.

I have heard almost every Member of this body talk about the importance of moving people from welfare to work. And we need to do that in a manner that is not bureaucratic and not burdensome to business. The EIC does this. If we cannot agree in this body to keep our promise to working families by preserving the EIC, I am afraid there is going to be very little we can agree on.

Finally, the amendment before us cuts fat without cutting muscle. Some have characterized the EIC as a program plagued by uncontrolled growth and fraud. If that were the case, we should certainly cut it back dramatically. But that is not the case.

Only 5 percent of the cuts in the EIC proposed by the budget are related to fraud—and our amendment keeps those cuts intact. The rest of the cuts re reductions in taxes that go directly to working families.

The average annual Federal tax hike proposed in this budget for the 262,000 Wisconsin families who get the EIC would be $457. No one, I hope, is claiming those families—many of whom make around $12,000 a year—are defrauding the Government. No one, I hope, is suggesting that their one tax credit ought to be first on the budget chopping block.

Mr. President, we are all agreed that we have to balance the budget, and to do that, we have to reduce entitlement spending. But we have to do so in a way that makes sense and is fair. Cutting an established bipartisan tax credit that encourages work over welfare does not make sense. Cutting it while increasing tax breaks for corporations and the wealthy is not fair. I urge my colleagues to support the Bradley motion.

Ms. MIKULSKI. Mr. President, I rise today to speak out against the Republican proposal to raise taxes on working families and in support of the Democratic amendment. The Republican tax plan raises taxes on families making $30,000 while give a big fat tax cut to people with $5 million estates.

We talk a lot about getting people off welfare. But I believe if we are serious about moving people from welfare to work, then work must pay them enough to pay the bills. When mom or dad works 40 hours a week they should be able to pay the bills. They should be rewarded for working hard. The earned income tax credit does that, it rewards hard work by families. It allows these struggling families to have hope for a better future.

Yes, we talk a lot about welfare reform. We talk a lot about family values. But look what we do. I believe what we explicitly state as our values we should implicitly reflect in our public policy. What is our public policy? This Senate is already on record against even debating an increase in the minimum wage. And now this Senate is about to approve cutting a tax credit that helps these very same working men and women who depend on the minimum wage.

What are we saying to these families? We are saying even as you struggle and work hard, we are going to raise your taxes. And why? Is it because we want to balance the budget? That is what the Republicans say, but that is not the truth. The only reason we are raising taxes on working families and slashing Medicare is so that the Republicans can pass a big tax cut for people making $100,000 or $200,000 a year.

Mr. President. In order to fund a capital gains tax cut for the wealthy, the plan before us would cut the earned income tax credit by $42 billion and call it reform. It would increase the tax deductions for capital gains by $33 billion and call it fair.

The earned income tax credit is designed to reward work. For every dollar a low income worker earns at a job, he or she receives a tax credit. The size of the credit ranges from 7 cents to 36 cents per dollar, based on your family size. This credit is gradually phased-out as income rises so that there is always an incentive to earn more and work more. In short, the EITC helps to offset the heavy burden that taxes can place on a family that counts every single penny. It is tied only to income that is earned on a job. It provides a tax break to those who need it most, low-wage earners.

But all of this is being changed by this reconciliation bill. Single workers will be cut off. Families with one or two kids will have their credit reduced and their taxes increased.

And what does this mean? To the people of my State of Maryland it means tougher times. These cuts in the EITC mean that over 270,000 Maryland taxpayers will pay more while those at the top pay less. These cuts in the EITC mean that by 2002, people of my State will pay an average of $345 more in taxes. It means that 120,000 Maryland families with two kids will have their tax bill go up by $474 a year.

Lets talk about what this tax increase means to real people. For Rhonda Clark, a 26-year-old mother from Baltimore, it means that even though she has worked hard to get off welfare and to raise her two young kids, even though she has played by the rules, life is about to get harder. For Rhonda, this tax increase means she will have less money to pay for child care for her two young kids. Inflation will go up, but Rhonda's tax credit will be reduced in 1996 by $367.

The EITC has a long history of bipartisan support. But that is about to change too. This tax credit has been endorsed and expanded by Presidents and Congresses of both parties. President Ronald Reagan called it, ''The best antipoverty, the best profamily, the best job creation measure to come out of Congress.'' This credit rewards work. It is a bonus for the good guys because it is based on hard work. We should be praising it today. Not attacking it. Not cutting off workers, cutting off families, and cutting off hope.

Let us reflect in our public policy what we have stated as our values. Let us keep faith with working families by supporting the earned income tax credit.

Mr. KENNEDY. Mr. President, the earned income tax credit is a valuable tax credit for our working families. As enacted by the Congress in 1993, the EITC would provide a tax credit for over 21 million workers and their families this coming year. Working families with earnings of up to $28,500 per year would be eligible. These are families who play by the rules and work hard each day to get by. These are the same families who are disproportionately affected by the Republican cuts in domestic spending.

The earned income tax credit is the result of a bipartisan effort to create a disincentive to people from remaining on public assistance rather than working at lower wage jobs, and was hopefully a major aspect of welfare reform. President Reagan called it the ''best antipoverty, the best pro-family, the best job creation measure to come out of Congress.'' Reagan proposed a significant expansion of the credit in the 1986 tax reform bill.

The House of Representatives has proposed a $23 billion tax increase on these same families by repealing the 1993 earned income tax credit expansion for families with two or more children, and by denying the EITC to families without children. Fourteen million EITC recipients—nearly half of the EITC recipients with children—would be adversely affected. Families with two or more children would be hardest hit.

The proposal before the Senate makes even more severe cuts. The proposal would increase taxes on 17 million households to raise $42 billion. A report by the Treasury Department shows that under the Senate proposal, 21 percent of families currently eligible for the EITC would lose their eligibility by the year 2005.

On a national level, the proposal will mean an immediate $300 average tax increase. For the 7.4 million families with two or more children, a $410 tax increase will occur. And the average tax increase will continue to go up over time, reaching $644 by the year 2005. These families include 18.5 million children.

In Massachusetts, 194,000 working families would face an average tax increase of $321 in the year 2002. For families with two or more children, the increase would reach $440.

Two-thirds of the proposed tax increase in the EITC would be achieved by repealing the final phase of the 1993 expansion for families with two or more children—an expansion promoted by President Reagan in 1986 and President Bush in 1990.

Also included in the Republican bill is a proposal to tax social security payments received by approximately one million widowed, retired, and disabled taxpayers who care for about 2 million of their own children, grandchildren, or other children. These social security recipients would face an average increase of $850.

The 1993 expansion was designed to keep a family of four with a parent working at the minimum wage above the poverty level, assuming the family also received food stamps. And we still haven't been able to achieve that.

The standard of living of working families has continued to deteriorate since 1979. In 1996, the real value of the minimum wage will decline to its lowest level in 40 years. Without an increase in the minimum wage, the EITC must do the job of raising the after tax incomes of working families.

We have heard too much rhetoric about the level of fraud and abuse. The facts do not bear out these accusations. Any fraud and abuse that had taken place has been largely eliminated through steps taken by the IRS to reduce erroneous claims. There is no more fraud and abuse with this credit than there is in capital gains claims of the rich.

Other improvements to the credit have been made consistently over the past several years. Most recently, it was altered to deny eligibility to those with $2,500 or more of taxable interest and dividends.

There has also been too much rhetoric about the fact that the rate of growth of the EITC is out of control. That is not the case. With the 1996 expansion, the CBO projects that the EITC will grow at less than 4.5 percent per year. This growth is due largely to inflation. As a percentage of gross domestic product, the cost of the EITC will decline after 1997.

Mr. LEAHY. Mr. President, I rise in strong support for the amendment offered by the distinguished Senator from New Jersey.

It restores $43 billion in cuts over the next 7 years in the earned income tax credit in the Senate Republican reconciliation bill.

At a time when many working Americans are struggling to make ends meet, the Senate Republican budget would hike Federal taxes on low- and moderate-income working families. It would also raise some State taxes on these same working families.

This is a double whammy on working families.

This Federal tax increase will also raise taxes in seven States that have a State earned income tax credit tied to the Federal credit, including my home State of Vermont.

This bill will raise both State and Federal taxes on 27,000 Vermont working families earning less than $28,500 a year.

As a result of this double tax jeopardy, working Vermonters will lose $64 million in Federal earned income tax credit benefits and an additional $16 million in State earned income tax credit benefits over the next 7 years.

On average, about 63 percent of Vermont taxpayers would see their taxes rise under this bill because of these earned income tax credit cuts.

Under the Senate bill, a Vermont family of four earning $15,610 a year, the 1995 poverty line, would lose $4,500 of earned income tax credit benefits over the next 7 years—$3,600 cut in the Federal earned income tax credit and $900 cut in the State earned income tax credit.

A Vermont family of four making $22,000 a year would fare even worse—suffering a loss of $1,208 in State earned income tax credit and a loss of $4,831 in Federal earned income tax credit over the next 7 years.

It is very doubtful that the Vermont General Assembly can afford to increase the State earned income tax credit to make up this loss, with even more Federal cuts on the way.

Workers are treading water or worse against the rising tide of inflation and low wages. Now is not the time to cut a tax credit that will raise Federal and State taxes on low- and moderate-income families.

Instead, I urge my colleagues to support this amendment to restore the earned income tax credit.

Mr. AKAKA. Mr. President, as the Senate debates S. 1357, the fiscal year 1996 budget reconciliation bill, I am concerned that the tax changes and spending priorities put forward seek to balance the budget on the backs of senior citizens, working families, the working poor, and our Nation's children. The Republican proposal for a $270 billion cut in Medicare, a $182 billion reduction in Medicaid, and a $43 million tax hike for families earning under $30,000 a year to finance $245 billion in tax giveaways—over half to individuals earning over $100,000 annually—clearly outlines the number one priority of the Republican plan: tax relief for a privileged few.

The details of the legislation stand in stark contrast to the intended goal of reducing the Federal budget deficit. The fears I expressed during debate on the budget resolution have been confirmed; the brunt of deficit reduction in this bill comes at the expense of our responsibility to make work pay, the education and well-being of our youth, the retirement security of our parents, and our commitment to long-term investments in productivity, education, and job training. This approach is shortsighted and threatens to reverse progress made in genuine deficit reduction and tax fairness over the past years.

The tax increases contained in the reconciliation bill hit hardest on working American families. In particular, the $43 billion reduction in the earned income tax credit [EITC] will raise taxes for 17 million working Americans and their families. The most effective way to improve the economic well-being of the middle class and working poor is to promote policies that reward work and lessen dependency. Resources should be focused on economic policies and public investments that enhance productivity, create well-paying, skilled private sector jobs, and restore economic mobility and prosperity to working Americans.

Yet the Republican plan cuts the earned income tax credit by $43 billion over 7 years; reversing longstanding bipartisan support for policies that make work pay. The earned income tax credit helps low-and-middle-income working families who have seen their wages decline since the 1980s and serves as a safety net for middle-class families confronted with a sudden loss of income. The EITC helps these families through economic difficulties and encourages policies that make work pay.

Mr. President, despite the tremendous number of new jobs created last year and the 2-year decline in the national unemployment rate, the earnings of many Americans have remained stagnant. In fact, over the last decade most working families have seen their standard of living erode. People are working harder and longer to make ends meet. The number of working poor families and individuals living at or below the poverty line continues to grow.

The 1993 expansion of the EITC was designed to lift a family of four, in which a parent works full-time, year-round at the minimum wage, to the poverty line. This $43 billion tax increase on millions of working families—many just above the poverty line who are struggling to work, raise their families, and avoid welfare, will destroy an important incentive that encourages work and self-sufficiency. The proposed cut in the EITC would increase Federal income taxes on millions of low-income working families with children. The Treasury Department estimates that 17 million low-income American taxpayers will see an immediate tax increase averaging $281 per year under the Republican proposal. When fully implemented, the Republican proposal would boost the average tax bill for working taxpayers by $457 per year.

In 1996, working families with more than one child will see their EITC reduced by $270. A working family with two children earning $20,000 or less would see a $372 tax hike. Working poor families with one child and taxpayers without children also will see a tax increase under the GOP plan. The elderly, disabled, and retired who receive Social Security and have an average income under $10,000 will see their taxes climb by an average of $859 under the Republican plan. Over 1 million low-income working families—and over 2 million children—would suffer as a direct result of this proposal.

Working families with children that have low and moderate incomes face three strikes under this bill. The reduction in the earned income tax credit, cuts in Medicaid, and ineligibility for the $500 per child tax credit will hit millions of working families and millions of children hard. Over 30 million children, 44 percent of our Nation's young people, would receive no benefit or only partial credit and not the full $500 proposed.

Mr. President, what message are we sending to working men and women? By raising income taxes on millions of Americans struggling to make ends meet and committed to work over welfare and making tax breaks paramount, the Republican reconciliation plan establishes disincentives to hard work and threatens the economic security of millions of American families.

I urge the defeat of S. 1357.

Mr. BRADLEY. Mr. President, I yield 4 minutes to the distinguished Senator from Washington State.

Mrs. MURRAY. Thank you, Mr. President. It is always a pleasure to be working with my colleague from New Jersey, Senator BRADLEY. It is unfortunate, though, today, that what we are trying to do is to fix the Republican budget and attempt to restore the earned income tax credit.

Mr. President, this Republican budget will cut $43 billion from the earned income tax credit, and in so doing, this budget will be raising taxes on those earning less than $30,000 a year.

I have to tell you, this is totally incomprehensible to me that while the Republicans are touting this budget and all the glory of its tax cuts, they are raising taxes on hard-working American families.

Where is the logic in this? As one of my colleagues recently stated, this is nothing more than reverse Robin Hood—taking from the poor in order to pay for tax breaks for the most wealthy in America.

The impact of this proposal is astounding. The numbers are staggering. This budget will raise taxes on 17 million families across America. In my home State, low-income working families with two children will see a $452 tax increase in 2002 and a $522 tax increase in 2005.

What kind of message does this proposal send to our hard-working families? Does it provide security and hope? Or does it tell them they are on their own? Does it tell these families that are working to stay above the poverty line that we no longer reward hard work and support their efforts?

Mr. President, the EITC has always received bipartisan support because it is a commonsense tax credit. It rewards work. It provides a real incentive. It gives people the means to move from the welfare rolls to the work force.

As we all know, in 1986, Ronald Reagan praised the EITC. I remember him saying, "It is the best antipoverty, best profamily, best job creation measure to come out of Congress."

As in President Reagan's day, many of today's hard-working American families are trying to make end's meet, send their kids to school and provide some hope for the future. Average Americans are worried today about their jobs. They are anxious about their cost of education. And there is genuine concern out there about the costs of health care. It is astounding that the other side has chosen this time to reduce the EITC.

Mr. President, this tax increase is not a big deal to some of our colleagues here in the Senate, but, believe me, these are real increases to average Americans.

As I have said many times throughout this budget process—I will say it again now—this budget has no conscience nor provides any hope. It hurts the little guy, those who need help, those who are struggling to make a living and provide for their children, and it rewards the rich.

Taking away this tax credit adds insult to injury. The EITC keeps people off welfare. It offsets other forms of formal assistance. It gives American parents the security they need to enter the work force.

We cannot balance the budget on our working poor, our elderly and our children, and we cannot justify cutting taxes for the wealthy while increasing taxes on the poor. We should put things back in perspective and help those who really need our help.

Mr. President, I urge my colleagues to support this amendment. It tells working families we are in their corner. It says we are against increasing their taxes and we are for insuring their financial security.

I commend my colleague from New Jersey and urge all of our colleagues to support this sound, commonsense amendment.

Mr. BRADLEY. Mr. President, in 1993, Congress decided to give a 3-year tax cut to families earning under $30,000 a year. That is the earned income tax credit.

What the other side attempted to do is to say, "Do not give these working families earning under $30,000 a year the third year of their tax cut." That is essentially what this debate is about.

As I said last night, I would oppose their effort to raise taxes on families earning under $30,000 a year if it was a free-standing amendment; but in the context of this debate it is virtually unconscionable because of the estate tax provision in this bill. I have not heard anyone on the other side defend this provision. If you have a $5 million estate you pay $1.7 million less in estate tax because of the changes in this bill. I have not heard one person on the other side of the aisle stand up and credibly defend why we should give less than one-tenth of 1 percent of the estates in this country a $1.7 million tax cut while we are raising taxes on families earning under $30,000 a year. I have not heard that defense. Maybe it exists. I have not heard it.

The distinguished Senator from New Mexico read a letter from the Joint Tax Committee, as if the letter clinched the case. And the letter of course says that 72 percent of the tax benefits in this bill go to families earning under $75,000 a year. That is true. One does not dispute that. But that is not a refutation of the fact that taxes are increased on families earning under $30,000 a year. It means that the tax cut for those with incomes between $30,000 and $75,000 is large enough to offset the tax increase for those earning under $30,000.

Then, finally, there was this nice phrase here in the letter from the Joint Tax Committee, "Only 1.5 percent of all households will have an income tax increase;" an income tax increase.

Mr. President, people who earned under $30,000 a year last year paid $114 billion in Federal taxes. Guess how much of the $114 billion was income tax? It was $12 billion. Mr. President $12 billion out of the $114 billion was income tax.

What other taxes do they pay? They are working people. They pay Social Security taxes. For years we heard from the other side that the cruelest tax of all is the tax on working Americans, the Social Security tax. What they are doing is essentially raising the effect of the Social Security tax on those working people, because the earned income tax credit offsets Social Security taxes and income taxes and excise taxes paid by families earning under $30,000 a year. And the Joint Tax Committee did not refute that. The letter refers only to income taxes, not Social Security taxes.

So let us be clear here. Let us be clear. There has not been one refutation of the fact that the earned income tax credit offsets Social Security taxes. And when you repeal it, you are essentially raising Social Security taxes on families earning under $30,000 a year. Why do this in the context of a bill where estates of $5 million get a $1.7 million tax cut? Tell me how is that good policy.

Then, of course, we are going to see a chart later, the famous growth chart, that will show that the earned income tax credit has increased dramatically in the last 3 years, how it is exploding since 1986. Every time, Mr. President, every time we hear that argument about the earned income tax credit exploding, remember, Mr. and Mrs. America, what they are saying is that working families are getting a bigger and bigger tax cut and they do not like it. Republicans want to reduce their tax cut. They want to raise taxes on working families.

So when you see that chart going up, that is not a chart of the growth of the earned income tax credit. That is a chart of taxes going down for working families in this country.

So when the distinguished Senator from Oklahoma puts that chart up—and I hope he puts that chart up at some point today—remember those bars that go higher and higher: Lower taxes on working families in America.

Mr. President, this is one of those moments that is so clearly defining that it really is even reachable by my own rhetorical skills. You do not have to be a great speaker when you have all the facts on your side, when you have no refutation on the other side, and when the choice is so clear—a $1.7 million tax cut for estates of $5 million? That is less than one-tenth of 1 percent of the estates in this country in any given year. So the contrast is clear: a tax cut of $1.7 million for estates versus a tax increase on working families.

The other side says, ''We did not increase it on families. We only increased it on single people earning under $30,000.'' Well it is true that single people are clearly getting a tax increase. That is true. But I can also give you plenty of examples of where you increased taxes on working families. Anybody who is single under 30, yes, you get a big tax increase—a big tax increase. Not a small one, a big one. And for many families, it is also true.

Mr. President, this is an issue that I think bears a very a strong vote in support of our effort to protect this tax cut for working families. Mr. President, I am prepared to yield 3 minutes to the distinguished Senator from West Virginia, who is on the floor now in support of this amendment.

Mr. ROCKEFELLER. The distinguished Senator from New Jersey is kind as always.

The PRESIDING OFFICER. The Senator from West Virginia.

Mr. ROCKEFELLER. Mr. President, I am going to be on the floor again today because the Republican rhetoric is not matching the reality and the Republican rhetoric is that the children's tax credit will help families.

In reality, too many families will be excluded from this credit because it is not refundable.

In fact, over 20 million children will not receive the full benefit. And these children are in families earning less than $30,000, families that need tax relief the most to make ends meet on a tight family budget.

To add insult to injury, not only do Republicans deny the credit to such hard working, low-wage families, Republicans are paying for it by imposing a tax increase on them with a $43 billion cut from the earned income tax credit [EITC].

The Republican leadership continues to claim that their tax package helps middle-class American families. And this sounds good, but I want to know how they define the middle class?

In my State of West Virginia, we believe that parents who go to work every day, and struggle to raise their children are middle class, admirable, and deserving of support and encouragement. Over 65 percent of our taxpayers are working hard but earn less-less than—$30,000. For such families they will lose, not gain under this bill.

West Virginians have a basic sense of fairness and common sense. They will know that this package and its claim of middle class tax relief are false when they fill out their tax forms in April 1997.

Just 2 years ago, these working families were promised tax relief. Now Republicans are reneging on that deal and raising taxes on families earning less than $30,000. For families with two or more children, their taxes will go up an average $483. For families with one child, taxes will go up an average of $410. This will hit over 77,000 families with children in my State of West Virginia alone.

But such numbers can be numbing. Let us get beyond the rhetoric, and look at real families.

A real family, like the Helmick family of New Milton, West Virginia, will be worse off, not better. The Helmick family has 6 children, ranging in age from 15 to 4. Mr. Helmick works full-time as a truck driver for a local construction company, and Mrs. Helmick is a full-time homemaker. In the past, they have used their EITC to buy baby furniture and to buy a used truck so Mr. Helmick has reliable transportation to get to work. Mr. Helmick will not get to claim the full tax credit for his children, and he will lose EITC benefits under the Republican plan.

This is a real working family that will be hurt, not helped.

And families like the Helmicks who can not claim the child credit and are hurt by the cuts in EITC, probably will not be claiming capital gains tax breaks either. For them, this package does little more than renew their cynicism since it reneges on promises made just 2 years ago when we told families to play by rules, go to work instead of welfare and we will offset your payroll taxes so that you do not have to raise your children in poverty.

I feel badly for 65 percent of families in West Virginia who will be hurt rather than helped by the Republican tax proposal.

I thank the distinguished Senator from New Jersey.

Mr. BRADLEY. Mr. President, how much time remains?

The PRESIDING OFFICER. The Senator from New Jersey has 3 minutes and 18 seconds remaining.

Mr. BRADLEY. Mr. President, I have one final point.

The purpose of the earned income credit was to offset income taxes that working families pay—working people—and Social Security taxes that working families pay, and excise taxes that working families pay. That is the purpose of it.

The other side has said this proposal that they have offered does not increase income taxes on 98 percent of the people.

What about Social Security taxes? What about excise taxes? Are they saying those are not taxes? Are they not saying that a working family at the end of the month has less money in their pockets because they paid those taxes? A working family has less in their pockets after this proposal passes because of the Social Security taxes that they do not have offset, and the excise taxes that they do not have offset. And if you are a working single person, forget it. You are going to have a serious increase in taxes. Those are the facts. Those are the facts.

One repeat of a statistic: Of the $114 billion in Federal taxes paid by families and individuals earning under $30,000 a year, only $12 billion of the $114 billion are income taxes. We offset all the others. They offset only the $12 billion.

In the context of a tax bill, where an estate of $5 million gets a tax cut of $1.7 million, I really want to hear the other side defend that estate tax provision.

I want to hear them make the argument about the family farm because I will have an amendment later that will protect the family farm, and it will cost $700 million as opposed to $3 billion over 5 years. Then we will be able to see the difference between the two parties. Even on that issue, one wants to protect the family farm, and the other, of course, wants to give a little bit more benefit to business corporations, and not only the family farm. I can understand why that is good politics for some. It certainly is not good politics. And it is certainly not good policy in the context of a bill that raises taxes on working families that deserve a tax cut, not a tax increase.

Mr. WELLSTONE. Mr. President, is there any time left?

The PRESIDING OFFICER. There are 27 seconds remaining.

Mr. WELLSTONE. If I could amplify a point made by the Senator from New Jersey, it is not good politics either because people in the country—in case anybody has not noticed—yearn for a political process that they can believe in, a political process where they think they are represented. This does not look like such a process. This looks like something good for big players, heavy hitters, those who have all of the influence, with the vast majority of the people shut out. This is not a regular person's standard with this kind of break.

Mr. EXON. Mr. President, for the record, I would like to have the Chair advise the Senate of the time remaining on both sides overall.

The PRESIDING OFFICER. There are 3 hours left for the Senator from New Mexico, and there are 4 hours and 45 minutes remaining for the Senator from Nebraska.

Mr. EXON. I thank the Chair. As I understand it, we have now used up all time and completed debate on the amendment offered by the Senator from New Jersey. As I understand it, we are about then, per the previous agreement, ready to take up an amendment that I understand is to be offered by the Senator from Florida who I believe is in or near the Chamber with regard to Medicaid funding.

Is that the understanding that has been tentatively agreed to as far as the other side is concerned?

Mr. ABRAHAM. It is my understanding that Senator NICKLES reserved 10 minutes of time to speak on this topic. I am trying to ascertain whether he intends to use it.

Mr. EXON. On the EITC issue.

Mr. ABRAHAM. That is correct.

Mr. EXON. Then we would go to the Medicaid amendment.

Mr. ABRAHAM. That is my understanding.

Mr. EXON. I thank my colleague.

Mr. ABRAHAM. We are trying to determine if that reserved 10 minutes will be used or not.

Mr. EXON. Since Senator NICKLES is not here, in order to conserve time, could we temporarily set that aside and allow the Senator from Florida to proceed with his presentation?

Mr. ABRAHAM. We would be happy to enter into a unanimous-consent agreement, and we wish to reserve the 10 minutes of time for Senator NICKLES for whatever time later that he might be available.

I move that we temporarily lay aside the EITC motion so that we might proceed to the next motion, I believe it is, while reserving 10 minutes of debate on our side for the EITC.

The PRESIDING OFFICER. Is there objection?

Mr. BRADLEY. Mr. President, reserving the right to object, what was the request on the EITC?

Mr. ABRAHAM. I do not think it is a request, simply a confirmation of an agreement reached last night for 10 minutes reserved for Senator NICKLES to comment further on the motion that the Senator from New Jersey has offered.

Mr. BRADLEY. There was a motion made last night? I do not think there was a motion last night relating to any time allotted to the other side.

Mr. ABRAHAM. The motion I believe is the motion of the Senator from New Jersey. I believe the agreement with regard to time on that motion is 10 minutes had been reserved.

Mr. BRADLEY. Reserving my right to object, my understanding is Senator NICKLES' amendment was on a second-degree amendment, and Senator NICKLES chose to withdraw his second-degree amendment. I do not think there was ever an agreement on time.

Mr. ABRAHAM. Mr. President, I propose to have Senator GRAHAM proceed. If he chooses to take time off the bill, we will for Senator NICKLES.

Mr. BRADLEY. Mr. President, I have no objection to time off the bill.

Mr. EXON. Mr. President, we can then proceed at this time in the usual fashion. I am pleased to yield 1 hour off the bill of time to be controlled by the Senator from Florida who wishes to address the matter, and I hope the Chair will recognize the Senator from Florida at this time.

The PRESIDING OFFICER. The Senator from Florida.

Mr. GRAHAM. Mr. President, could I ask the ranking member a question? Is the 1 hour under the control of the Senator from Florida, or is it 1 hour equally divided?

Mr. EXON. Under the usual procedures, there is 1 hour under the control of the minority. I have just yielded that 1 hour to the Senator from Florida, and, of course, there is also 1 hour for the Senator from Georgia.

The PRESIDING OFFICER. The Chair would inform the Members of the Senate that, since this is a motion, it is 1 hour equally divided between the sides. That would be 1 hour equally divided between the proponents of the motion, Senator GRAHAM, and 1 hour for the opponents under the control of the Senator from Michigan.

Mr. GRAHAM. Thank you, Mr. President.

Mr. President, in light of the limitations under which we will debate this matter, I will make a few opening comments, and then yield 5 minutes to my colleague from Minnesota.

Mr. President, one of the most significant but not adequately focused upon aspects of this debate is the impact which this reconciliation will have on the most important Federal-State partnership in existence, which is the Medicaid program. This program represents for most States——

The PRESIDING OFFICER. The Chair would inquire: Has the Senator sent the motion to the desk?

Mr. GRAHAM. I have not but I shall in a moment.

This represents for most States 40 percent, or more, of all of their Federal grant in aid programs for highways, education, and law enforcement. Forty percent of all of the funds which come from the Federal Government to assist States in providing services to their people come through this one program of Medicaid.

It is the safety net under our entire health care system. While it represents well under 10 percent of health care spending in terms of the Federal commitment to Medicaid, it represents the safety net for virtually 100 percent of our health care system.

Yesterday, I heard some speakers talk about the fact that we are involved in this reform not just because we need to balance the Federal budget, which many of us, including this Senator, strongly support and have voted consistently for measures that will move toward the balanced budget and are very pleased at the report yesterday that for the third consecutive year we have reduced the degree of the Federal deficit, but beyond that goal of balancing the Federal budget, we need to rid ourselves of failures, of programs that were not functioning, that in some cases were even counter-productive.

Mr. President, while I will suggest some areas in which I believe the Medicaid Program can be improved, I will state emphatically this program is by no definition a failure. In one very dramatic area, infant mortality, this program has contributed substantially to a dramatic reduction in infant mortality in virtually every State. It has resulted in more babies being born at term, at full birthweight, fully able to begin the developmental process, and then it has helped poor mothers to be able to continue the health care for those babies after they were birthed.

This program is a program which has had flexibility to respond to changing circumstances which range in every degree from changes in population to changes in economic circumstances to natural disasters that impose unanticipated burdens upon a particular State.

I will talk later about my concern of the proposals in this reconciliation bill for the severe cuts in the Medicaid program, cuts which will reduce the annual average increase to 1.4 percent in comparison to the private sector's estimate that over this 7 years, private sector health care will increase at 7.1 percent per American citizen over each of the next 7 years; that that kind of disparity represents not a fine tuning of the Medicaid Program but, frankly, a collapse of the Medicaid Program and its ability to serve as the safety net. And finally, that the allocation of funds among the 50 States in the rigid block grant formula is inequitable, perpetuating inequities in distribution which exist in the current law as well as rendering the program unable to respond to changes in circumstances among our 50 States.

MOTION TO COMMIT

Mr. GRAHAM. Mr. President, with those introductory comments, I send to the desk a motion to commit with instructions.

The PRESIDING OFFICER. The clerk will report the motion.

The assistant legislative clerk read as follows:

The Senator from Florida [Mr. GRAHAM] moves to commit the bill S. 1357 to the Committee on Finance with instructions: to report the bill back to the Senate within 3 days (not to include any day the Senate is not in session) making changes in legislation within that Committee's jurisdiction to eliminate reductions in the Medicaid program over the seven year period beyond $62,000,000,000 and reduce revenue reductions for upper-income taxpayers by the amount necessary to ensure deficit neutrality. In addition, the Committee is instructed to achieve the Medicaid savings through implementation of a Medicaid per capita cap with continued coverage protections and quality assurance provisions for low-income children, pregnant women, disabled, and elderly Americans instead of through implementation of a Medicaid block grant.

Mr. GRAHAM. Thank you, Mr. President. I yield 5 minutes to the Senator from Minnesota.

The PRESIDING OFFICER. The Senator from Minnesota.

Mr. WELLSTONE. I thank the Chair. I thank my colleague from Florida. I rise to support this motion and ask unanimous consent to be included as an original cosponsor.

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

Mr. WELLSTONE. Mr. President, I say to my colleague from Florida, I do not have much confidence about this 2,000 pages plus and what it is going to mean for people in my State of Minnesota that I represent.

The other day in the Chamber of the Senate I had an amendment. I did not mean for it to be symbolic. I thought there would be 100 votes for it. My amendment said that if by virtue of action we take in this reconciliation bill there are fewer children with medical coverage, also more children that are hungry, then we will revisit what we have done over the next year and we will take action to correct this damage. I could not get votes for that. I received 45 votes.

I come from a State with 425,000 Medicaid—we say medical assistance—beneficiaries, projected to be, I say to my colleague from Florida, 535,000 by the year 2002. My State of Minnesota does not have the slightest idea what in the world we are going to do in response to anywhere from $2.5 billion to $3.5 billion—we do not even know yet—of cuts in medical assistance. And I can tell you right now, in all due respect to my wonderful colleagues, in my not so humble opinion, I come from the greatest State in the United States of America. We have done some wonderful things. We are a compassionate State, and we will not walk away from the most vulnerable citizens.

So this a shell game for Minnesota, and for all too many of our States it is a shell game.

Mr. President, 300,000 children are medical assistance beneficiaries in my State of Minnesota, many of them in working families. We will not walk away from those children. So the counties are going to have to pick up the cost. It will be the property tax, Minnesotans.

In my State of Minnesota, we have done some wonderful things to make sure that people in the developmental disabilities community can keep their children at home, do not have to become indigent and poor to get assistance; that people with developmental disabilities may live lives with dignity. But I will tell you what is going to happen. With draconian cuts in medical assistance, my State will not walk away from this community. It all gets put back on the State, all gets put back on the counties. This is nothing but a shell game.

In my State of Minnesota, 60 percent—60 percent—of our medical assistance payments go to our nursing homes. I have been to a lot of those nursing homes, and a lot of the people who are the care givers ask the following question: Senator, what are we going to do with these reductions? We cannot live with these reductions and live up to standards. Are we going to let staff go? Are we going to redefine eligibility? Are there going to be fewer benefits?

This is not just the elderly. These are the children and the grandchildren as well.

This amendment really cuts right to the heart and soul of what we are about here. I was in a debate earlier. We have an estate relief tax break. For those Minnesotans who have $5 million in an estate, they are going get a tax break, I say to my colleague from North Dakota, of $1.7 million. Those are the kinds of giveaways we have. But at the same time we have draconian cuts in medical assistance for people with disabilities, for children and for elderly citizens. And in many ways, I say to my colleague from Florida, I think these reductions are perhaps the most problematical for the States we represent, the most problematical, the most awful, the most god-awful for the counties and local communities that we represent, because in my State of Minnesota we are not going to walk away from the citizens. Somebody is going to have to pay the bill. We are going to have to do it out of the local property tax, and that is going to be the most difficult way of all.

This makes no sense at all. This is, as I have said 1,000 times in the Chamber of the Senate, a rush to recklessness. This is a fast track to foolishness, and I wish my colleagues would look at their language and look at their statistics and look at their charts and read their sentences and understand what the consequences are going to be for the lives of the people we represent.

Let us have deficit reduction, but let us go after some other folks that can tighten their belts. Let us look at the subsidies to the oil companies, coal companies, pharmaceutical companies, insurance companies, estate breaks, and all the rest.

Let us not cut medical assistance to the point where we are denying quality health care for the people we represent. This is an extremely important motion. It is about fairness. It is about economic justice. And I say to my colleagues, it is also about good health care policy. The numbers should drive the policy. We need to have deficit reduction, but we cannot be reckless with the lives of the people we are here to represent.

The PRESIDING OFFICER (Mr. THOMAS). Who yields time?

Mr. GRAHAM. Mr. President, I yield 2 minutes to the Senator from Maryland.

The PRESIDING OFFICER. The Senator from Maryland.

Ms. MIKULSKI. Thank you, Mr. President.

I rise in strong support of the Democratic leadership amendment, the Graham motion. My Republican colleagues constantly remind us of how important family values are. And I think family values are fantastic, especially the one that says, "Honor thy father and thy mother." I think it is not only a good commandment to live by, I think it is a good public policy to implement.

I believe when we say, "Honor thy father and thy mother," we should have this in our Medicare Program and in our Medicaid Program. A substantial part of the Medicaid Program goes to services to the elderly who are in nursing homes. We have watched this program grow. And it is an important safety net to the American middle-class families. We must preserve Medicaid to be a safety net for the people who have no other resources for long-term care and also for those who are disabled, disabled Americans who rely on Medicaid because they cannot get private health insurance.

My dear father died of Alzheimer's. I could not reverse the tide of him dying one brain cell at a time, but I vowed I would devote my life to fighting for a long-term care policy. That is what the Spousal Impoverishment Act was, a protection, and what we passed in 1988. I am glad that we do not repeal spousal impoverishment. And I hope it does not erode.

I regret that we are now going to cancel out the protections of nursing home grants that looked out for people who were in nursing homes, who were too sick to be able to protect themselves, the laws that prevent restraints and the laws that prevent abuse, that mandates standards, so that when people who have Alzheimer's or Parkinson's or other dementia diseases where we need long-term care, even though we cannot change the course of the disease, we can ensure that they are in a safe, secure environment. We can be sure of a lot of things if we pass the Graham motion.

The PRESIDING OFFICER. The Senator's time has expired.

Mr. GRAHAM. I yield 5 minutes to the Senator from Massachusetts.

The PRESIDING OFFICER. The Senator from Massachusetts.

Mr. KENNEDY. Mr. President, it is entirely appropriate that today we focus on the other real aspect of the Medicare debate, and that is Medicaid. Medicare reduces the support for our seniors by 22 percent. The Medicaid legislation reduces it by some 30 percent. Today I want to talk for just a few moments about the children who are going to be adversely impacted by the current legislation that is before the Senate, unless the Graham amendment is passed.

Among the children—in 1993—9.5 million were uninsured. The best estimate is that, under current law, the number of uninsured children will increase to 12.6 million in the year 2002. Under the Republican proposal, 4.4 million additional children will be uninsured in 2002 for a total of 17 million. Even under current law, there will be an upward flow in the number of children who lack health insurance coverage, but the Republican plan makes it even worse.

Just 2 years ago, on a bipartisan basis, under the leadership of Senator ROCKEFELLER, Senator RIEGLE, and others, the Finance Committee passed a program to provide comprehensive health services for children up to the age of 18 who were at or below 185 percent of poverty. We have one intervening election and look what happens? We basically pull the rug out from underneath the children of this country. Eighteen million of them now have coverage under Medicaid. Ninety percent of those children are in families that are in the work force, either full time or part time. These are hard-working men and women at the lower level of the economic ladder that absolutely depend on this program for the range of health services that are provided under the Medicaid Program. And effectively, under the Republican proposal that is before us today, we are saying, ''No longer will there be the guarantees of the prescreening services, no longer will there be the range of different health services for the children in this country.'' And why are we doing it? To provide tax breaks for the wealthiest companies and corporations in this country and the wealthiest individuals in this country.

Not only are we pulling out the rug from underneath the children in this country, but, again, we are pulling out the rug from underneath the seniors by eliminating Federal standards in nursing homes. I was here in 1987 during the time that Congress held some of the most shocking hearings that we have ever had in the U.S. Senate, when we found out what was happening to our parents in nursing homes across this country. We found that there were shocking conditions. And Republicans and Democrats got together and passed minimal standards in order to make sure that our seniors were going to be able to live in nursing homes with some peace and dignity and quality care.

Under this Republican proposal, effectively, we are taking out those guarantees and taking out those standards and at the same time failing to provide the assurance for those seniors and those parents that there will be decent, quality care in the nursing homes of this country.

Mr. President, this makes no sense for the same reasons that the cuts in Medicare make no sense. The Republicans are taking the funds out of the protections for children and out of the protections for the seniors of this country, and using it for tax breaks for the wealthy individuals and corporations of this country. And, Mr. President, in order to remedy that, we should embrace the Graham motion. That amendment offers us the best opportunity to do so.

Medicaid is the companion program to Medicare, and the Republican assault on Medicaid is even more cruel and unfair than their assault on Medicare. The Republican plan would cut Medicaid by $187 billion over the next 7 years.

The country is up in arms over Medicare cuts that would mean a 22-percent reduction a year by the end of the budget period. By the end of that same period, Medicaid will be cut by a staggering 30 percent a year.

In large measure, the Republican cuts in Medicaid will strike another blow at the same groups hurt by the Republican cuts in Medicare—senior citizens and the disabled. Ten million elderly and disabled Americans are enrolled in Medicaid. Twenty-three percent of them—nearly one in every four—will lose their coverage. Seventy percent of all Medicaid spending under the program is for these two groups—the elderly and disabled—and much of it is for long-term nursing home care.

But there is also another group who will be especially injured by the Republican cuts—America's children. Seventy percent of Medicare spending is on the aged and disabled—but 70 percent of the people rely on Medicaid are children and their parents—a total of 18 million children and 8.1 million parents.

Every child deserves a healthy start in life. But under the Republican program, millions of families who have adequate medical care today will be forced to go without such care tomorrow. One in every five children in America depends on Medicaid. One in every three children born in this country depends on Medicaid to cover their prenatal care and the cost of delivery. These children are also guaranteed prenatal care, immunizations, regular check-ups, and developmental screenings. And, they are guaranteed the physician care and hospital care they need.

The vast majority of Medicaid-covered children—90 percent—are in families with working parents. Most of these parents work full time—40 hours a week, 52 weeks a year. But all their hard work does not buy them health care for their children, because their employers don't provide it and they can't afford it on their own. Even Medicaid fills only part of the gaps. Over 9 million other children are uninsured, and each day the number rises. Soon, less than half of all children will be covered by employer-based health insurance.

We tried to address this problem last year, but Republicans said no. Now, they are trying to undermine the only place where families without employer-provided coverage can turn for health care.

The Republican cuts in Medicaid will add 4 to 6 million more children to the ranks of the uninsured. When they are done—one in four American children will have no insurance at all.

These cuts will drastically increase the number of uninsured children. They will eliminate all the standards of quality that protect children today. The guarantee of prenatal care is gone. The guarantee of physician care is gone. The guarantee of hospital care is gone.

Under the Republican plan, senior citizens and the disabled are on the receiving end of a deadly one-two punch. Deep Medicare cuts, and even deeper cuts in Medicaid. Not only will one in four lose their Medicaid coverage, but they will be victimized by one of the cruellest aspects of the cuts—the elimination of any Federal quality standards for nursing homes.

Strong Federal quality standards for nursing homes were enacted by Congress with solid bipartisan support in 1987, after a series of investigations revealed appalling conditions in nursing homes throughout the Nation and shocking abuse of senior citizens and the disabled.

Elderly patients were often allowed to go uncleaned for days, lying in their own excrement. They were tied to wheelchairs and beds under conditions that would not be tolerated in any prison in America. Deliberate abuse and violence were used against helpless senior citizens by callous or sadistic attendants. Painful, untreated, and completely avoidable bedsores were found widespread. Patients had been scalded to death in hot baths and showers, or sedated to the point of unconsciousness, or isolated from all aspects of normal life by fly-by-night nursing home operators bent on profiteering from the misery of their patients.

These conditions, once revealed, shocked the conscience of the Nation. The Federal standards enacted by Congress ended much of this unconscionable abuse and achieved substantial improvements in the quality of care for nursing home residents.

Yet the Republican Medicaid cuts eliminate these Federal standards. It does not modify them. This bill does not reform them. It eliminates them. The House bill even repeals the nursing home ombudsman program that provides an independent check on conditions in nursing homes.

In addition, the cuts in Medicaid are so deep that even conscientious nursing home operators who want to maintain high quality care will be hard-pressed to afford the staff and equipment necessary to provide it.

It is difficult to believe that anyone, no matter how extreme their ideology, would take us back to the harsh nursing home conditions before 1987. But that is exactly what the Republican plan will do.

The Republican plan for Medicaid is an outrage. It says that society does not care about the most vulnerable groups in our country—senior citizens, children and people with disabilities.

In a very real way, Medicare and Medicaid is a lifeline for tens of millions of Americans who have nowhere else to turn. Without access to Medicare and Medicaid, many healthy children and many senior citizens will become sick and many will die. This bill can fairly be called The Sick Child and Dead Senior Citizen Act of 1995.

It is wrong, deeply wrong, to put millions of our citizens at much greater risk of illness and death in order to pay for tax breaks and special favors for the wealthy and powerful. Greed is not a family value. Republicans in Congress who intend to vote for these harsh and extreme cuts should think again before they wash their hands of their responsibility for the consequences of their votes.

These Republican proposals are too harsh and too extreme. They are not what the American people voted for last November. They should be rejected out of hand by Congress.

I withhold the balance of my time and yield it to the Senator from Florida.

The PRESIDING OFFICER. Who yields time?

Mr. ABRAHAM. Mr. President, at this time I would yield 10 minutes to the Senator from Missouri.

The PRESIDING OFFICER. The Senator from Missouri.

Mr. ASHCROFT. Mr. President, thank you very much.

I think it is important to put the reforms that are proposed by the majority into context here and to try and speak about those reforms in rational language, instead of the panic and paranoia that has been expressed regarding those reforms.

It has been represented on the floor of the Senate today that the block grant program for Medicaid as proposed would be a collapse of the Medicaid system. I think that is an overstatement by a substantial amount.

Let me just address the issue of what kind of collapse could happen in the event we were to have the block grant program. We began in the State of Missouri, my home State, in which I had the privilege of serving as attorney general for 8 years and Governor for 8 years, a total of 16 years. During that timeframe we began to use managed care under a special waiver from the Federal Government to deal with the needs of those who needed assistance in regard to their medical needs.

And as a result of our experience with that, we have come up with some idea of how much we could do if we were given a block grant compared to what we were able to do under the Federal system of bureaucratic intermeddling and a one-size-fits-all Washingtonian Medicaid Program.

Now, it should be noted after I left the Governor's office almost 3 years ago now, my successor, who is a Democrat, maintained largely the same set of professionals to run the program, so that the individuals who will talk about the program from that experience are not partisan individuals. Earlier this year, the director of the program in the State of Missouri indicated if they had a block grant, they could increase the number of individuals covered from 600,000 under the Federal plan, to 900,000 if they had the flexibility of doing with the funds what a State could do under the flexibility of a block grant.

Now, I do not call the extension of medical services to an additional 50 percent a collapse of the system. I call this an empowerment of State and local governments to be able to do something that they may or may not deem necessary. It gives them the flexibility to meet the needs of the indigent rather than to define this in terms of a collapse.

I was interested with the statement, particularly because it was now a statement from an individual in a Democratic administration of a Midwestern State. And after it appeared in the newspapers around my State last January, I inquired of the individual who came to my office to talk about these proposals in the summer. And I asked him point blank, ''Is this the fact that you could increase the coverage from 600,000 people to 900,000 people if you were absent the redtape, if you had the same amount of money on a block grant?'' His direct testimony was ''yes.''

Now, that is not a collapse of the system. Now, it may be politically expedient to talk about scare tactics and to talk about collapses, but the truth of the matter is, we are not going to provide the basis for a collapse. We are going to provide the basis for meeting needs, and meeting them effectively. And just a few moments after we had the collapse theory expressed on the floor here today, we had the we would not have the slightest idea of what to do theory expressed on the floor today.

I cannot believe that a State as profoundly well disposed as Minnesota would not have the slightest idea in terms of how to meet the needs of their citizens. It is stunning to me. As a matter of fact, they could look to the State of Missouri, or a number of other States, to find out.

Let me just tell you some of the Missouri experience. As a matter of fact, even if we do not have this major reform, Missouri is going to try and continue to expand its ability to serve through managed care. Next year, Missouri would have half of all of its recipients on managed care.

What does the system look like? What does the system look like if States have the right to design the system, because they have been given a partial right in my home State? Here is what it looks like in St. Louis.

Last year, they decided to offer to Medicaid individuals the option for managed care. They asked companies that can provide that managed care to provide proposals. There were eight or nine companies that competed to provide proposals. Seven of them were authorized as a menu so that the people who have needs could get those needs met in a managed care system.

People choose the HMO. People choose the provider system that they want. Nine out of every ten recipients of the program make a choice. The other 10 percent have to be assigned by the State. They do not have enough interest in their medical care to even make their own choice, but they are assigned.

What is interesting to me is this: That at the end of every year, including our pilot program in Kansas City and St. Louis, individuals have a right to switch from one system to another.

If this were a draconian system, if this were an abusive system, if this were a system where there was lots of dissatisfaction, you would expect to see a lot of people switching at the end of every year. You would expect to see people trying to find a better way, looking for a different company, finding a different provider. You would expect to see a tremendous outpouring of rejection of the system of managed care that the block grant would really endow every State with the capacity to implement.

Do you know what? Do you know what the rate of changing providers is every year at the end of the year in the State of Missouri? The rate is 1 percent. There is a 1-percent dissatisfaction rate, individuals—well, they may not be dissatisfied, they may just try something else or they may move to a different part of the city so a different provider would be more convenient for them.

A 1-percent—1 percent—change rate does not indicate a system which is in collapse. It does not indicate a system which is in chaos. You do not have a 1-percent change rate if your system is one where they do not have the slightest idea about how to meet the needs. When you have a 1-percent change rate, you are really doing well.

I cannot imagine a federally operated system where 99 percent of the people were lauding the system and endorsing it by their sticking with the program, in spite of the fact they had six or eight other options from which to choose.

It has been said this is a shell game. Well, Mr. President, I say to my colleagues, it is a shell game all right to propose that this is chaos or this is collapse. We are not talking about reducing our commitment to individuals who are medically needy. We are talking about our ability to provide for ways of meeting their needs more substantially. If in Missouri we could expand from 600,000 to 900,000, just with ripping out the red tape, it is a shell game to say that we want to keep the old system.

Forty percent growth over the next 7 years in the resources—and if you could have a 50-percent increase in the number of recipients with the current amount of funds and you provide a 40-percent growth, this is empowerment, this is not shell, this is not collapse, this is not chaos, this is compassion, and I mean that seriously.

I just want to say that when we hear these arguments indicating that, ''Oh, we're not going to be doing enough; there are children that are going to''—we have a system which is in collapse. We have a system which is in chaos. It says if to endow States with the capacity to correct the errors is going to promote collapse or chaos, we have collapse and chaos. That is what has happened in the welfare system of the United States. It not only collapsed financially, it has collapsed in terms of its humanity, and it is wasting resources. It is supporting in my State 600,000 people when the same resource could be supporting 900,000 people for medical care.

I might add that in the State of Missouri, this is not a State where we have to spend a whole lot of money to get the 99-percent satisfaction rate. Missouri is far below the national average when it comes to the kind of resources that are required to meet the needs of the medically needy.

So let us just try to set the record straight for a moment. Giving States the right and the opportunity to have cost reduction does not mean they are going to reduce the services. It may mean we are going to improve. It has in the State of Missouri, and I think it can in every other State.

Asking States to exercise their ingenuity in their capacity to rescue a failed system from the Federal Government does not mean we do not have the slightest idea about how we can meet the needs of individuals. I think that is an overstatement, even for Minnesota. I believe they will have a good idea, and I believe they can make it work.

This is an opportunity we have to change a failed system and to move from a failed system to a system that can succeed. It is not a tightfisted opportunity. It is not an opportunity that does not recognize that there will be additional needs. It is a system which provides for reasonable growth, but not unbridled expansion.

I thank the Chair.

The PRESIDING OFFICER. Who yields time?

Mr. GRAHAM. Mr. President, I yield 2 minutes to the Senator from West Virginia.

The PRESIDING OFFICER. The Senator from West Virginia.

Mr. ROCKEFELLER. Mr. President, I thank the distinguished Senator from Florida, and I certainly support his motion to commit.

Mr. President, what happens to parents who are struggling to try to balance the raising of children and, at the same time, caring for aging parents under the Republican proposal? If a working family gets a new child tax credit but loses Medicaid nursing home coverage for an aging parent, what is the overall effect on that family? The child tax credit is $500 for some families. Not in West Virginia where two-thirds of our families would not get it.

Let us say for some families it is $500 a year, but the loss of Medicaid nursing home coverage in West Virginia would cost from $25,000 to $35,000 per family, because that is what a nursing home costs if you have to pay it yourself.

An example, Julie Sayers of Charleston, WV, cares for her mother who, as the Senator from Maryland was talking about, suffers from Alzheimer's disease, and she cared for her as long as she could at home, as children want to do, but when it came to the point that she could not care any longer, she had to take her mother to a nursing home.

Julie in this case gets a partial child tax credit, much less than $500 under the Republican package, but she cannot get Medicaid coverage for her mother in the nursing home. So what good is it, the child tax credit? What damage does the Medicaid cut do—$182 billion, $187 billion for a tax break for the wealthy.

Julie and her family are going to be a lot worse off under the Republican proposal, not better off, but worse off, and this is a real person caring for a real mother with Alzheimer's in West Virginia today.

Mr. President, I understand Medicaid needs reform, and Senator GRAHAM recognizes that there are responsible ways to reduce the rate of growth in Medicaid spending, but we really should not get down to the business of throwing seniors out of nursing homes. We really should not do that. That, in my judgment, is what the Republican amendment does.

The PRESIDING OFFICER. The time of the Senator has expired.

The PRESIDING OFFICER. Who yields time?

Mr. ABRAHAM addressed the Chair.

The PRESIDING OFFICER. The Senator from Michigan.

Mr. ABRAHAM. Mr. President, parliamentary inquiry. How much time remains?

The PRESIDING OFFICER. The Senator from Michigan has 20 minutes. The Senator from Florida has 13 minutes.

Mr. ABRAHAM. Thank you, Mr. President.

At this time, I will yield 10 minutes to the Senator from Tennessee, Senator FRIST.

Mr. FRIST. Mr. President, I rise to speak against the amendment and in support of the underlying bill before us. I wish to take a few minutes to outline where we are going with Medicaid today. I have had the opportunity to spend some time in the private sector on Medicaid, and we have huge challenges there—challenges before me as a physician, before hospitals, before the beneficiaries and groups of people that, all too often, could fall through a safety net, and, in fact, today are falling through safety nets. Why? Because of excessive and burdensome regulations we put on the States that prevent the States from carrying out their mandate to provide that safety net through this joint Federal and State program called Medicaid.

The program is not working today. In fact, as most people know, only about half of the people under the poverty level are served by Medicaid today. It was Gov. Bill Clinton speaking before the House Operations Committee, in December of 1990, who said it, laid it out, clearly—as clearly as any of us could today. He said, ''Medicaid used to be a program with a lot of options and few mandates. Now it is just the opposite.''

The problem is that a well-intentioned program—once again, now 30 years old—has layered mandate upon mandate, regulation upon regulation, where we have tied the hands of our regulators, State governments, where they cannot carry out this important goal of serving people who are in need, or who cannot provide for themselves otherwise. The problem is crystal clear.

Again, it is one of these problems which has been laid out before us, which our Governors have told us about, which anybody who has participated in the system at a doctor-patient level, or at a level this Congress could recognize or should recognize. This underlying Republican plan will go a long way toward resolving that problem. The problem is that Federal spending has doubled over the last 5 years. It has doubled the amount of money that is put in from the Federal Government, without any observable improvement in services delivered.

The problem at the State level is that 20 percent, on average, of a State budget now goes to a Medicaid program, and that 20 percent is growing faster and faster and crowding out other State responsibilities.

Third, and probably most important, is the excessive regulation we impose by running this program and micromanaging this program out of Washington, DC, which results in waste, which some resources could be translated into very effective care for populations in need.

Now, the Republican Medicaid plan basically does one thing. It says we cannot micromanage the health care for the populations that have been defined out of Washington, DC. We have failed. We have not been able to control costs, and are only serving about 50 percent of the people under the poverty level.

What we have said overall in this bill is that we are going to give that responsibility to the States, to the people who are closer to home, who can identify the individual needs, strip away the thousands and thousands of regulations which tie the State's hands, and say you address the problem in the way that you see fit. But there are certain ramifications and certain general, broad areas that we say it is important to target.

In this bill we have said that 85 percent of current spending levels for mandatory services are for three distinct populations: One, families with pregnant women or children; two, individuals with disabilities; and, three, the indigent seniors.

The transformation of Medicaid will be, again, very simple. If we compare the old Medicaid to the new Medicaid program, in the past Medicaid has had an open-ended entitlement. Under the new Medicaid, we will move toward this concept of block grants, allowing States to control their dollars. Under the old Medicaid, we had Federal mandates with micromanagement, coming out of the beltway, out of the bureaucracy here in Washington. And under new Medicaid, we give States the flexibility to design the types of plans they think best identify the needs and meet the needs of their citizens.

Under the old Medicaid, it is expenditure-driven, increasing at a rate of about 17 percent a year, again and again. Under the new Medicaid, it will be needs-driven. Under the old Medicaid, there have been unlimited growth rates.

In my State of Tennessee, Medicaid grew by 40 percent just 3 years ago. There is no tax base that can keep up with 40-percent growth. Under the new Medicaid, Medicaid will continue to grow—continue to grow on a base year of 1995, in our particular plan, and grow at a rate of 7 percent next year, and then it will vary thereafter, according to formulas developed by the States.

Again, looking to my own State of Tennessee, what is one of the fundamental problems? On this chart is the Medicaid expenditure growth from 1986 out to 1993. You can see that, on average, as illustrated by the red going across, the growth in Tennessee has been about 22 percent. And remember, this growth of 20 percent is competing in a State budget for other issues, whether it is infrastructure or education; it is crowding out other State expenditures. In 1992, you can see, in one State we had growth rates in Medicaid of 44 percent. It was about 14 percent in fiscal year 1993.

Well, in Tennessee, we looked at three solutions: No. 1, raise taxes again and again and again. That is what we have done a number of times over the last decade. The American people have said, ''We do not want to have our taxes raised again and again.''

Second, we can go through massive health care reductions. In Tennessee, we said ''no.'' Or we can undergo fundamental change. Tennessee is one of six States who got a waiver from HCFA in order to carry out a plan. The plan has had mixed results. Let me show you what the results have been overall. It was a program called TennCare.

Given the flexibility we want to give all 50 States—and only 6 have it today—there were 12 competing managed care organizations who, through a total demonstration project, assumed the care for about 1 million people in Tennessee. Primary care access has been improving over time under the program compared to the old Medicaid system. Nonemergency use of emergency rooms has gone down over time. The number of in-patient hospital days has gone down over time. And the overall budgetary expenditures have been met. In fact, growth there has been flat. But the exciting thing is that the quality of care has increased by overall objective standards and, not only that, the number of people covered has been markedly increased.

In 1993, before this reform plan, if you took the overall population of Tennessee, coverage was 89 percent. By using those Federal dollars sent to the State more wisely, more effectively, with all of the Government regulations stripped away, we were able to improve our overall coverage for all people across Tennessee from 89 percent to 94 percent.

So when you hear that by giving States more flexibility we are, in some way, decreasing access, you can look to Tennessee and say that we are one State that had regulations stripped away and were given that freedom to carry out a program that they thought best identified and covered the needs, and we were able to improve access across the State from 89 percent to 94 percent.

If we look at overall expenditures by allowing one State the flexibility to carry out their program, stripped away of the Federal regulations, we can see, when you compare Medicaid versus the new program called TennCare, which is in yellow here, the overall Medicaid projections growing at 20 percent a year, which are in the color red. The year is along the axis here. Starting from 1987, 1995 to 1998, we can see we have had this progressive growth up to 1995. If we had done nothing in Tennessee, the growth would have continued at 20 percent a year. But having an element of coordinated care, growth has been restrained over time. This is translated into savings for the American people, again, with good quality of care, and expanded coverage, in terms of the number of people covered.

So the final question is: Why can everybody not do what Tennessee did? Well, Oregon might want a different type of system; Hawaii might want another type of system; Missouri might want another system. Let us let people closer to home decide that, but we have to strip away the regulations.

In addition, the other comment might be, well, why cannot people get waivers like Tennessee did—and I participated in that process so I can tell you it is a huge burden to get the waiver.

In fact, on September 22, in a letter sent to the commissioner of the department of finance and administration in Nashville, TN, there are another 9 pages of terms and conditions for Tennessee to try to adhere under. We would do away with those regulations under the Medicaid proposal.

For all these reasons, I support the underlying bill and speak against the proposed amendment.

Mr. GRAHAM. I yield 2 minutes to the Senator from California.

Mrs. BOXER. Mr. President, I cleared it with the managers that I can have 2 minutes off bill debate time and I ask unanimous consent that I be allowed to do that.

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

Mrs. BOXER. Thank you, Mr. President. I will speak to this issue for 4 minutes.

Mr. President, today we learned on the news that America is finally getting it. Mr. President, 57 percent of the people in the latest national poll say that the Republicans are gutting Medicare to pay for a tax cut for the rich.

It has taken awhile for the message to come through but people are waking up to the truth. The Republicans are gutting Medicare. They are gutting Medicaid. They are raising taxes on those who earn less than $30,000 a year to help fund a tax break for the wealthiest Americans. Those who earn over $350,000 a year do just great.

By the way, if you are one of those lucky people to have a $5 million estate, pop open that champagne because unless we Democrats prevail you are going to get millions of dollars back.

Today, the Senator from Florida is giving all Members a chance to modify this radical and extreme budget as it relates to Medicaid.

I have listened very carefully to Senator FRIST, to Senator ASHCROFT, and neither of them address the main issue addressed in this amendment, which is the devastating nature of these cuts, the very size of these cuts.

Let me put it into perspective. In America today, the Medicaid Program costs $90 billion a year. The Republicans want to cut $187 billion out of that. That is 2 years—more than 2 years of expenditures of the Medicaid program over a 7-year period. They are cutting 2 years of Medicaid out of 7 years.

I ask, as a person who works for a living, over a 7-year period, could you afford to be unemployed for 2 years?

Could you afford to lose that much income and pull your family together? I think it is clear that the answer is no.

Do you know what the cuts mean to California? Mr. President, $18 billion. Millions of children will not be served. Millions of working poor will not be served. Emergency rooms will close. Trauma centers will close.

My friends say, oh, there is so much room to be more efficient. California is the most efficient in the Nation. How do we get more efficiency out of a system that is already the most efficient?

The answer is that people will be kicked off the program. Who are these people who are on Medicaid? We should look at them. Who are these people on Medicaid? They are the most disabled people among us, the most disabled children among us—children with spina bifida, children with cystic fibrosis. They are the working poor who cannot get insurance. They are the down and out who maybe lost their job and need help.

By the way, they are the seniors. Two-thirds of the seniors in nursing homes are on Medicaid. I do not know if you have been to a nursing home lately, but buried in this bill is a provision to repeal national standards for nursing homes.

We are not only cutting all of this, we are gutting the standards.

Now, I heard Senator ROTH, the distinguished chairman of the Finance Committee, on the radio this morning saying, ''These Democrats, they do not want change. They want the same old thing.''

I want to respond to that. We Democrats want change, but there is a difference. We want good change. We want change that is good for America.

President Clinton has a record of change—more jobs, less unemployment, AmeriCorps, lower deficit for the first time 3 years in a row since Harry Truman. That is good change.

This is evil change. This is bad change. This is greedy change. Support our friend from Florida.

Mr. ASHCROFT. Mr. President, the Senator from California spoke as if there were going to be decreases in the amount of funding.

I think it is important to just call to the attention of the American people that when we refer to cuts here in Washington we are referring to cuts in the amount of increase. We are not going to take 2 years out of the funding of the next 7 years. We are going to reduce the level of increase. We will still have a 40-percent increase in the amount of resource available.

It is important that we define the situation in terms that the American people would normally use. In that respect, we have a 40-percent increase in funding.

Mrs. BOXER. Will the Senator yield on that point?

Mr. ASHCROFT. Your comment referred to my argument and I choose not to yield.

The second thing that the Senator from California said, how can you get a system more efficient? I think it is clear, we allow States to develop the efficiencies that provide for as much as a 50 percent increase in the delivery of services.

The fact of the matter is, that is what has been shown in the pilot projects in Missouri. Our director of Medicaid says that if he could just get rid of the Federal regs he could move from 600,000 people to 900,000 people with the same amount of money. That is how you get more efficient—take the onerous one-size-fits-all Federal Government out of the picture.

I yield 6 minutes of our remaining time to the Senator from Wyoming.

The PRESIDING OFFICER (Mr. FRIST). The Senator from Wyoming.

Mr. THOMAS. Mr. President, would it not be interesting to be some kind of out-of-touch observer and walk out and listen to the last day or so, the conversation. It is not a debate. It is posturing conversation.

I just walked in and listened. It would be pretty hard to follow. It would be pretty hard to try and establish from listening here what the goals were and what the purpose was, particularly from our friends on the other side of the aisle.

I think you have to conclude certainly we are not all coming from the same base of facts. I think you have to conclude that in some cases there is not even any clearly defined goals that are being pursued on that side of the aisle.

I think you would have to conclude there is quite a different philosophy—a philosophy of maintaining the status quo, of attacking the proposals without any particular plan, to continue the growth of Government and the size of spending. That would have to be the goal that you would assume from the conversation.

You would be confused when you hear constantly time after time this idea that you are reducing Medicare so that we can increase tax cuts.

The fact of the matter is that part A of Medicare is financed by withholding from wages. It goes into a trust fund. You have two choices when it is growing at 10.5 percent. You can either do something about the cost and reduce that rate of growth or you can add more to the withholding.

I do not hear that proposition being done. Those are the choices. It has nothing to do with taxes. It has nothing to do with balancing the budget. If the balanced budget was not in the picture, you would be talking about how do you take care of part A in Medicare. You do not hear that. That is a fact. That is a fact.

You can probably balance the budget it we stop using all the charts that we have out here, for one thing.

We do have a plan. The Republicans do have a plan. The plan is to balance the budget instead of more debt. A responsible thing we need to do for our kids as we go into another century, we have a plan to have some middle-class tax cuts instead of increasing—the largest increase we ever had—like last year.

I hope we get on into this earned-income tax credit, this 50 percent of people's taxes going up. That is just not the case. You might be reducing some of the payments that have been going under earned-income taxes—it is not increasing taxes. We know that.

We ought to be talking about Medicare solvency. That is what our purpose is. We ought to be talking about jobs and opportunity, instead of welfare dependency. That is what we are talking about here, making some changes that have not been made for years. My friends start by saying yes, we need changes, and then resist them. That has become the pattern here.

Let me tell you just a little bit about Medicaid in Wyoming. Republicans surely have taken a historic approach to it. In Wyoming, spending will rise on Medicaid from $110 million in 1996 to $168 million in the year 2002. That is not really a cut, is it? On an individual basis, the average Federal grant for each person in poverty will grow from $2,188 to $3,263, hardly a cut.

Certainly we need more flexibility. We have heard from some of the former Governors. We heard, of course, from the Governors in the States who say give us more flexibility and we can take these dollars and more effectively run the program. The Governors have asked for more flexibility. The Republican bill mandates benefits for low-income pregnant women, children up to 12, elderly and disabled as defined by the State—those are mandates that are there that, indeed, some of the Governors are objecting to.

Medicaid, as the Senator from Tennessee indicated, has exploded in terms of its growth rate; an annual rate of 19.1 percent between 1989 and 1994. You cannot sustain that kind of growth. So you need to look for ways to deliver the system, to deal with the core problems and that is helping to reduce the costs by giving more flexibility to States to shape their programs. The program in Wyoming for the delivery of Medicaid needs to be quite different than the program in West Virginia or Massachusetts, and we need the flexibility to do that.

So, Mr. President, we have talked about the benefits. States will meet a minimum spending level of Medicaid. For low-income pregnant women, children up to 12, elderly and disabled as defined by the State, States will be required to spend at least 85 percent of the amount they spend in 1995. They will be allowed to put together programs like AFDC and Food Stamps if they choose, to put together a package of benefits.

Regarding nursing home standards, the committee responded to the Governors' requests by granting them authority to write standards under Federal guidelines. States must establish and maintain standards for quality care, which must be promulgated through their State legislatures—people, I suppose, who have no caring for the elderly. I do not believe that. Most of you have served in State legislatures. Do not tell me the States do not care. I cannot believe what I hear from time to time about that.

So, we do need to make changes if we want to continue to have a program that delivers services. That is what it is all about. I think we ought to take a little look at the long-term goals and the breadth of the goals that are in this bill. They have to do with balancing the budget. They have to do with job opportunities. They have to do with dealing with some of the problems which have brought us to where we are.

I really wish we could talk just a little bit more about the facts. For instance, this tax business that we hear every time someone stands up. Tell me a little bit about part A of Medicare and how that gives a tax offset. I would like to know more about that.

The PRESIDING OFFICER. The time of the Senator has expired.

Mr. THOMPSON. I yield the floor.

The PRESIDING OFFICER. Who yields time?

Mr. GRAHAM. Mr. President, I yield 90 seconds to the Senator from Alabama.

Mr. HEFLIN. Mr. President, I want to make a few remarks about the effects of the proposal to reduce projected Medicaid expenditures by over $186 billion over 7 years on those in Alabama—poor mothers and children, the disabled, and the elderly—who count on Medicaid for their medical and long-term care.

First, and most importantly, the Republicans proposal, if adopted, would immediately place the Alabama Medicaid Program in a state of utter chaos. It would place a gun to the head of the Governor and State legislature. They would be forced to make immediate, savage cuts—about 21 percent—in the program. These cuts, over $386 million, would have to be imposed the current fiscal year, starting in the second quarter of the year.

Let me be very clear about this. These cuts would be imposed on the Medicaid budget that has been in effect since October 1, 1995. The only alternative available to these cuts would be an immediate major increase in taxes on the people of Alabama. This would not happen given the ‘‘no new taxes’’ pledge of our Republican Governor.

My second observation is that this sudden cut is only part of the almost $3 billion hit the Republican bill would impose on Alabama. I know the other side claims that Alabama and other States can easily handle these cuts by achieving greater efficiencies in the program. Well, sure they can, and I can tell you how. They can cut poor people off the program by restricting eligibility. For those who remain, access to care can be cut by simply reducing payments to providers, doctors, hospitals, and nursing homes, below the costs of their services. At that point, these services will no longer be available.

Finally, Mr. President, our Republican colleagues repeatedly assert that all of these cuts are not real, they are simply reductions in the rate of increase. However, as we have finally had an opportunity to examine the details of the bill, we find that in some important instances this is simply not the case. For example, the Medicaid proposal cuts funds going to hospitals that care for a disproportionate share of patients that do not have insurance or other means to pay for their care as reduced immediately by 56 percent. I repeat, this is a real cut of $185 million. According to Dr. Claude Bennett, President of UAB, almost 30 percent of Alabamians are medically indigent and responsibility for providing care to them falls largely upon their University Hospital. Dr. Bennett is correctly concerned that it can continue to shoulder this burden which will surely increase in the face of these cuts.

Now, I know, Mr. President, that in the backrooms the majority is continuing to cut deals in an effort to fix up this disaster. States are pitted against States. If Alabama gets its situation improved, which it must, the poor in some other States will suffer. The bottom line is this—these Medicaid cuts are simply too much, too soon. Our State will not be able to cope without hurting people. We must rethink what we are doing.

REAL FAMILIES VERSUS REPUBLICAN RHETORIC

Mr. ROCKEFELLER. Mr. President, Republican rhetoric is that working families will be helped, but I question if this will be true for real families in West Virginia.

This Republican package seeks to cut Medicaid funding by a whopping $187 billion over 7 years. But people deserve to understand what such harsh cuts mean. Medicaid covers poor children, pregnant women, the disabled, and low-income seniors who need nursing home care. What happens to these people and their families when we slash Medicaid funding?

Coming from West Virginia, when I think of a family, I think about the children, parents, and grandparents. What happens to parents struggling to balance raising children and caring for aging parents?

If a working family gets a new child tax credit but loses Medicaid nursing home coverage for an aging parent, what is the overall effect on that family? The child tax credit is $500 a year for some families lucky enough to qualify, but the loss of Medicaid nursing home coverage will cost those same families $16,000 to $30,000 a year.

For example, Julie Sayres of Charleston, WV cared for her mother who suffers with Alzheimer’s disease as long as she could at home. But as her mother’s illness got worse, she had to move to a local nursing home where Julie can visit her daily. Julie may get a partial child tax credit of $500 under this package, but if she cannot get Medicaid coverage for her mother in the nursing home when her mother’s meager savings are exhausted, Julie and her family will be much, much worse off. That child tax credit will not cover even a month of nursing home care for her mother.

This is real story about a family hurt, not helped by this package.

In my State of West Virginia, over 21 percent of our residents rely on Medicaid, and I worry about what will happen to them and the health care system in my State as it tries to absorb more than $4 billion in cuts—West Virginia simply cannot afford this.

A headline from the Charleston Daily Mail last week reads: ‘‘[Medicaid] Cuts May Affect Infant Mortality.’’

This catches one’s attention. It demands closer scrutiny and careful thought. The article reports:

> With the help of Medicaid-funded programs, West Virginia’s infant mortality death rate decreased from 18.4 deaths per 1,000 in 1975 to 6.2 deaths per 1,000 in 1994, better than the national rate of 8.0 deaths per 1,000 births.
>
> Medicaid has greatly increased poor women’s opportunities to get medical care, said Phil Edwards, the administrative assistant for the Bureau of Public Health’s Division of Women’s Services. ‘‘By making them eligible, they go in for prenatal care earlier than they would otherwise,’’ he said. ‘‘Every dollar you spend on this side in prevention, you save four on the other side where you don’t have to treat an at-risk patient,’’ Diane Kopcial of the state maternal and child health office said.

Mr. President, I believe this article should make us all stop and think before we impose such cuts in Medicaid. Do we really want to jeopardize nursing home care for seniors? Do we really want to slide backward on infant mortality?

I do not want to go backward. I understand that Medicaid needs reform and our amendment recognizes that there are responsible ways to reduce the rate of growth in Medicaid spending. But we should not throw seniors out of nursing homes, deny poor mothers access to prenatal care and possibly return to times when our infant mortality rate rivals some Third World countries, or turn our backs on the disabled.

We should think about the real families in West Virginia and cross this country who depend on Medicaid for basic, vital health care.

Mr. President, I ask unanimous consent that the full article from the Charleston Daily Mail, be printed in the RECORD.

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

[From the Charleston Daily Mail, Oct. 20, 1995]

CUTS MAY AFFECT INFANT MORTALITY

The state Medicaid Crisis Panel began wrapping up its work as health officials expressed concern that federal cuts in the program could reverse progress the state has made reducing infant deaths.

The panel appointed by Gov. Gaston Caperton will recommend ways to cut $200 million out of the Medicaid program this year to balance the budget. It recommend long-term changes that should prepare the program to handle likely federal cuts.

Medicaid is a health care program for the poor and disabled. The federal government pays 75 percent of the cost and the state pays the rent.

At the insistence of Administration Secretary Chuck Polan, the Department of Health and Human Resources will prepare a priority list of money-saving measures it already is taking and those it thinks the state should take.

The list, with the amount each change would save, will be presented at the panel's meeting next Thursday.

The group will begin discussing its recommendations then, but will meet final time on Oct. 29 to reach an agreement, said Chairman from Haywood.

Meanwhile, state health officials and worried that proposed federal Medicaid cuts could increase infant mortality.

With the help of Medicaid-funded programs, West Virginia's infant death rate decreased from 18.4 deaths per 1,000 births in 1975 to 6.2 deaths per 1,000 births in 1994, officials said. The national rate is 8.0 deaths per 1,000 births.

Diane Kopcial of the state maternal and child health office said that when Medicaid expanded in the 1980s the state:

Recruited physicians to care for Medicaid patients.

Built a referral system with hospitals in Charleston, Morgantown and Huntington.

Began the Right from the Start program to serve Medicaid-eligible woman during their pregnancies and 60 days after they give birth. It also serves infants up to age 1. The program provides nutritional counseling, parenting education, and transportation to medical appointments.

The Women, Infants and Children program also provides nutrition and health education, free food and breastfeeding information for women and children under 5.

Medicaid has greatly increased poor women's opportunities to get medical care, and Phil Edwards, the administrative assistant for the Bureau of Public Health's Division of Women's Services.

''By making them eligible, they'll go in for prenatal care earlier than they would otherwise,'' he said.

''Every dollar you spend on this side in prevention, you save four on the other side where you don't have to treat an at-risk patient,'' Kopical said.

Mr. SARBANES. Mr. President, I rise today to join my Democratic colleagues in opposition to the Republican proposal to replace the joint Federal-State Medicaid Program with a block grant to the States.

Medicaid currently guarantees that 36 million low-income pregnant women, children, disabled, and elderly Americans have access to hospitals, physicians, nursing homes, and other basic health care. The Republican plan would eliminate this guarantee and cut Medicaid by $182 billion by the year 2002.

What the Republicans are proposing is to cut Medicaid and then lower the standards States must meet because they know that the standards cannot be met with the lower level of funding. In a recent letter to Members of the Senate, the National Association of Counties expressed quite correctly the natural consequence of this proposal. I quote from that letter:

We do not believe that States will find enough budgetary efficiencies without reducing eligibility. The flexibility given to States in the operation of the proposed restructuring will trickle down to counties in the form of flexibility to raise property taxes, cut other necessary services or further reduce staff.

The Republican plan endangers the future health, well being, and productivity of millions of low-income pregnant women, poor children, and disabled Americans. It jeopardizes the long-term care of millions of our elderly. And these sweeping policy changes have been proposed, passed out of committee—and may well be passed by the Senate—without one official public committee hearing.

Because of this, I joined with a number of my Democratic colleagues earlier this month in convening several hearings on the Medicaid and Medicare programs. We wanted to hear from the people who will be affected by the proposed changes. During those hearings, we heard some very moving testimony regarding the impact the Republican plan to cut Medicaid will have on the lives of average, hard working middle-class Americans. Since many Members were unable to hear this very moving testimony, I would like to insert in the RECORD one of the more compelling statements presented at these hearings by Ms. Mary Fitzpatrick from Dickson, Tennessee.

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

TESTIMONY OF MARY FITZPATRICK

My name is Mary Fitzpatrick. I live in Dickson, Tennessee, about 50 miles outside of Nashville. Once again, I am in Washington to speak on behalf of the rights and needs of citizens in nursing homes. I use the word ''again'' because it was eight years ago that I sat before members of Congress and described a pattern of neglect and poor care that led to my mother's death in a nursing home in 1984. I spoke then because I wanted to do whatever I could to prevent another human being from the pain and denial of dignity that my mother, Maggie Connolly, endured. I did not want any other family to have to bear the agony of watching a loved one suffer because of lack of basic services and a system that fails to protect frail, vulnerable people. And I want to spare others the despair my family felt trying to persuade the state of Tennessee to enforce nursing home standards.

The account I gave eight years ago helped achieve bipartisan support for the 1987 Nursing Home Reform Act. Imagine my shock in learning of the current proposal to undermine this law.

I cannot believe Congress would consider returning to a system that renders quality nursing home care an option for states, especially when I know what the state did for my mother—absolutely nothing.

Obviously, lawmakers in Washington are out of touch with ordinary people. And that's who people in nursing homes and their families are—ordinary individuals seeking a safe setting and adequate services during en emotionally, physically trying time.

Ordinary people understand the need to control the federal deficit. Ordinary people realize the importance of ensuring accountability for public dollars paid to the nursing home industry each year.

What is beyond our comprehension is how elected officials can support a proposal that will hurt people who can not speak out for themselves.

As I explained in 1987, after my mother's admission to the nursing home, my daily routine soon became one of cleaning up my mother's waste, bathing her and changing her linen as soon as I arrived each afternoon. The facility denied my mother this basic care. I even had to fight for the supplies to provide that care myself.

My mother raised three children, and until a stroke at age 47 had worked in a bag manufacturing plant. Prior to her admission to the nursing home, she suffered from Parkinsons disease and congestive heart failure and lost her ability to speak. In 1983, her condition quickly deteriorated. After a two week hospital stay, she became incontinent and her doctors advised us she would need to go to a nursing home. I favored a nursing facility near my home. Unfortunately, my mother's source of payment, Medicaid, was not preferred by that facility which refused her admittance.

Upon recommendation and a tour of the chapel, lunchroom and some of the residence floors, we chose a facility then called the Belmont Health Care Center. From day one, my brother, sister and I visited mother regularly. My brother even changed shifts so that he could see her each afternoon,. I would come by directly from work, missing dinner to stay until 8:30 or 9:00 p.m. Weekends also involved regular visits from family and friends. There was never a day during my mother's nursing home stay that she did not receive care and attention for several hours from family members or friends. Still, the problems began almost immediately.

On the third day of my mother's nursing home stay, I found her seated in her own waste in a wheelchair. Giving up on finding any staff to assist me, I changed mother's clothing and cleaned her up myself. Soon after I was unable to find any clean linens and was informed of a new policy allowing each residents just two sets of linens. I was persistent and was able to obtain some fresh linens. But there was always a shortage of supplies and on many days, I had to search the linen closets on several floors to find a single set of clean bed linens.

Within six weeks my mother developed her bed sore. Eventually the sores covered her body, making it impossible for her to lie without pressing on the painful skin ulcers. By the time she died eight months later at the age of 75, one of the original sores measured about three inches across and nearly two inches deep. The staff never carried out the instructions on regularly repositioning her. My brother, sister and I would turn her while we were there, but she was supposed to be turned every two hours around the clock. Nor was there sufficient staff to properly care for my mother's bed sores. Two nurses showed me how to clean the bed sores and told me where to purchase special medical dressing. I bought and used them regularly, but the nursing home administration continued telling me that they couldn't find out whether the pharmacy carried these dressings.

There were other problems. Residents like my mother who were unable to reach out for water could go for many hours without anything to drink. My mother's roommate told us how my mother once had dabbed a Kleenex and spilled water on a tray and held it in her mouth to relieve her thirst. Throughout this ordeal none of the family or friends caring for my mother knew where to go for help. Finally a friend located someone on the

Tennessee Department of Health and Environment Nursing Home Inspections staff. I called him and explained our concerns about retaliation. He promised confidentiality and said someone would be out within the next few days. But it wasn't until a few weeks that a state inspector came. One of my complaints involved getting proper care for my mother's bed sores.

Then two days after the state inspector's visit I came to the facility and found my mother's sheets soaked in blood. She was lying on her side crying. I pulled back the covers and saw her bed sores had been debrided, which means surgically cut to remove the dead tissue. I was shocked to find that the procedure had been performed at the nursing home instead of the hospital. Given the seriousness of the bed sores, she must have been in agony. But when I asked what they could do for the pain, I was told, ''Tylenol is all we can give.''

I think mother probably went into shock. But, in any event, she died two days later on July the 7th, 1984. When I was getting ready to go to the funeral home the state inspector called me to say that they had been out a few days before to investigate my allegations of three weeks ago. He said I would be pleased to know that most of my complaints had been substantiated. I told him it was too late. My mother was dead.

The undertaker told me he had never seen a body is such bad condition, and that he had to enclose the lower half of mother's body in a plastic bag. One of the most disturbing things about this whole ordeal is that my mother was aware of what was going on, even though she could not express herself, other than through gestures and facial expressions. And, all the while, I was haunted by the fact that other people in nursing homes, both young and older, were going through the same hell that my mother went through.

It has been very difficult to have to relive this experience the second time around. But, it is even harder to accept the fact, Congress is preparing to destroy a law that would have saved my mother and so many others, so much pain and suffering. Thank you for the chance to speak. I would be glad to try and answer any questions.

Mr. SARBANES. Mr. President, Ms. Fitzpatrick laid out before us in detail commonly found nursing home conditions before passage of Federal nursing home minimum quality standards. The Republican plan we are considering would repeal the minimum quality standards for nursing homes. In my view, such a proposal is mean spirited and illogical.

Morton Kondracke in a recent column described the consequences of this proposal:

The Republicans need to face up to the fact that, if they go through with their planned reforms in poor people's healthcare, instances of abuse, neglect, broken bones, urine-soaked beds and filthy surroundings will multiply in the years to come.

Mr. President, those were the very conditions that led to the enactment of the 1987 legislation. And now they want to repeal these standards. They want to repeal them because they know that without them some nursing home—some, not all—but some nursing homes will be able to absorb the reduced funding by lowering their standards of care. They will return to the old days of mistreatment and nontreatment which Mary Fitzpatrick and Morton Kondracke described as a means of cutting costs to respond to the slashed funding. Other nursing homes—the ones that do not lower their standards—may simply stop serving those families which cannot afford to pay $50,000–$60,000 a year for nursing home care. And who will this affect? The 4 million elderly who depend on Medicaid for their nursing home care and their families.

Mr. President, our Government should not renege on its commitment to ensuring that millions of needy, disabled, and elderly Americans receive essential basic health care. The Republican proposal, which would eliminate such guarantees, could have disastrous consequences for many citizens, and I would strongly urge my colleagues not to go down this path.

Ms. MIKULSKI. Mr. President, I rise today in strong support of the Democratic leadership amendment to restore over $125 billion to the Medicaid Program.

Our Republican colleagues constantly remind us how important family values are to them. I think that's great. Families are the backbone of our society. They provide nurturing and loving environments for our children. They provide stability and safety, and foster values we need to become better people and a better society.

What are family values? I'll tell you what I think they are. I think family values are honoring your mother and father. I think family values are honesty—keeping promises. Family values are care and dedication to the well-being of those you love.

Family values are not breaking promises, they are not telling your mother and father that they'll have to do without medical care, and they're absolutely not about risking the safety of your parents when you can no longer provide the care they need and have to put them in a nursing home.

Mr. President, there are 18 million children in the United States who depend on Medicaid. There are more than 900,000 elderly people who depend on Medicaid for their nursing home care. There are 6 million disabled Americans who depend on Medicaid.

The wealthy won't be affected by these draconian cuts. It's likely that the vast majority of the 100 Senators in this room won't be affected, nor will most of the 435 Members of the House.

The people who are affected are normal, regular, everyday Americans. Not big-time lobbyists; not big-money campaign contributors. The people who are affected are people like my neighbors, my mom, and the kids who go to St. Stanislaw's Catholic School right down the street from me.

Mr. President, there are 6 million disabled Americans who rely on Medicaid because they cannot get private health insurance. It's not because they don't want it. It's not because they can't afford it. It's because no private insurance company will cover them. Without Medicaid, where will they go? I believe that I am my brother's keeper. We have a responsibility to our fellow women and men. Make no mistake about it.

Mr. President, Medicaid is a program that benefits a broad spectrum of Americans. One in five children in America—18 million kids—receive their health coverage through Medicaid. One in five. Healthy children are the first step to a strong America. The next generation must be healthy in body and mind in order to make the large contribution to our society that we're all trying to prepare them for.

These kids don't understand Medicaid. They don't understand the process, and, quite frankly, they probably don't care. But their parents do. Their parents worry themselves sick about whether or not we're going to take away their ability to get medical care for their kids.

I worry myself sick about that too. But there's a difference. I have a vote on this floor, and I have the bully pulpit. And I want them to know that I'm on their side. I'm fighting for them. I want the parents of the 18 million children on Medicaid to know that I stand ready to help them help themselves.

I'm glad this legislation does not repeal the Spousal Impoverishment Act. I authored this act in 1988. And I'm here to tell you I'm standing sentry to make sure this critical protection is maintained.

My dad died of Alzheimer's disease. My mom, my sisters and I made use of a long-term care continuum in Maryland. We took Dad to a geriatric evaluation center at Johns Hopkins to be sure we knew what was wrong with him and how to keep him at home with us longer. We used adult day care to stretch out his ability to stay with us and to help with respite care for my mother—a heart bypass survivor. But we reached a point when we knew we couldn't give him the level of care that he needed. And we had to bring him to a nursing home.

I visited my dad all the time at his home. It wasn't a Cadillac, Gucci-style nursing home. Dad would have hated that. It was a real nursing home with real patients who had real families.

Over time I got to know those families. I listened to their stories—to their trials and their tribulations. I heard stories about how you had to spend down your life savings to $3,000 before you could qualify for help. Families had to go into bankruptcy while they were trying to practice family responsibility.

My dad wasn't the kind of guy who wanted a fancy tombstone. He wanted to make sure that what he left behind would help others. I made a promise that I'd try to change the cruel rules of Government that penalize families who have saved all their lives.

I'm so proud that with the help of great men like Lloyd Bentsen, George Mitchell, TED KENNEDY, and the members of the Finance Committee, we changed that law so that now you can keep your home, you can keep assets up to $15,000, and the spouse at home can have an income of up to $1,000 a month. So, I'm glad that this won't be repealed, and I want to make sure it never, ever is. I want all Senators to know that in this regard, we've done well by the American people.

Unfortunately, I cannot say the same for the rest of the bill. In this legislation we are repealing nursing home safety standards! That is horrific.

As I just said, my father was in a Chevy Cavalier nursing home—not a Cadillac nursing home. But we all knew that he would be fed, he would be taken care of, he would receive his medication, we wouldn't have to worry about restraints, we wouldn't have to worry about abuse. We knew that because of the standards, dad would be safe.

In 1983 Congress commissioned a study by the Institute of Medicine at the National Academy of Sciences. This study revealed shocking deficiencies in nursing home care. In 27 States, at least one-third of facilities had care so poor that it jeopardized health and safety.

Some nursing home residents have been treated in conditions which are worse than prisons. Worse than prisons!

In 1987 Senator PRYOR led the charge to enact the standards which now protect nursing home residents. He's still leading that charge, and I thank him for that.

Now we want to repeal those standards? Not this Senator. I will not, under any circumstance, allow anyone in this body to put the lives of men like my father at risk.

Saying ''yes'' to this amendment says yes to keeping promises, it tells our seniors, our children and the disabled that we care about their well-being. That we will help them if they've played by the rules and if they're making the effort to help themselves. And that we will not let those few nursing home profiteers put them at risk in the name of turning a buck.

I urge my colleagues to support this amendment.

Mrs. FEINSTEIN. Mr. President, I rise today to support the amendment offered by Senator GRAHAM.

The bill before us creates a Medicaid block grant, a blank check, to States with virtually no rules, no specified benefits, no rules of eligibility.

The amendment would retain the current Medicaid Program, but impose a spending limit per individual recipient, an individual cap. This approach would hold down cost increases without undermining Medicaid as a health insurance program.

MEDICAID IN CALIFORNIA

Medicaid, called Medi-Cal in my State, pays for health care for 6 million Californians. Out of these 6 million, 38 percent are children. Medicaid pays the bills of over 60 percent of children in California's children's hospitals. At Oakland Children's Hospital, it pays for 70 percent.

Medicaid provides 70 percent of hospital care to the poor in my State. Of total Medicaid dollars, over 59 percent is spent on the elderly and disabled and 41 percent to families.

One million Americans are infected with HIV/AIDS. In California, there are over 150,000. Medicaid provides health insurance for 40 percent of all people with HIV/AIDS, including 90 percent of all HIV-infected children. In California, Medicaid pays for 50 percent of all HIV/AIDS care. Medicaid pays for 55 percent of HIV-related public hospital care and 41 percent of private hospital care.

In my State, Medicaid paid $719 million for emergency services for illegal immigrants, last year, according to the California Department of Health Services.

Medicaid is a fundamental health safety net in California, insuring everything from basic inoculations for poor children to sophisticated advanced treatment for AIDS.

MEDICAID COST INCREASES

As a former mayor, I know the difficulty of balancing budgets and keeping costs under control. And there is no doubt that Medicaid costs, along with general health care inflation, have grown at double digits, creating tremendous pressure on government budgets at all levels.

The amendment before us reins in Medicaid's growth, but instead of cutting $187 billion, it cuts $62 billion, one-third of the cut in the Republican bill.

WHY THE GRAHAM AMENDMENT IS BETTER THAN THE ROTH BILL

Why is this approach preferable to the committee bill?

First, it does put restraints on spiraling costs.

Second, it preserves coverage for those who cannot get health insurance on the private market because of costs or the individual's health condition.

Third, a per capita cap can respond to changing conditions—population growth, recessions, base closings, natural disasters, immigration.

CALIFORNIA AND FLUCTUATIONS

The per capita cap approach in this amendment would enable my State to respond to all the economic fluctuations that we live with daily.

Unemployment in California has not dropped below 7 percent since 1990. While the country added 3 million jobs between 1991 and 1993, California lost nearly 450,000.

Base closures and realignments have erased more than 200,000 jobs, sucking $7 billion out of the State's economy. Defense and aerospace industries are downsizing.

Some 6.5 million or 23 percent of our nonelderly population are without health insurance. In some urban areas, the uninsured rate is as high as 33 percent. Over half, 58 percent of the uninsured, are children and young adults.

Employer-provided health insurance is declining. Two-thirds of Californians employed by firms with fewer than 25 employees do not receive health insurance.

California is home to 38 percent of all legal immigrants in the U.S.

A flat block grant with a fixed pool of money cannot respond to changing needs like this. A formula that is responsive to numbers of beneficiaries, like this amendment, can.

NURSING HOME CARE

The amendment before us would preserve nursing home standards, standards that S. 1357 eliminates.

Responding to a National Academy of Sciences report, Congress in 1987 enacted nursing home standards to promote quality of life of nursing home residents and to prevent abuse and neglect. This bill repeals those standards, rules designed to prevent bedsores, dehydration, malnutrition, infection; rules designed to protect privacy and human integrity. These standards have reduced injury and cut the use of chemical restraints, which in turn has reduced costs.

In California, 65 percent of our 113,000 nursing home residents rely on Medicaid. This is 113,000 elderly and disabled people, patients with, for example, Alzheimer's, AIDS, and ventilator needs.

Twenty-one percent of nonelderly nursing home residents are disabled. Seventy-five percent of nursing home residents are women. The typical nursing home resident is an 83-year-old widow with multiple chronic conditions, such as crippling arthritis or osteoporosis.

We should not take away these minimal protections for the most frail and make them victims again.

MEDICAID—A MIDDLE-CLASS PROGRAM

Medicaid is health insurance for low-income Americans and the disabled. But it is important to understand the implications Medicaid has for the middle-class. Nursing home standards, which are required as a condition of receiving Medicaid payments, benefit every nursing home resident of whatever income.

By cutting Medicaid, we add to the rolls of the uninsured which means that more people show up in emergency rooms with exacerbated illnesses. We all pay for that.

Medicaid reimbursement to our public hospitals enables these hospitals to have up-to-date trauma centers and emergency rooms which serve Medicaid and non-Medicaid patients. These are critical institutions in many communities on which we all depend. Indeed, these institutions are at the economic core of thousands of communities and they provide jobs.

A BASIC PROTECTION

The committee bill makes drastic cuts in Medicaid and it revamps the program in a way that cannot respond to the growing needs of California and changes a steadfast program of health insurance to an arbitrary, ill-defined block of Federal funds.

The bill purports to transform Medicaid. I'm afraid that it destroys Medicaid.

I oppose the committee bill. I commend my colleague from Florida for his amendment and I support him.

The PRESIDING OFFICER. Who yields time?

Mr. GRAHAM. Mr. President, I yield the Senator from Washington 2 minutes.

The PRESIDING OFFICER. The Senator from Washington.

Mrs. MURRAY. Mr. President, I thank my colleague from Florida for this very important amendment he has brought before us today. It seems, so often when we come out on the Senate floor, we get caught up in the charts and graphs and ''Senatese'' terms that we hear so often and we forget what we are doing affects very real people and very real families across this country. I want to talk about one of those very real people. He is a young child. He is 21 months old. He lives in my State. His mother wrote me a desperate letter saying, ''Please do not take away Medicaid.''

Her son, Abe, was born with a severe medical disorder. He needs a modified ventilator to breathe 22 out of every 24 hours. In his short 21 months, he has had many surgeries to help put fingers on his hands, to help him breathe, to help him live. His mother said, without Medicaid, Abe would not be here.

This mother is desperate because she knows, as all of us do, that if we change this bill in the way that is being proposed by the Republicans, she will have to fight for Medicaid coverage with everyone else in my State who is desperately going to be looking for help, and it is very likely that Abe will not have his ventilator once this goes to our States.

I went out and I talked to hundreds of parents in my State who have children at Children's Orthopedic Hospital in my home State. These are parents who did not expect to have a child with a severe medical disorder. They did not expect to have a child with asthma, who was in the hospital every other week. They did not expect to have a child who had leukemia. And they did not expect that they would have to quit their job to stay home and take care of that child. They did not expect that their own medical insurance would run out within a very short time because of the limits on insurance. And they never expected to have to turn to the Federal Government to ask for help.

But I can tell you everyone of those parents needs our help and this amendment will send that assurance back to them. I urge my colleagues to support it.

The PRESIDING OFFICER. The Senator's time has expired.

Who yields time?

Mr. ABRAHAM. Mr. President, how much time is left on each side?

The PRESIDING OFFICER. Two minutes for the Senator from Michigan and 7 minutes and 30 seconds the Senator from Florida.

Mr. ABRAHAM. I would prefer not to use our 2 minutes at this point.

Mr. GRAHAM. Mr. President, I ask unanimous consent that off of the general debate on the bill there be 3 minutes yielded, one of which will be yielded to the Senator from Wisconsin as well as 1 minute for debate of this motion.

The PRESIDING OFFICER. The Senator from Wisconsin.

Mr. FEINGOLD. I thank the Senator from Florida and I thank the Chair. If we do not make changes very quickly, I am very concerned that older people in our society are going to get the message from this budget that we have changed our attitude toward their contributions in building this society. What other impression are senior citizens supposed to get, when a huge percentage of balancing the budget is based on enormous, and I think in many cases unjustified, changes in Medicare, changes that will increase the premiums of seniors in this country well beyond what they would have been.

Equally bad is something that is being discussed, as we sit here today, over in the Senate Aging Committee, namely the completely unjustified elimination of the Federal nursing home regulations from OBRA 1987. What fiscal or other justification is there for saying to older people who now must be in a nursing home after a hard life, a life of work and contribution to country and family, that we are not going to be sure on a national level that people are protected from unhealthy and unsafe conditions?

Those of my colleagues who served in State legislatures, or served as Governors of their State, will certainly confirm that Medicaid makes up a huge portion of the State budget.

And, Mr. President, if they have any passing knowledge of their State's Medicaid program, they will also confirm that the bulk of the Medicaid budget, and the source of the greatest growth in that budget, is probably the growing demand for long-term care services, typically nursing home care.

This is certainly true for Wisconsin.

But, Mr. President, in Wisconsin, back in the late 1970's, we came to the realization that unless significant reforms were enacted, the rapidly increasing nursing home use would be too heavy a load for the States' budget to sustain prudently.

Through a bipartisan effort—and Mr. President, I stress bipartisan because Governors and legislators from both parties supported the effort—we made some significant reforms to our long-term care system.

The centerpiece of that reform was the creation of a home and community-based program, called the Community Options Program, or COP.

COP provides flexible, consumer-oriented and consumer-directed services that help keep the disabled of all ages in their own homes and communities.

It builds upon the existing set of so-called informal supports—the caregiving done by family members and friends.

Mr. President, the results have been dramatic.

Between 1980 and 1993, while Medicaid nursing home use increased by 47 percent nationally, in Wisconsin Medicaid nursing home use actually dropped 15 percent.

Mr. President, long-term care reform is the key to taming our Medicaid budget.

But that is not the route pursued in this bill.

Instead of a comprehensive reform that would help States cope with the growing population of those needing long-term care services, this bill cuts and runs.

It cuts the Federal Government's share of this growing burden by $182 billion over the next 7 years.

It runs away from the problem of a mushrooming population needing long-term care by block granting the program and dumping responsibility in the laps of State policymakers.

Mr. President, this is a prescription for disaster.

For 30 years, States have made policy decisions based on one set of rules.

Based on those rules, over those 30 years an infrastructure of long-term care has evolved that is heavily skewed toward expensive, institutional care.

That was not by accident.

The system that developed in that time produced the incentives that resulted in this institutional bias.

But, Mr. President, that infrastructure cannot change overnight.

And it certainly will not change simply because the Federal Government slashes funding and runs away from the problem.

Just the opposite is likely to happen.

Today, Medicaid is essentially a provider entitlement.

Providers of specific services are funded, and that infrastructure, which has been so influential at both the State and Federal level in writing the rules which produced the system we have today, is not going to disappear.

That skewed infrastructure is well situated at the State level to win the fight for the pool of resources this bill greatly reduces.

This bill is not reform; it merely makes a flawed situation even worse.

The same problems that exist in Medicaid today will exist under this bill.

Mr. President, I urge my colleagues to support this motion to commit, and let the Finance Committee craft a product that will let States wean themselves off of their addiction to expensive institutional services and instead move toward helping families keep their disabled loved ones at home, utilizing consumer-oriented and consumer-directed home and community based care. So I hope we support the Graham amendment.

The PRESIDING OFFICER. Who yields time?

Mr. GRAHAM. Mr. President, I wish to reserve the balance of our time including the additional 2 minutes which were yielded for my close.

I yield to the Senator from Michigan for any final debate in opposition to the motion.

Mr. ABRAHAM addressed the Chair.

The PRESIDING OFFICER. The Senator from Michigan.

Mr. ABRAHAM. Mr. President, I yield myself 1 minute to just recapitulate the point that has been made on our side in the last hour of debate.

Our position is quite simple—that if States are given the kind of flexibility that has in part been given for waivers to run Medicaid Programs, they can bring down the rate of growth of these programs far more effectively than a Federal bureaucracy in Washington; that, indeed, the growth rates are growth rates that decrease but growth in spending that has been outlined in the reconciliation bill can still provide the sorts of benefits that all of us want to see for our citizens, if we let the States, the people closest to those in need, run these systems.

In my State of Michigan, our Governor, our legislature, and our department of social services insist that they can make our program even more efficient at the rate of growth that is proposed in this legislation if they are simply given the opportunity to do so. We have come to a point when health care costs are skyrocketing in the public sector but are being brought under control in the private sector through such things as competition and other market factors.

Let us give the States the chance to do some of the same things this legislation does. That is the reason we have included this approach and State flexibility in the reconciliation package.

At this point, I yield the remainder of our time to the Senator from Missouri.

The PRESIDING OFFICER. The Senator from Missouri.

Mr. ASHCROFT. Mr. President, I ask unanimous consent to have printed in the RECORD an article from the St. Louis Post-Dispatch from January 31, 1995, which bears testimony to the fact that:

> Missouri also wants to start a managed care system for its 600,000 Medicaid recipients. It would use the money saved to provide medical coverage to another 300,000 Missourians who do not qualify for Medicaid coverage now and who also cannot afford insurance.

So it would really provide insurance for about half of the individuals who currently are uninsured in the State. That is what the promise of this potential is.

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

[From the St. Louis Post-Dispatch, Jan. 31, 1995]

GOP GEARS UP TO GRAPPLE WITH MEDICAID: STATES COULD DESIGN OWN PROGRAMS

(By Kathleen Best)

Republican Congressional leaders said they would take up legislation in the next few weeks that could dramatically change the way states provided medical services to the poor.

Illinois Gov. Jim Edgar said after a meeting with GOP Congressional leaders that they were willing to consider giving states lump-sum payments and letting them design their own health-care programs for the poor.

''Let us determine who's going to be in the program,'' Edgar said. ''If the money's not there, then we'll have to make some tough decisions.''

In return for greater state flexibility, the states would have to agree to hold down future costs, which they split with the federal government.

''They seemed very sympathetic and agreeable to giving us flexibility,'' Edgar said. ''And they said they would like to try to get this thing going within the next few weeks.''

Edgar, a Republican, is the lead negotiator of Medicaid for the Republican Governors Association. He met Monday with Sen. Robert Packwood of Oregon, head of the Senate Finance Committee, and with Rep. John Kasich of Ohio, the House GOP's point man on the federal budget.

Edgar said no firm agreements came out of the meeting. But he said both House and Senate GOP leaders ''are willing to move much quicker than we had hoped for,'' in part to try to hold down increasing costs for the program.

Medicaid is now the third largest entitlement program in the nation after Social Security and Medicare. The health benefits to the poor cost states five to eight times more each year than providing cash, food and other benefits to poor mothers with children.

For the last few years, Medicaid also has been one of the fastest-growing programs. Illinois, for example, now spends more on Medicaid than it does on education. And Missouri spends more on Medicaid than on any other program.

Both states are seeking permission from the Department of Health and Human Services, to change their Medicaid programs. But those requests—both pending for months—remain unanswered.

Illinois wants to move to a managed care system that would encourage the poor to get medical treatment from health maintenance organizations or a designated family physician rather than seeking more expensive care in emergency rooms.

Missouri also wants to start a managed care system for its 600,000 Medicaid recipients. It would use money save to provide medical coverage to another 300,000 Missourians who do not qualify for Medicaid coverage now and who also cannot afford insurance.

Edgar said the reforms that he would push for would do away with the need for states to seek federal permission to make such changes. Such permission is now required because the federal government pays for 50 percent of Medicaid costs in Illinois and 60 percent of the costs in Missouri.

Federal reimbursement rates are based on the per capita income of a state, which means poorer states get more federal money.

''One of the major things driving the Congress right now is the bottom line—how do you balance the budget,'' Edgar said. ''You can't balance the budget unless you attack the Medicaid problem.

''We're not talking about just throwing people off the rolls, but creating a more efficient program,'' he said.

Although Medicaid affects millions of poor Americans and accounts for billions of dollars in annual spending, the issue had remained on the sidelines of the welfare reform debate while Congress focused on changing the programs that provided cash, food and housing to mothers with children.

''The discussion of welfare reform has been far too narrow,'' Missouri Gov. Mel Carnahan said. ''It really comes from some of the anecdotal talk about the welfare queen and all this sort of thing as opposed to really thinking through what you want to do—lifting people up to self-sufficiency and work.''

President Bill Clinton, in a meeting Monday morning with the National Governors' Association, said he would be willing to consider some changes in Medicaid, but he provided no specifics, participants said.

Clinton promised the governors more flexibility in their welfare programs but insisted on safeguards for children.

Donna Shalala, secretary of health and human services, said later that if the federal government did not give states permission to experiment with Medicaid, ''then we will have failed with welfare reform.''

Edgar said he planned to meet again next week with GOP congressional leaders to work out a consensus on what needed to be changed. In the meantime, he said, he would talk to both Democratic and Republican governors.

He predicted that changes in Medicaid would not set off the same kinds of partisan wrangling that have kept the nation's governors from reaching an agreement on food, housing and cash assistance to the poor.

''Welfare is important, but if you really want to get to what drives most governors up the wall, it's Medicaid,'' he said.

Mr. ASHCROFT. Mr. President, I also ask unanimous consent to have printed in the RECORD, another St. Louis Post Dispatch article, published on the 24th of November of last year, which is similar:

> State officials estimate that that provision would result in health insurance coverage for 300,000 people who cannot afford it today—about half the State's uninsured.

That provision referred to is one which would waive Federal regulations and allow the State to design its own program.

I thank the Chair.

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

[From the St. Louis Post-Dispatch]

GOP PLAN MAY LET MISSOURI ALTER MEDICAID—WAIVER WOULD ALLOW COVERAGE OF HALF OF STATE'S UNINSURED

(By Kathleen Best)

A promise by congressional Republicans to give the states more flexibility could help Missouri win federal approval of a dramatic shift in the way it provides medical services to its poor.

''Since this is a request for state flexibility, it is in line with the Republican agenda,'' said Donna Checkett, director of the Missouri Division of Medical Services.

Missouri wants a waiver of federal regulations that would allow it to rein in the cost of providing medical services to the poor at the same time it expands the program to include about half of the state's uninsured.

Health care for the poor would be provided through a new, managed-care system designed to hold down costs by, for example, encouraging people to seek treatment from family doctors, rather than going to emergency rooms, which are more expensive.

The state would contract with doctors, hospitals and health maintenance organizations to care for the state's 600,000 Medicaid participants.

In addition, Missourians who now earn too much to qualify for Medicaid but too little to buy private health insurance would be allowed to buy into the state-run program at reduced rates.

State officials estimate that that provision would result in health insurance coverage for

300,000 people who cannot afford it today—about half the state's uninsured.

Before Missouri can put the new system in place, it needs approval from the U.S. Department of Health and Human Services. With Republicans poised to take control of federal purse strings, department officials are likely to be encouraged to look favorably on such waiver requests.

Missouri made its formal application for a waiver last summer and is now answering questions about its proposal.

Checkett said the most nettlesome problems resolve around how to provide care for poor people with chronic mental illness.

''There have been a lot of questions—both from Washington and in the state—about whether individuals who are chronically mentally ill should go into managed care,'' she said.

''We're concerned about how to balance the protections we need to provide (for the mentally ill) with cost control.''

The mentally ill tend to need lots of expensive medical care. But the nature of their illness often makes managing that care nearly impossible as some move in and out of institutions, sometimes living on the streets and occasionally disappearing from the system.

''Managed care is tricky with basically health people,'' Checkett said. ''It's more challenging when you are dealing with the Medicaid population. When you are dealing with the mentally ill, you need to strike a balance very carefully and be very certain how appropriately you have balanced the cost interest with protecting a vulnerable population.''

The state originally proposed setting up a pilot project that would carve out a package of behavioral health services for everyone on Medicaid that would be managed by a behavioral health organization.

But that approach resulted in howls of protest from mental health advocates and others, and has been, in effect, scrapped.

Chekett said no alternative plan had been decided, although negotiations were under way.

''Missouri is not alone in wrestling with this, I can guarantee you,'' said Checkett, who is chairman of the association representing state Medicaid directors.

''If you were to poll other states, you would find this issue of how to treat individuals with chronic mental illness has been a big one. It's been the hardest project I've ever worked on.''

A final decision on the mental illness question will be made by Gov. Mel Carnahan and is expected by Jan. 15, when the state plans to present its answers to 259 questions posed by federal regulators.

Checkett said the other difficult questions on the list centered on how the state would provide managed care in rural areas of Missouri, where there are few doctors and fewer opportunities to impose cost controls.

''Those are questions we have ourselves and are working on,'' she said. ''We hope we will be able to pay better rates for primary care under a managed care system, which would encourage more doctors to take on more Medicaid recipients.''

Some doctors in rural areas now limit the number of poor patients they will see because the state pays proportionately higher rates for treating the poor at hospitals and in emergency rooms.

''Now, we spend $2.5 billion a year with a heavy bias toward institutional settings,'' she said. ''We want to change that.''

Checkett said she hoped that if all the answers are submitted by mid-January, the state can begin negotiating details of final approval in the spring. That schedule would coincide with a review by the Missouri Legislature. Legislators must appropriate the funds to pay for the revamped program.

But the same Republican majority in Washington that may make it easier for the states to experiment with new approaches may also throw a wrench into carrying out such plans.

GOP legislators already have begun talking about major changes in Medicaid and welfare funding, which could force Missouri back to the drawing board.

''I am concerned, just looking at Medicaid, that there will be serious discussion about entitlement caps,'' Checkett said. ''I don't know what it means.''

The PRESIDING OFFICER. Who yields time?

Mr. ASHCROFT. Mr. President, I ask unanimous consent that an editorial which appeared in the St. Louis Post Dispatch entitled ''Missouri's Wise Shift to HMOs,'' be printed in the RECORD.

It states, in part:

The Carnahan administration made the right move in deciding to use HMOs to provide medical care for the 154,000 St. Louis area residents eligible for Medicaid.

The potential of a waiver is similar to what we would have in a block grant.

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

[From the St. Louis Post Dispatch, Oct. 14, 1995]

MISSOURI'S WISE SHIFT TO HMO'S

Regional Medical Center appears to have won big in Missouri's decision to shift all Medicaid recipients in the St. Louis area into health maintenance organizations. The state itself is a winner, too.

The Carnahan administration made the right move in deciding to use HMOs to provide medical care for the 154,000 St. Louis area residents eligible for Medicaid. Otherwise, these patients would be cared for under fee-for-service programs with few ways to control costs. HMOs, by contrast, agree to treat patients for a fixed monthly fee, regardless of the services the patients require.

HMOs do this profitably by stressing prevention and managed care that denies patients access to unneeded and costly medical specialists, procedures and tests. The Carnahan administration estimates that the shift to HMOs could save the state as much as $11.6 million in the first 12 months. That may seem like a mere ripple in a Missouri Medicaid budget of about $2 billion, about half of which comes from state funds, but these savings mark an important step toward improved cost control.

Seven HMOs have contracts with Missouri to treat the state's Medicaid patients. Their monthly per-patient fees vary. The fee for Medicaid-eligible women between the ages of 21 and 44, for example, ranges from $120.30 to $127.35. The monthly per-patient fee for children between the ages of 7 and 13 ranges from $42.95 to $46.39.

Regional is a big winner because at least 33 percent of the 121,890 Medicaid patients have enrolled in HealthCare USA, the HMO co-owned by Regional. Two other HMOs also are using Regional as the preferred provider of services under their plans. Some officials estimate that Regional could end up providing care for nearly half the Medicaid-eligible patients in the St. Louis area.

Whether these numbers will be sufficient to help Regional balance its budget and provide care for the uninsured is uncertain. In the last fiscal year, the hospital provided $40 million in care to indigent patients. This year, the hospital is facing a shortfall of at least $11 million because of reductions in federal funds for indigent care. In all probability, the city and county, which set up Regional, will have to cover this deficit.

Ideally, Regional's entry into the HMO business will help it pay more of its bills without having to rely on local subsidies. But the city and county must keep in mind that lots of the community's indigent patients don't have access to Medicaid. In other words, St. Louis and St. Louis County will continue to have an obligation to assist Regional in providing care for these patients.

Mr. ASHCROFT. Mr. President, I also ask unanimous consent to have printed in the RECORD an article from the Tennessean, published on October 24, 1995, which praises the success of Missouri's use of managed care for its Medicaid population.

I thank the Chair.

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

[FROM THE TENNESSEAN, OCT. 24, 1995]

TENNCARE COULD TAKE SOME NOTES

COVENTRY EXEC COMPARES PLANS

(By David A. Fox)

Tennessee may be in the vanguard of Medicaid reform with its TennCare program, but Missouri is the state that is pulling off Medicaid privatization most successfully, a local managed care executive said yesterday.

With a more incremental approach, Missouri has managed so far to avoid some of the problems that have plagued Medicaid reform here and in Florida, said Philip Hertik, chairman of Conventy Corp. Nashville-based Coventry, which does not participate in TennCare, is one of seven organizations that last month began enrolling St. Louis Medicaid members in private managed care plans.

In a speech to a national conference of the Health Industry Manufacturers Association at Loews Vanderbilt Plaza Hotel. Hertik cited several strengths of the Missouri plan to provide health care to the poor at a contained cost. Among them:

Missouri initiated its plan in just one area, rather than throughout the entire state.

It put the managed care contracts out for bid.

It prohibited marketing of the private plans directly to Medicaid beneficiaries.

A neutral company was chosen to gather data from each plan and distribute the information to Medicaid members for use in making their selection.

Missouri geared its plan only to the poor, beginning with people in the Aid to Families with Dependent Children program.

By contrast, TennCare began in January 1994 covering both the poor and uninsured statewide, at predetermined rates with aggressive marketing to Medicaid members. As a consequence, the $3.1 billion program serving 1.1 million residents started with great confusion among its members, with griping by providers whose reimbursements were slashed and with some apparently improper member-recruitment practices by at least one private health plan.

Hertik called the privatization of Medicaid ''the biggest thing in managed care in the past 15 years'' and one of several trends revamping the industry. With the companion trend toward privatizing Medicare, he forecast that market leverage increasingly will shift to managed care organizations and away from hospitals and other providers, such as home health, which traditionally have received a majority of their payments directly from government programs.

Probably the most obvious trend facing managed care organizations is the wave of mergers and acquisitions. But Hertik said this trend differs from consolidation waves in other industries that frequently are sparked by efforts to achieve operating efficiencies from such things as volume buying and the elimination of redundant services.

''All of this is aimed at market leverage, rather than just economies,'' he said.

The deals, including health maintenance organizations buying traditional indemnity insurors, are intended to increase the membership in local managed care plans.

''But having sheer size on a national scale and strong balance sheets don't necessarily make you the high-quality, low-cost provider in local markets where the purchasing decisions are made,'' he said. ''It's just a little troubling knowing that its market leverage at the base of this consolidation.''

Hertik also identified two other trends:

The reaching of ''an inflection point'' heralding ''price competition as more the rule of the day'' instead of boom-and-bust cycles in health insurance underwriting.

An emphasis by managed care companies in managing care, rather than just costs, by establishing clinical guidelines, practicing disease management and measuring outcomes.

The PRESIDING OFFICER. Who yields time?

Mr. GRAHAM. Mr. President, has the Senator from Michigan completed his presentation?

The PRESIDING OFFICER. There are 14 seconds remaining for the Senator from Michigan, and 7 minutes and 30 seconds remaining for the Senator from Florida.

Mr. ABRAHAM. Mr. President, I yield the remainder of my 14 seconds.

Mr. GRAHAM. Mr. President, there is time we received, 3 minutes of general debate and 1 minute which was used by the Senator from Wisconsin. And I ask for the other 2 minutes, as well as the balance of our time on this amendment for my closing remarks.

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

Mr. GRAHAM. Thank you, Mr. President.

Mr. President, it has been an illuminating debate but almost as illuminating by what has not been said as what has been said.

What are some of the things that have been omitted? One of the major omissions is, how did the majority party arrive at the figure of $187 billion as the basis of its reduction in Medicaid expenditures by the Federal Government over the next 7 years? What was the source of that number? How was the calculation of the efficiencies and flexibilities that were going to be incorporated in this program used to derive the ultimate number of $187 billion?

The reason that there has not been an answer to that question is because there is not an answer to that question. The $187 billion was derived, not by a rational assessment of what would be the needs of the program or what will be the per capita increase in costs in delivering health care, but rather as a means of deriving a set of dollars to fund a tax cut for the wealthiest of Americans.

The fact is that the Medicaid Program has been operating at a per capita level of expenditure less than the national average in terms of all private sector health care spending, 7.1 percent in the private sector, 7 percent in Medicaid. This is what has been the level of Medicaid expenditure per capita. Under this bill, the proposal is to slash Medicaid from a 7 percent growth to a 1.4 percent growth.

Mr. President, I would defy anyone to say that is not going to result in a significant collapse of the Medicaid system's ability to serve the most vulnerable population in our country.

The second question that has not been discussed is, why has the Medicaid Program been growing at the rate that it has been growing?

Let me suggest three reasons, one that we ought to be very proud of, and that is that we are doing as a Nation a much better job of helping the poorest and most at risk of our children. Infant mortality in the United States has dropped by over 21 percent in the last decade. Infant mortality in America has dropped by over 21 percent in the last decade. We ought to be proud about that, and it has occurred because in large part we have extended Medicaid coverage to more and more at-risk mothers, and we have provided the kind of appropriate health care immediately after birth. We should not be ashamed of that.

Second, Medicaid has increased because of the aging of Americans. What has not been pointed out is that 60 percent of the Medicaid expenditures do not go to poor children and their mothers. Sixty percent of the expenditures go to the disabled and particularly to the frail elderly. In my State, 70 percent of Medicaid expenditures go to the disabled and the frail elderly.

That happens to be the segment of our population which is growing at the fastest rate. In most States the fastest growing generational component of the population is people who are over the age of 80—the very population that is most likely to need Medicaid assistance for long-term care.

The third reason for the increase in the number of persons on Medicaid has been the decline in private insurance coverage particularly for children. In 1977, 71 percent of the children of working Americans had their health care covered through their working parents. Today, in 1993, that number is down to 57 percent and projected in the year 2002 to be 47 percent. There has been almost a 1-to-1 increase in the poor children on Medicaid as there has been a decline in poor children covered through a parent's health care policy.

Those are three basic reasons why Medicaid has been increasing over the last few years, not because of oppressive Federal regulations.

Another thing that has not been discussed is the allocation formula. Would you like to see the allocation formula among the States? There it is. That is the arithmetic allocation formula contained in the Republicans' Medicaid proposal.

This formula, when you get through all the algebra, says that those States which today are receiving 4 and 5 times as much per capita as other States will continue to receive 4 to 5 times as much. We are seeing a pattern. We saw it in welfare reform and now we are seeing it in Medicaid, and that is identify the problem, decry the status quo, and then retain the funding formula of the current program. We did it in welfare reform, and we are about to do it again in Medicaid.

It would be like George Washington, after having won the American Revolution, saying, ''but we are going to continue to pay tribute to George III.'' The very reason that we fought the war would have been forgotten.

Mr. President, we need to have a funding formula that treats all Americans fairly wherever they live. This bill of the Republicans continues basically the current funding formula into the indefinite future.

What is going to be lost under the Republican proposal? We are going to lose the flexibility of an effective State-Federal partnership—those States that experience growth, those States that experience economic decline, those States that experience a natural disaster. We had 12,000 people added to the Medicaid role in Florida within days after Hurricane Andrew because not only were their homes blown away, their jobs were blown away and they became eligible for Medicaid. And they needed it because of the disaster through which they just lived. That flexibility is going to be lost in this program. We are also going to lose the adequate funding of a Federal partner, and we are going to lose national standards particularly in the area of nursing homes.

It is not surprising that President Reagan said that the Medicaid Program should not be turned over to the States but that the Medicaid Program should be federalized in order to have a national standard of health care. Where are the voices for President Reagan today? This great advocate of a strong national program to protect the health of our children needs to be heard today.

I close by saying there is a better way. We are proposing in this motion, first, that we have a rational reduction in Medicaid. What we essentially are saying is that we will propose to restrain Medicaid to 1 percentage point less than the private sector rate of growth in health care spending. And with that 1 percent restraint, that is, that the per capita for Medicaid will be 6.1 percent per year over the next 7 years, we will save $62 billion. We think that we can make that kind of a change without ravaging the system, and we would distribute the money through a per capita cap.

This maintains the individual entitlement to Medicaid coverage and creates incentives to maintain health care coverage. It provides for funding into each of the four categories of principal

Medicaid populations, that is, poor children, their mothers, the disabled, and the frail elderly, so that we will not create what is, I believe, an inevitable result of the block grant approach which is going to be a war at the State level among those four groups of beneficiaries.

We would also allow for a continuation of innovative programs such as the program in the State of Tennessee. We believe that the kinds of flexibility that we would provide, which would make it easier for States to move into managed care and easier for States to use community-based services to meet the needs of the elderly, will produce some real economies and therefore reduce the rates of expenditure over the next 7 years, an attainable goal without collapsing the system.

It is interesting, Mr. President, that the proposal that I make today, the per capita cap alternative to block grants, is the proposal which was introduced in the Senate on June 29, 1994, by our distinguished majority leader, cosponsored by 39 Republican Members. A similar program was introduced by our colleague, the senior Senator from Texas, and the junior Senator from Rhode Island, also promoting a per capita cap on Medicaid as a means of reforming the system.

Mr. President, I believe that we have a program that will achieve significant savings without sacrificing the safety net that Medicaid has represented. We can have these reforms while retaining a program that is vital to 37 million of our most vulnerable Americans. What we will sacrifice is a little piece of the tax break that we are about to give to the wealthiest of Americans in order to assure minimal health care standards for the poorest and most vulnerable of Americans.

The PRESIDING OFFICER. The Senator's time has expired.

Mr. GRAHAM. Mr. President, I ask unanimous consent that statements from scores of organizations in opposition to the Republican plan and in support of the proposal that is before us be printed in the RECORD and that an analysis of the mandates which are contained in the Republican proposal also be printed in the RECORD.

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

MAY 3, 1995.

DEAR SENATOR: The undersigned organizations are opposed to eliminating the entitlement status of individuals under the Medicaid program. The Medicaid program provides basic health and long term-care services to over 33 million American men, women, and children. Eliminating the entitlement status would jeopardize coverage for these seniors, families, children, and persons with disabilities, at a time when employers are dropping coverage and the number of uninsured persons continues to rise.

We understand that, in the interest of deficit reduction, savings must be achieved in the Medicaid program. However, extreme and disproportionate cuts in the Medicaid program will result in more Americans uninsured and in poor health, disincentives for providers to serve this population, and untenable cost shifting to state and local governments, providers and private payers. We stand ready to work with you on ways to achieve reasonable levels of savings without endangering the access of millions of beneficiaries to essential health care. We do not believe that ending the entitlement nature of the Medicaid program would achieve these objectives.

Sincerely yours,

AIDS Action Council.
Alzheimer's Association.
American Academy of Family Physicians.
American Association of University Women.
American Civil Liberties Union.
American College of Physicians.
American Federation of State, County & Municipal Employees.
American Federation of Teachers, AFL–CIO.
American Geriatrics Society.
American Network of Community Options and Resources.
American Nurses Association.
American Public Health Association.
American Speech-Language-Hearing Association.
Americans for Democratic Action.
Association for the Care of Children's Health.
Automated Health Systems, Inc.
Bazelon Center for Mental Health Law.
Bridgeport Child Advocacy Coalition.
Catholic Charities USA.
Catholic Health Association.
Center for Community Change.
Center for Science in the Public Interest.
Center for Women Policy Studies.
Center on Disability and Health.
Children's Defense Fund.
Coalition on Human Needs.
Connecticut Association for Human Services.
Consumers' Union.
Council of Women's and Infants' Specialty Hospitals.
County Welfare Directors Association of California.
Families USA.
Family Service America.
Human Rights Campaign Fund.
International Ladies' Garment Workers' Union.
International Union of Electronic, Electrical, Salaried, Machine and Furniture Workers.
International Union of United Auto Workers.
Legal Action Center.
Legal Assistance Resource Center of Connecticut.
Mennonite Central Committee, Washington Office.
National Association of Child Advocates.
National Association of Children's Hospitals and Related Institutions.
National Association of Counties.
National Association of Developmental Disabilities Councils.
National Association of Homes and Services for Children.
National Association of People with AIDS.
National Association of Protection and Advocacy Systems.
National Association of Public Hospitals.
National Association of School Psychologists.
National Association of Social Workers.
National Citizens' Coalition for Nursing Home Reform.
National Coalition for the Homeless.
National Community Mental Health Care Council.
National Council of Senior Citizens.
National Easter Seals Society.
National Education Association.
National Family Planning and Reproductive Health Association.
National Jewish Community Relations Advisory Council.
National Mental Health Association.
National Treatment Consortium.
National Women's Law Center.
Neighbor to Neighbor.
NETWORK: A National Catholic Social Justice Lobby.
OMB Watch.
Planned Parenthood Federation of America.
Protestant Health Alliance.
Service Employees International Union.
Spina Bifida Association of America.
The Alan Gutmacher Institute.
The American Geriatrics Society.
The Arc.
United Cerebral Palsy Associations.
West Virginia Developmental Disabilities Planning Council.
Women's Legal Defense Fund.
World Hunger Year.
YWCA of the U.S.A.

OCTOBER 24, 1995.

DEAR SENATOR: As groups deeply concerned with the health and well-being of America's children and families, we are writing to express our fundamental opposition to the proposed House and Senate reconciliation bills' Medicaid provisions.

The physical and mental health of America's children today determines the social and economic health of the whole nation in the future. Unfortunately, our children's health is already at risk: we lag behind many other industrialized and some developing nations on key indicators like infant mortality, low birthweight, prenatal care, and immunizations. The Medicaid proposals in the reconciliation bills will make this situation far worse.

Already, nine and a half million U.S. children lack any health insurance. Even though just as many parents as ever are employed, children have been losing private, employer-based insurance at a rate of 1 percent a year for more than a decade. Medicaid has been making the difference, as its increased coverage of children from working poor and near poor families has kept the number of uninsured children from skyrocketing.

But as the drop in private insurance continues, if Medicaid shrinks instead of picking up some of the slack, children will lead in paying the price. With a $182 billion Medicaid cut, in the seventh year of the cut 6½ million children would lose eligibility if the cut is translated into eligibility reductions applied proportionately to all groups (e.g., children, people with disabilities, the elderly, and other adults). Then 19 million children would be uninsured in 2002. In fact, we fear that political conditions in state capitals will lead children to bear a disproportionately large share of any Medicaid cuts, so the number of uninsured children would be even larger.

The United States can invest now—in immunizations, preventive care and early treatment—or it can pay later in more expensive remedial care and the high social and productivity cost of children growing up unhealthy. We all support fiscal responsibility in the federal budget, but to balance the budget on the backs of children and destroy a system of assured health care that is fundamental to the health of millions of America's children and pregnant women is unacceptable.

Sincerely,

Action for Families and Children (DE),
Adolescent Pregnancy ChildWatch, Los Angeles County (CA).
Advocates for Children and Youth, Inc. (MD).

Advocates for Youth.
Advocates for Connecticut's Children and Youth (CT).
Agenda for Children (LA).
Aids Foundation of Chicago (IL).
Aids Policy Center for Children, Youth, and Families (NJ).
Alaska Children's Services, Inc. (AK).
All Saints Church, Pasadena (CA).
American Academy of Family Physicians.
American Academy of Pediatrics, Connecticut Chapter (CT).
American Academy of Pediatrics, Utah Chapter (UT).
American Federation of State, County and Municipal Employees.
American Medical Student Association/Foundation.
American Nurses Association.
American Occupational Therapy Association.
American Public Health Association.
American Speech-Language-Hearing Association.
Americans for Democratic Action.
Anacostia/Congress Heights Partnership (DC).
APPLEServices/Crisis Center of Hillsborough County, Inc. (FL).
Arkansas Advocates for Children and Families (AR).
Arkansas Children's Hospital (AR).
A Sign of Class (MN).
Asian and Pacific Islander American Health Forum (CA).
Association of Medical School Pediatric Department Chairs.
Baystate Medical Center Children's Hospital (MA).
Bazelon Center for Mental Health Law.
Beckland Home Health Care, Inc. (MN).
Belfast Area Child Care Services, Inc. (ME).
Bellefaire (OH).
Berkeley Oakland Support Services (CA).
Bread for the World.
California Children's Hospital Association (CA).
Cash Plus (IN).
Catholic Charities Office for Social Justice (MN).
Center for Human Investment Policy (CO).
Center for Law and Human Services, Inc. (IL).
Center for Multicultural Human Services (VA).
Center on Disability and Health.
Center for Public Policy Priorities (TX).
Center on Work & Family at Boston University (MA).
Central Nebraska Community Services (NE).
Chatham-Savannah Youth Futures Authority (GA).
Chicago Coalition for the Homeless (IL).
Child Abuse Coalition, Inc. (FL).
Child Advocacy/Palm Beach County, Inc. (FL).
Child Advocates, Inc. (TX).
Child Care Connection (AK).
Child Care Connection (FL).
Child Welfare League of America.
Children's Action Alliance of Arizona (AZ).
Children's Advocacy Institute (CA).
Children's Defense Fund.
Children's Health Care (MN).
Children's Home Society of Minnesota (MN).
Children's House, Inc. (NY).
Children's Medical Center of Dayton (OH).
Children's Memorial Hospital (IL).
Children's Rights, Inc. (NY).
Citizen's Committee for Children of New York (NY).
Citizen's for Missouri's Children (MO).
Citizen's Committee for Children of New York (NY).
Citizenship Education Fund.
City of Alameda Democratic Club (CA).
Coalition for a Better Acre (MA).
Coalition for Family and Children's Services in Iowa (IA).
Coalition for Mississippi's Children (MS).
Coalition on Human Needs.
Coleman Advocates for Children and Youth (CA).
Colorado Association of Family and Children's Agencies, Inc. (CO).
Colorado Council of Churches.
Colorado Foundation for Families and Children (CO).
Community Action Program of Palm Beach County (FL).
Community Concepts, Inc. (ME).
Community Empowerment Concepts (MD).
Community Psychologists of Minnesota (MN).
Concerned Graduate Students in Public Health in Seattle (WA).
Congress Park Plaza Apartments Resident Services (DC).
Connecticut Association for Human Services (CT).
Coordinated Child Care of Pinellas, Inc. (FL).
Corpus Christi American Federation of Teachers (TX).
Council on Women's and Infants' Specialty Hospitals.
Courage Center (MN).
Covenant House (NY).
Council of the Great City Schools.
Crossroads Program, Inc. (NJ).
Driscoll Children's Hospital of Corpus Christi (TX).
Elim Transitional Housing, Inc. (MN).
Elks Aidmore Children's Center (GA).
Episcopal Community Services, Inc. (MN).
Equality Press (CA).
Face to Face Health and Counseling Service, Inc. (MN).
Families USA.
Family and School Support Teams (FL).
Family Resource Coalition (IL).
Family Resource Schools (CO).
Family Support Network (MO).
Family Voices.
Firstlink (OH).
Florida Legal Services, Inc. (FL).
Food Research and Action Center.
For Love of Children.
Fremont Public Association (WA).
Friends of Children (WI).
Friends of the Family (MD).
Friends of Youth (WA).
General Board of Church and Society, The United Methodist Church.
General Federation of Women's Clubs.
Georgians for Children (GA).
Greater New Brunswick Day Care Council (NJ).
Hathaway Children's Services (CA).
Health and Welfare Council of Nassau County, Inc. (NY).
Healthy Mothers/Healthy Babies, Florida Association (FL).
Hinds County Project Head Start (MS).
Hispanic Human Resources (FL).
Johns Hopkins Child & Adolescent Health Policy Center.
Indiana Coalition on Housing and Homeless Issues (IN).
Institute on Cultural Dynamics and Social Change, Inc. (MN).
Interhealth (DC).
Jack and Jill of America, Inc.
Jacksonville Area Legal Aid, Inc., (FL).
Juvenile Law Center (PA).
Kansas Action for Children (KS).
Kansas Association of Child Care Resource and Referral Agencies (KS).
Kansas Association for the Education of Young Children (KS).
Kern Child Abuse Prevention Council, Inc. (CA).
Kids Public Education and Policy Project (IL).
Lakeside Family and Children's Services (NY).
Lawyers for Children, Inc. (NY).
Legal Assistance Resource Center of Connecticut (CT).
Los Alamos Citizens Against Substance Abuse (NM).
Los Angeles Coalition to End Homelessness (CA).
Louisiana Maternal and Child Health Coalition (LA).
Lucille Salter Packard Children's Hospital (CA).
Lutheran Children & Family Services of Eastern Pennsylvania (PA).
Masschusetts Advocacy Center (MA).
Mennonite Central Committee, Washington Office.
Mental Health Association in Texas (TX).
Merrie Way Community for Arts and Humanities (CA).
Michigan Coalition for Children and Families (MI).
Michigan Council for Maternal and Child Health (MI).
Michigan League for Human Services (MI).
Minnesota Association of Community Mental Health Programs (MN).
Minnesota State Council on Disability (MN).
Mississippi Human Services Coalition (MS).
Montana Low Income Coalition (MT).
Mothers Protecting Children, Inc. (CT).
Multnomah County Chair Beverly Stein (OR).
National Association of Child Advocates.
National Association of Counties.
National Association of County and City Health Officials.
National Association of Homes and Services for Children.
National Association of Public Hospitals.
National Association of School Nurses.
National Association of Social Workers.
National Association of Developmental Disabilities Councils.
National Center for Clinical Infant Programs (Zero to Three).
National Center for Youth Law.
National Committee to Prevent Child Abuse.
National Community Mental Healthcare Council.
National Council of Jewish Women.
National Council of Senior Citizens.
National Easter Seal Society.
National Education Association.
National Family Planning and Reproductive Health Association.
National Mental Health Association.
National Parenting Association.
National Perinatal Association.
National Puerto Rican Coalition, Inc.
National Safe Kids Campaign.
National Women's Law Center.
Neighbor to Neighbor.
New Orleans Bread for the World (LA).
Nome Receiving Home (AK).
North American Council on Adoptable Children (MN).
North Carolina Advocacy Institute (NC).
Oklahoma Healthy Mothers, Healthy Babies Coalition (OK).
Oklahoma Institute for Child Advocacy (OK).
Orange County Parent Child Center (VT).
Panhandle Assessment Center (TX).
Parent Action of Maryland, Inc. (MD).
Parent to Parent of Vermont (VT).
Parents Anonymous, Inc. (CA).
Parry Center for Children (OR).
Penn State University, Allentown Campus (PA).
Pennsylvania Association of Child Care Agencies (PA).
Pennsylvania Partnerships for Children (PA).

Philadelphia Citizens for Children and Youth (PA).
Planned Parenthood Federation of America.
Planned Parenthood of Palm Beach County (FL).
Presbyterian Child Advocacy Network (KY).
Preventive Services Coalition of Erie County (NY).
Priority '90s: Children and Families (MI).
Project H.O.M.E. (PA).
Public Welfare Coalition of Illinois (IL).
Redlands Christian Migrant Association (FL).
RESULTS.
Richland County Children Services (OH).
Rise, Inc. (MN).
Robins Nest, Inc. (NJ).
Same Boat Coalition (NY).
Sasha Bruce Youthwork, Inc. (DC).
Southern Regional Project on Infant Mortality.
Spina Bifida Association of America.
State Communities Aid Association (NY).
Statewide Youth Advocacy, Inc. (NY).
Support Center for Child Advocates (PA).
The Adaptive Learning Center (GA).
The Arc.
The Child Care Connection (NJ).
The Children's Alliance (WA).
The Children's Health Fund (NY).
The Coalition for American Trauma Care.
The Connecticut Alliance for Basic Human Needs (CT).
The Council for Exceptional Children.
The Episcopal Church.
The Foundation for the Future of Youth.
The Health Coalition for Children and Youth (WA).
The Kitchen, Inc. (MO).
The National Association of WIC Directors.
The Ohio Association of Child Caring Agencies (OH).
The Presbyterian Church (USA), Washington Office.
The United States Conference of Mayors.
The Urban Coalition (MN).
TransCentury (VA).
Tulsa Area Coalition on Perinatal Care Community Service Council (OK).
Ucare Minnesota (MN).
United Child Development Program (NC).
University of Vermont Department of Social Work MSW program (VT).
Unitarian Universalist Association, Washington Office.
Unitarian Universalist Service Committee.
United Cerebral Palsy Associations.
Utah Children (UT).
Vermont Center for Independent Living (VT).
Vermont Head Start Association (VT).
Voices for Illinois Children (IL).
Voices for Children in Nebraska (NE).
Washington State Child Care Resource and Referral Network (WA).
Westchester Children's Association (NY).
Wisconsin Council on Children and Families (WI).
Women Leaders Online.
Women's Committee of One Hundred.
Women's Legal Defense Fund.
World Institute on Disability (CA).
Wyoming P.A.R.E.N.T. (WY).
Youth Law Center.

OCTOBER 24, 1995.

DEAR SENATOR: On behalf of the nation's pediatricians and children's hospitals, the American Academy of Pediatrics and the National Association of Children's Hospitals urge you to make sure that regardless of how Medicaid is restructured Congress includes basic protections for the health coverage of children and adolescents.

This is the message we are seeking to bring to all members of Congress and the public in a new paid advertisement we are running this week in the national press. We are enclosing a copy for you. It outlines the protections children and adolescents need in coverage, medically necessary and preventive care, access to pediatric care, and immunizations under a restructured Medicaid program.

These kinds of protections make good sense, because children and adolescents represent over half of all recipients of Medicaid. In fact, Medicaid pays for the health care of one fourth of the nation's children and adolescents as well as one third of the country's infants. Protecting their health coverage, regardless of the state in which they live, is a low cost but high return investment not only in children's well-being today but also in the health and productivity of at least one third of the nation's future work force. Medicaid coverage for a child averages only one-eighth the cost of coverage for a senior citizen.

We were heartened by the bipartisanship of the Senate Finance Committee in addressing the need for children's coverage. It would require all states under a restructured Medicaid program to cover poor children and pregnant women. We believe most members of Congress share in this conviction.

Your vote on Medicaid legislation this year may be the single most important vote you will cast for the health of our nation's children in this decade. Please vote to protect America's most important resources: our children

Sincerely,

JOE M. SANDERS, Jr., M.D.,
Executive Director, American Academy of Pediatrics.

LAWRENCE A. MCANDREWS,
President and CEO, National Association of Children's Hospitals.

Enclosure.

HOW TO MAKE SURE THEY'RE STILL SMILING AFTER CONGRESS GETS THROUGH WITH MEDICAID.

It should go without saying that the key to having a healthy America in the future is keeping children healthy today.

Those of us who spend every moment of our working lives keeping children healthy want to say it anyway.

Because at this moment, Congress is making drastic changes to the Medicaid program, the most serious side effect of which is that the health care needs of millions of children will not be sufficiently guaranteed.

CONGRESS IS TAKING THE ''AID'' OUT OF MEDICAID

The Congressional block grant proposals could leave it to the States to determine who is eligible to receive benefits and what kind of benefits will be offered.

Today's system at least guarantees specific preventive health care benefits vital to the health and well-being of many children from poor and working families.

CONGRESS MUST BUILD IN CERTAIN BASIC GUARANTEES

Regardless of how Congress changes Medicaid overall, the following protections should be included:

1. Children and adolescents from low-income families must maintain guaranteed Medicaid coverage.
2. Medically necessary care, including preventive services, must not be compromised.
3. Children and adolescents must retain access to appropriately trained and certified providers of pediatric care.
4. children should be guaranteed all age appropriate immunizations.

Let's protect America's most important, most vulnerable resources: our children. Let's help keep them healthy. And smiling.

[From Consortium for Citizens with Disabilities]

A MESSAGE TO CONGRESS

CONGRESSIONAL MEDICAID ''REFORM'' PROPOSALS WILL HARM CHILDREN AND ADULTS WITH DISABILITIES AND THEIR FAMILIES

Member organizations of the Consortium for Citizens with Disabilities Health and Long Term Services Task Forces are extremely concerned about the impact that both the House and Senate Medicaid ''reform'' proposals will have on the lives of children and adults with disabilities and their families. We strongly urge you not to support these proposals and to carefully reconsider how to ''reform'' the Medicaid program so that children and adults with disabilities and other individuals with low and very low incomes are not harmed.

The proposals reported out of the House Commerce and Senate Finance Committees make harmful, fundamental changes to the Medicaid program—a program which now is the largest source of federal and state funding for services and supports for individuals with disabilities. It has been access to critically needed health and related services and to essential community-based long term services and supports—provided through the Medicaid program—that have enabled families to stay together and children and adults with disabilities to live fuller and more productive lives in their communities.

Specific CCD concerns relate to the following issues:

While the Senate proposal maintains a guarantee of health care coverage for low income individuals with disabilities, the House proposal completely eliminates the current individual entitlement status of Medicaid for people with disabilities.

Neither the Senate or House proposals would require states to provide any specific services, except for childhood immunizations.

Medicaid is no longer an entitlement and if there is no requirement for the provision of a full range of services, people with disabilities will lose access to critical health and long term services, and supports. For people with disabilities and serious health conditions, the lack of access to health and health-related services and supports will lead to an exacerbation of existing health problems and/or disabilities, as well as the emergence of additional health problems and secondary disabilities. For people with long term care needs, the lack of Medicaid coverage will lead to the loss of services and supports that help them to live more independent lives in the community—in some cases leading to homelessness and inappropriate institutionalization. In addition, families of children with disabilities will have their economic security undermined as they try to pay for essential health and long term services. It is important to remember—especially in a nation where the number of individuals insured through their employer continues to decrease—that for many people with disabilities, Medicaid has been the only health care coverage available.

While both proposals include state level ''set-asides'' for certain vulnerable populations, i.e. families with pregnant women and children, elderly individuals, and low income people with disabilities under age 65, the proposed funding formula for these set-asides would mean that states could not continue to provide the full range of services and supports that they now provide for children and adults with disabilities.

States would be permitted—within these broad categories—to determine what services to provide. According to the House proposal, for each set-aside category, states would have to spend 85 percent of the average percentage of the state's Medicaid spending from FY 1992 through FY 1994 devoted to mandatory services (what the state now must cover) for people in that category. According to the Senate proposal, for each set-aside category, states would have to spend 85 percent of the state's Medicaid spending in FY 1995 on mandatory services for people in that category.

This formula does not take into consideration spending on optional services (what the state now chooses to cover). For people with disabilities, this is a major blow. Current optional services are the ones most likely to be of critical importance to children and adults with disabilities and dollars currently spent towards them would not be counted towards the disability set-aside. Optional services include the following: speech, physical, and occupational therapy, psychological services, clinic services, prescription drugs, dental services, eyeglasses, prosthetic devices, rehabilitative services, home and community based services, ICF–MR services, personal care services, respiratory care services, and case management.

In addition to the loss of the personal entitlement to specific required services and the weak funding formula, both the House and Senate proposals eliminate consumer and quality assurance protections and federal oversight in Medicaid services or Medicaid funded facilities.

This includes elimination of federal nursing home and ICF/MR regulations and even the minimum requirement that funds be spent on active treatment for individuals in institutional settings rather than merely custodial care. While Congress continues to speak of the value of devolution and state's rights, the CCD remembers when states could not or would not provide needed services and supports for children and adults with disabilities and their families. There are well warranted and deep-seated fears in the disability community that the loss of minimum federal standards coupled with intensifying fiscal pressures will mean that some states return to institution-based custodial care with the consequent loss of individual freedom, rights, and quality of life. The public policy and the original intent behind federal oversight requirements currently attached to funding for certain Medicaid long-term services must be remembered and respected. The proposals also permit the states to move more people into managed care plans while at the same time removing current consumer protections related to managed care.

The CCD strongly urges you to carefully reconsider how to ''reform'' the Medicaid program and not to support the passage of the provisions in the Medicaid Transformation Act of 1995 as part of the budget reconciliation bill. We ask you not to eviscerate a program that has allowed millions of children and adults with disabilities to live fuller and more productive lives in the community because they now have access to both acute health care and needed long term services and supports. The CCD does not support the status quo on Medicaid. We do believe, however, that there are changes to the program that can be made that will not penalize those who now benefit from the program. These include the elimination of the current incentives for institutional care and the provision instead of incentives for home and community-based long term services and supports.

Finally, the CCD supports efforts to reduce the federal deficit. However, the CCD strongly believes that it is unfortunate that most of the programs on the table for deficit reduction are those of importance to children and adults with disabilities—such as Medicaid, children's Supplemental Security Income, housing, social services, jobs, and education. It is also unfortunate that Congress is endeavoring to balance the budget using only 48% of the federal budget and that 48% comes at the expense of programs of critical importance to the lives of people with disabilities.

The CCD asserts that the individual entitlement status of Medicaid to a mandated set of benefits for children and adults with disabilities must be maintained.

The CCD asserts that federal reimbursement should be maintained for the full range of acute and long term services and supports that are presently available, including optional services which states now choose to provide through their Medicaid programs. In addition, the states should be required to continue to contribute at least their current share of funds to finance Medicaid services and supports.

The CCD asserts that the federal requirements that states meet certain standards of care and continue appropriate quality assurance measures, as well as due process and other consumer protections must be maintained.

The CCD asserts that managed care should be an ''option'' and not the only avenue of services for people with disabilities and that strong consumer protections, including timely and appropriate access to all necessary services, supports, and providers must be ensured.

The CCD asserts that current incentives for institutional care built into the Medicaid program must be eliminated and replaced with incentives for the provision of home and community-based long term services and supports.

1995 CCD HEALTH AND LONG-TERM SERVICES TASK FORCE MEMBERS

Adapted Physical Activity Council.
Alliance of Genetic Support Groups.
American Academy of Child & Adolescent Psychiatry.
American Academy of Neurology.
American Academy of Physical Medicine and Rehabilitation.
American Association for Respiratory Care.
American Association of Children's Residential Center.
American Association of Spinal Cord Injury Psychologists & Social Workers.
American Association of University Affiliated Programs.
American Congress of Rehabilitation Medicine.
American Foundation of the Blind.
American Horticultural Therapy Association.
American Network of Community Options & Resources.
American Occupational Therapy Association.
American Orthotic and Prosthetic Association.
American Physical Therapy Association.
American Psychological Association.
American Rehabilitation Association.
American Speech-Language-Hearing Association.
American Therapeutic Recreation Association.
Amputee Coalition of America.
Association of Academic Physiatrists.
Association of Maternal and Child Health Programs.
Autism National Committee.
Bazelon Center for Mental Health Law.
Brain Injury Association.
Center on Disability and Health.
Children's Defense Fund.
Children & Adults with Attention Deficit Disorders.
Epilepsy Foundation of America.
International Association of Psychosocial Rehabilitation Services.
Joseph P. Kennedy, Jr. Foundation.
Mental Health Policy Resource Center.
National Alliance for the Mentally Ill.
National Association for Music Therapy.
National Association for the Advancement of Orthotics and Prosthetics.
National Association of the Deaf.
National Association of Developmental Disabilities Council.
National Association of Medical Equipment Suppliers.
National Association of People with AIDS.
National Association of Protection and Advocacy Systems.
National Association of State Directors of Developmental Disabilities Services.
National Association of State Directors of Special Education.
National Association of State Mental Health Program Director.
National Center for Learning Disabilities.
National Community Mental Healthcare Centers.
National Consortium on Physical Education and Recreation for Individuals with Disabilities.
National East Seal Society.
National Health Law Program, Inc.
National Industries for the Blind.
National Mental Health Association.
National Multiple Sclerosis Society.
National Organization for Rare Disorders.
National Organization on Disability.
National Rehabilitation Association.
National Spinal Cord Injury Association.
National Therapeutic Recreation Society.
NISH.
Paralyzed Veterans of America.
President's Committee on Employment of People with Disabilities.
Research Institute for Independent Living.
The Accrediation Council on Services for People with Disabilities.
The Arc.
United Cerebral Palsy Associations.
World Institute on Disability.

OCTOBER 24, 1995.

DEAR SENATOR DOLE: As providers of long-term care services, we are concerned that the current Finance Committee proposal to impose a block grant financing mechanism for Medicaid fails to ensure that adequate resources will be made available to meet the needs of our nation's elderly, disabled, and infirm. We fear that the proposed annual increases in federal Medicaid funding for state programs will be insufficient to meet the quality of care needed by residents of long-term care facilities and subsequently reduce access to services. Furthermore, the failure to meet the resource needs anticipated in future years for these services will negate the many advances made in this area as a result of the enactment of the nursing home reform provisions of OBRA '87.

We urge you to support the retention of federal oversight of nursing home quality linked to a statutory provision ensuring that adequate financial resources are made available to meet prescribed levels of service. Although this linkage can take several forms, the current formulation which backs the nursing home reforms of OBRA '87 to a statutory direction that payors of services (both federal and state) must ensure the payment of adequate rates has proven a workable mechanism and should not be repealed.

Federal nursing home reform standards, joined with existing reimbursement standards have resulted in a steady improvement in the quality of long-term care services. Without such a linkage, this quality of care cannot be sustained. It is our sincere desire to move forward with the quality of care provided in nursing homes, and recognize that the ability to do so is dependent upon the provision of adequate financial resources.

Sincerely,

American Health Care Association (AHCA); American Association of Homes and Services for the Aging (AAHA); Catholic Health Association; InterHealth; Horizon CMS; Clinton Village Nursing Home, Oakland, California; Qualicare Nursing Home, Detroit, MI; Westmoreland Manor, Greensburg, PA; Services Employees International Union (SEIU); American Federation of State, County, and Municipal Employees (AFSCME); United Auto Workers (UAW).

NATIONAL ASSOCIATION OF COUNTIES,
Washington, DC, October 24, 1995.

DEAR SENATOR: The National Association of Counties (NACo) strongly opposes the block granting of Medicaid and the loss of a federal guarantee to benefits. Counties will be saddled with significant cost shifts as a result of capping the federal contribution to Medicaid.

We do not believe that states will find enough budgetary efficiencies without reducing eligibility. The flexibility given to states in the operation of the proposed restructuring will trickle down to counties in the form of flexibility to raise property taxes, cut other necessary services or further reduce staff. In many states, counties are required to serve individuals with no private or public health insurance. The cuts to the program will have the effect of increasing the costs of that state mandate.

Individuals will continue to have health needs, regardless of the payor source. That is why we have always supported the intergovernmental nature of the Medicaid program and the assurance that there is some minimum level of coverage guaranteed to eligible individuals, regardless of the state in which they reside. While we support the increased use of managed care and the further targeting of the disproportionate share program, we believe that provisions in the bill overall will harm many current recipients and the counties which serve them.

If you have any questions about our position, please call Tom Joseph, Associate Legislative Director, at 202/942–4230.

Sincerely,

LARRY E. NAAKE,
Executive Director.

BUREAUCRACY CREATED BY THE GOP MEDICAID PLAN

In the Medicaid debate, the GOP has stressed that offering states block grants will reduce federal and state bureaucracy. However, a review of the GOP Medicaid Plan indicates that it creates as much bureaucracy as it purports to reduce. Some of the bureaucratic initiatives included in the plan are important and necessary; however, the argument that the GOP plan reduces bureaucracy just doesn't add up. The following is a *very* conservative estimate of the total number of new bureaucratic requirements created by the GOP Medicaid plan:

Number of new requirements for each submitted Medicaid plan	32
Number of States and District of Columbia (times)	51
Total number of new requirements for all plans (=)	1,632
Additional committees, advisory panels, demonstration projects, etc. (+)	15
Total number of new bureaucratic requirements (=)	1,647

Note: The total does not include drug provider pricing reports or other federal and state drug-related reports.

Specifically, the proposal requires:

SECTION 2100

Page 2—A state plan is required for reimbursement under this bill.

The state plan must be approved by Secretary.

SECTION 2101

Page 4—State must establish performance measures to evaluate Medicaid plan.

Independent review required of state performance.

Page 5—Strategic objectives and performance goals in state plan must be updated not later than every 3 years.

SECTION 2102

Page 5—Extensive annual reports must be prepared by states and submitted to Congress.

SECTION 2103

Page 6—Every third year, each state must provide for an independent review of the state Medicaid plan.

SECTION 2104

Page 12—Each state Medicaid plan must provide a description of the process under which the plan shall be developed.

SECTION 2105

Page 13—States required to provide public notice and comment on their Medicaid plan.

Page 14—States are required to established advisory committees for the establishment and the monitoring of the Medicaid plan.

SECTION 2106

Page 16—The Secretary shall provide for the establishment of a Medicaid Task Force.

Page 16—An advisory group to the Medicaid Task Force shall be created comprised of representatives from seventeen national health care organizations.

Page 18—The task force shall report to Congress by April 1, 1997, with recommendations regarding objectives and goals for states in the implementation of a Medicaid plan.

Page 19—Creation of an Agency for Health Care Policy and Research.

SECTION 2111

Page 19—Each state Medicaid plan must meet certain Federal eligibility and benefit requirements.

SECTION 2113

Page 31—States may set up premium and cost sharing mechanism including co-payments and deductibles.

SECTION 2114

Page 35—If a state contracts with a capitated health care organization, the state must annually provide before the beginning of the contract year—public notice and an opportunity for public comment on amounts spent.

SECTION 2115

Page 37—Each state will develop its own criteria for providing benefits and geographic coverage.

SECTION 2117

Page 40—Establishment of new income rules for institutionalized spouse in determining eligibility for Medicaid. Also, rules establish a hearing process relating to a monthly allowance for the non-institutionalized spouse.

SECTION 2121

Page 59—Establishment of complex formula for the allotment of block grant funds to states.

Page 84—By April 1, annually, the Secretary shall compute and publish in the Federal Register proposed obligation and outlay allotments for each State.

Page 85—GAO shall report to Congress annually a report of preliminary allotments.

GAO shall submit an annual report analyzing allotments.

SECTION 2122

Page 87—Quarterly reports shall be filed by the States estimating the total sum to be expended in such quarter.

Page 90—Procedure established for disputes with respect to overpayment to the States.

Page 97—States given authority to impose health care taxes on providers.

Page 111—Limits established on the amount that a state may use a grant to carry out a program for which a waiver was granted.

SECTION 2123

Page 113—Limits on payments for nonlawful aliens, abortions and assisted suicides. States must establish procedures that funds not be used for unauthorized purposes.

SECTION 2124

Page 119—Methodology for grants to be determined by HHS.

SECTION 2131

Page 119—Separate state audit required annually. Additional ‘‘verification’’ audit required if first audit not acceptable. Audit reports must be available to both HHS and the public. Each State must adopt fiscal control measures to insure compliance. State or private plans must provide HHS with records of any audit conducted by anyone on any provider offering services through he plan.

SECTION 2132

Page 121—Each state is required to develop separate fraud prevention procedures. Additionally, if an individual or provider is excluded due to a violation of this section, a state must file a separate notification of the violation with the appropriate state licensing board and HHS.

SECTION 2133

Page 123—States must create a mechanism that notifies the Secretary of HHS of *any* formal proceedings, including outcome, against an individual provider or provider entity. Additionally, the State must provide the Secretary of HHS with documentation of these formal proceedings. HHS must notify all relevant federal agencies, providers under contract, licensing boards, State agencies, utilization and quality control peer-review organizations, State Medicaid Fraud Units, hospitals and other providers, the Attorney General, and the Comptroller General. Program to be coordinated through HHS.

SECTION 2134

Page 127—Each state required to provide a separate State Medicaid Fraud Unit. This unit must be attached to the State Attorney General or other appropriate state agency. The State must establish formal procedures for referral of fraud, patient ‘‘abuse and neglect’’ complaints, and overpayment cases to the State Attorney General.

SECTION 2135

Page 131—Each State must develop procedures for determining when a third-party payor is legally obligated to pay a claim, when beneficiaries acquire the rights, when they may assign those rights, and laws that mandate coverage of children. Any denial of benefits to a child must be documented. States must also create a procedure for wages or tax return garnishment.

SECTION 2137

Page 142—Each State must develop separate ‘‘Quality Assurance Standards for Nursing Facilities,’’ consisting of separate treatment standards, administrative policies and procedures, operational bylaws, Quality Assurance systems, resident assessment procedures, staff qualifications, and utilization review procedures. These standards are subject to public comment before acceptance by the State legislature.

Each State must also create a nursing facility certification program, whose records must be available to the public. This program must be audited every four years.

SECTION 2138

Page 150—Requires public access to any compliance survey conducted by any state agency. Each state must create separate record-keeping requirements.

SECTION 2151

Page 151—Each state must submit separate ''Part C'' Medicaid plans.

SECTION 2152

Page 151—Allows for amendment of a States Medicaid plan ''at any time.''

SECTION 2153

Page 153—Requires HHS to ''promptly'' review (within 30 days) any plan or amendment submitted. Requires notice non-compliance, and a state response or revision of the plan must follow. Creates administrative hearing procedure for determination of non-compliance if requested by the state. If dissatisfied, state may appeal to the appropriate U.S. court of appeals. Any decision may be appealed to the U.S. Supreme Court.

SECTION 2173

Page 174—If a state has an Indian Health Program, the state plan must separately define who and what will be eligible.

SECTION 2175

Page 182—Requires HHS (or each state separately) to reach separate rebate agreements with each eligible drug manufacturer before reimbursement. Any exceptions must be submitted for review and approved by HHS. If a rebate agreement is in place at the time this Act is passed, the state has the burden of showing that such rebate agreement saves as much or more money as the requirements of this new Act.

Page 192—Requires each state to submit a report of the total number of covered drug units used, including form, dosage, and package size.

Page 193—Drug manufacturers must submit a report listing the ''average'' price of an eligible drug sold for at the beginning of a rebate period. Drug manufacturers are also required to submit a report at the end of a rebate period noting both the ''average'' and the ''best'' price the drug sold for.

Page 199—Secretary and states both have authority to resolve conflicts over rebate amount.

Page 200—Secretary or state must compute rebate formulas for each separate drug, manufacturer, and rebate agreement.

Page 207—Any State may subject any drug to a separate prior authorization program prior to filling a prescription.

Page 208—Secretary required to periodically update the list of ineligible drugs.

Page 209—Each state may set up separate formularies if approved by HHS.

Page 211—Outlines the specific requirements of a state ''Prior Authorization Program.''

Page 212—HCFA required to establish reimbursement limits for ''therapeutically equivalent'' drugs.

Page 213—Secretary must ''encourage'' states to establish an electronic claims processing system.

Page 214—Requires HHS to submit an annual report to the Senate Finance Committee and House Commerce Committee outlining individual and total drug costs, the impact of inflation of such costs, any significant trends in drug pricing, and the administrative costs of compliance with the drug-rebate program.

Page 224—Requires HHS to establish a ''Medicaid Drug Rebate Task Force.''

SECTION 7194

Page 228—Requires HHS and HCFA to develop a classification system for children with special health care needs.

Page 229—Creates a grant program for demonstration projects using the criteria developed for classifying children with special health needs. Requires these projects to submit annual and final reports to HHS.

Page 232—Requires CBO to conduct an annual analysis of the impact of the new Medicaid amendments and to submit a report to the Senate Finance Committee and House Commerce Committee.

Mr. EXON addressed the Chair.

The PRESIDING OFFICER. The Senator from Nebraska.

Mr. EXON. Mr. President, I congratulate the excellent statement and arguments that have been made by my distinguished colleague from Florida on the matter at hand. I believe we are about ready to come down to the end of this and go on to the education amendment. But before we proceed, I wish to yield 1 minute to the Senator from Connecticut.

Mr. DODD. I thank our colleague from Nebraska.

Mr. President, I apologize for being tied up in the Committee on Banking and Housing. I think as we look at this legislation people have to ask the fundamental question of who is being hurt by this proposal. No one is suggesting we ought not to make reforms in these programs to make them more efficient. But when 4.4 million children over the next 7 years, as the estimates say, will lose the kind of protection that Medicaid has provided, that in my view goes too far. I think the American people are responding to that. It is extreme. Clearly, corrections need to be made, but this goes way beyond what most Americans think is right and fair.

If we are going to invest in the future and promote growth, then these young children who have no other safety net to protect them are going to be lost in that process. It is bad enough to place at risk 12 million Americans, 8 of whom are in effect adults with long-term care needs. But for almost 5 million children who may lose Medicaid in this country who are born into these circumstances and will start their lives in this way, I think is wrong headed; I think it is extreme; I think it is unfair; and I think it is dangerous for this country's future.

I thank my colleague for yielding.

Mr. EXON. Mr. President, after conversation with several Senators, including my distinguished colleague from Michigan, I think we have general agreement now that we will, under the previous order, move to the next order of business, which is the so-called education amendment.

The time under that amendment will be controlled by the Senator from Massachusetts, Senator KENNEDY, who I think is ready to offer the amendment. In the interest of conserving time—we have had a general agreement—and I ask unanimous consent at this time that instead of the 2 hours, 1 hour each side, on the education amendment, that the time be reduced to 90 minutes or 45 minutes per side. I propose that as a unanimous consent request.

The PRESIDING OFFICER (Mr. BURNS). Is there objection?

Mr. ABRAHAM. Mr. President, the majority does not object. We support the 90-minute time agreement.

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

Mr. EXON. I thank the Chair. I hope at this time the Chair could recognize the Senator from Massachusetts.

Mr. KENNEDY addressed the Chair.

The PRESIDING OFFICER. The Senator from Massachusetts.

AMENDMENT NO. 2959

(Purpose: To strike those portions of the Committee on Labor and Human Resources reconciliation title that impose higher student loan costs on students and families, by striking the 85 percent fee imposed on colleges and universities based on their student loan volume, restoring Federal interest payments on subsidized student loans during the 6-month grace period in which graduates look for jobs, eliminating interest rate increases on parent (PLUS) loans, and eliminating the 20 percent cap on direct lending, and to provide an offset by striking the provisions that dilute the alternative minimum tax)

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

The PRESIDING OFFICER. The clerk shall report the amendment.

The bill clerk read as follows:

The Senator from Massachusetts [Mr. KENNEDY] for himself, Mr. SIMON, Mr. PELL, Mr. DODD, Mr. HARKIN, Ms. MIKULSKI, Mr. WELLSTONE, Mrs. FEINSTEIN and Mrs. MURRAY, proposes an amendment numbered 2959.

On page 1409, beginning with line 8, strike all through page 1410, line 25.

On page 1421, beginning with line 15, strike all through page 1423, line 13.

On page 1424, beginning with line 2, strike all through page 1425, line 16.

Strike chapter 3 of subtitle B of title XII.

Mr. KENNEDY. Mr. President, I yield myself 6 minutes.

Mr. President, we are 2 days into this debate on the budget recommendations of our Republican friends in the U.S. Senate. We had an opportunity yesterday to debate the issue of whether we are going to cut $270 billion out of the Medicare program in order to give tax breaks for the wealthy individuals and corporations.

Today we had the debate about whether we are going to take $180 billion away from the neediest children in our society and from the seniors of our country who have made such a difference to our Nation and put them at greater risk.

The third element in this whole Republican proposal is to deny, or move towards denying, the sons and daughters of working families the opportunity to achieve the American dream, that is, in the area of higher education.

The whole debate on higher education was a key debate in the 1960's between President Kennedy and President Nixon. During that time, this country went on record to provide help and assistance to the young people of this country. We reserved three-quarters of a Federal assistance program for grant money and one-quarter for loans. The programs built on the enormous success that this country saw at the end of World War II. We expended, in today's dollars, $9 billion on education assistance to those who came back and fought in World War II.

It is an interesting fact, Mr. President, that the analysis of this program proved it was a remarkable success. In fact, every dollar was actually given in grants—not loans—and returned some $8 to the Federal Treasury.

This Nation was committed to higher education. This Nation was committed to the young people of this country, to their hopes and dreams for a future America. But under the Republican proposal, effectively what they are saying is, ''We're going to take some $10 billion away, away from the students of this country, and make it more complex, more difficult, and in many instances deny the dreams of those young people.'' For what reason? For the reason of providing the tax breaks for wealthy corporations and wealthy individuals.

That is what this is about, Mr. President. That is what this is about. The amendment that we have offered today responds to that provision of the Republican bill.

First of all, the provision that institutes a new student loan tax that requires colleges and universities to pay the Federal Government an annual fee of .85 percent of their student loan volume is struck. In addition, the amendment strikes provisions that eliminate the interest-free grace period, a concept that has been supported by Republicans and Democrats since the student loan program began.

We also strike the increased interest rates on parents in the PLUS loans, which are necessary loans for parents that do not have great assets. Striking the increased interest rates will help those parents continue to take advantage of the PLUS loans. Finally, the amendment strikes provisions capping the direct loan program at 20 percent of loan volume. The program is now at almost 40 percent participation.

The amendment takes us back to the existing law which will permit any college in this country, in any State, to choose to participate in the direct loan program. Not under the Republican program.

What we are saying is: If colleges, their boards of trustees, parents, faculty, teachers, young people want to move toward a direct loan program, that choice ought to be available at the local level. The Republican proposal denies colleges and universities and their communities the right to choose a loan program that works for them. That right to choose was a bipartisan agreement that was made in 1993. I believe that denying colleges and universities the right to choose is unwise and unfair.

And, Mr. President, we offer a full offset for this change to the Republican proposal, so that our amendment is budget neutral. We will return help and assistance to the students of our country by striking the provisions of the Finance Committee's reconciliation bill that dilute the alternative minimum tax on corporations.

The alternative minimum tax on corporations sets a minimum corporate tax liability. It was passed in 1986 because many corporations were escaping any kind of tax payment. And you know what the Republicans did? They relaxed it to benefit corporations by $9.2 billion. And so the Senate of the United States will have a chance today to say, ''Do we want to relax the alternative minimum tax for corporations by $9.2 billion or do we want to provide the help and the assistance for the sons and daughters of working families?''

We have effectively voted on this amendment before, and we are going to see if the whiplash of the Republican leadership is going to march—force the Republicans to march in lock step to reject what they have supported in May: a reduction in the cuts to students.

We are taking the changes in the alternative minimum tax that provided easier payments for the largest corporations of this country and using them for the deficit reduction requirements for education and leaving these programs alone. That is what this amendment does.

Mr. President, I do not think we have to make the case, or should have to make the case, that education is central to the American dream. But under the Republican proposal, they change that dream into a nightmare. The idea that the Republican proposal is a shared sacrifice is malarkey.

They say, ''There's a shared sacrifice in our Human Resources Committee's proposal.'' The shared sacrifice is two-thirds—two-thirds of the burden is going to be on the sons and daughters of working families. Half of them earn below $20,000 a year; two-thirds of them below $40,000. It is interesting to note that these are the same people whose taxes are going to be increased under the EITC. These are the same people that are going to have to provide additional help and assistance to their parents to increase the copayments and the deductibles.

The PRESIDING OFFICER. The Senator's time has expired.

Mr. KENNEDY. I yield 2 more minutes.

Again, these are the same people whose taxes will be increased under EITC, as Senator MOYNIHAN clearly pointed out when he put the chart before the U.S. Senate and the American people. We are already going to have to pay increased payments under this bill.

What do our Republican friends have against working families? They raised the EITC that goes to the low-income, working families. And now they are denying the opportunity for education for many of the sons and daughters.

Mr. President, I want to just point out that a $250 increase in the cost of college will cause roughly 20,000 fewer students from working families to enroll. Because there are almost $1,000 in additional costs to working families just in the grace-period provisions of the Republican proposal, 80,000 young people in this country will not go to college because of the increased burden that their families will not be able to pay.

Now, there will be a time when someone says, ''This is really a very minor slap on the wrist for these families.'' They will point out, ''Look, you are only talking about $900 for the grace period, only $500 more under the PLUS loans, and only $25 under the institutional loans.''

Mr. President, that all adds up. In my State of Massachusetts, working families will have to pay more than $200 million in additional costs. That is wrong. It is a transfer of wealth from working families to the already wealthy individuals in our country. Therefore, I hope that this amendment is agreed to. It is a responsible amendment. We have debated this issue many times and we have said that we believe that education is fundamental to the future of America and young Americans. Why should we dampen, and in many instances extinguish, the hopes and dreams of the sons and daughters of working families?

That is the choice here. We can strike the alternative minimum tax or we can dock the sons and daughters of working families.

I yield 5 minutes to the Senator from Rhode Island who has been a former chairman of the Education Committee and who has made such a mark in education policy.

The PRESIDING OFFICER (Mr. ASHCROFT). The Senator from Rhode Island.

Mr. PELL. Mr. President, I thank my colleague. I am very, very pleased to be an original cosponsor of this critically important amendment. What we are talking about here is a capital investment in the future of our Nation. Passage of this amendment would accomplish the objective of taking students and their families, not completely, but partially out of harm's way.

First, it would strike the first-time-ever fee on institutions of higher education. This fee of .85 percent, based on the total amount of money borrowed by students and parents at every institution of learning, is an unprecedented move and a cost that would undoubtedly be passed along to students in higher fees. Once established, I am afraid that it will increase over time.

Second, this amendment would strike the increase on the interest rate in the Parent Loan Program. Some argue that the increase would be so small as to be insignificant. I disagree.

A parent who borrows for 4 years of college at a typical 4-year public university will borrow a total of $27,000. If those loans are repaid over 10 years, the increase in the interest rate will mean those parents will have to pay an additional $1,400. If they take advantage of extended repayment, the cost could well increase to $2,800. Neither of these figures is insignificant.

A parent who borrows at a private university will borrow more than $66,000. Repayment over a 10-year period will mean an additional $3,400 that parents will have to pay because of the increase in the interest rate. If repayment is extended over 20 years, the additional cost to the parent will be nearly $6,900, or $7,000.

Third, the amendment would strike the 20-percent cap on the Direct Loan Program. This would leave alone the direct loan conference agreement of 2 years ago. It would mean that we would continue to have a spirited competition between direct and regular loans, a competition that has brought students improved services, better rates and more benefits.

And fourth, the amendment would strike the elimination of the interest subsidy during the grace period. This is of vital interest to students who have just completed their education and are out looking for a job. Proponents argue that the cost of eliminating the grace period will be small, but to a student who is just beginning a job, every dollar counts.

In terms of the package, I point out that while one change might appear small, the combined impact of the four changes addressed in this amendment is considerable. Students and their families will feel the impact of these changes. Instead of taking them out of harm's way, it will place them directly in the line of fire. We can avoid that outcome if we adopt this amendment. I urge my colleagues to join me in voting for it. If ever there was a capital investment amendment to improve the competitive ability of our Nation, this is it.

I yield the floor.

The PRESIDING OFFICER. Who yields time?

Mr. KENNEDY. I yield 5 minutes to our friend and colleague and former member of the Labor and Human Resources Committee, JEFF BINGAMAN.

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

Mr. BINGAMAN. Thank you very much, Mr. President. I thank the Senator from Massachusetts for yielding me time.

Mr. President, I am in strong support of the Kennedy-Simon student loan amendment. It does deal with a very serious problem that I see in this budget reconciliation bill.

Very simply, what we are talking about here is $10.8 billion that is to be reduced or eliminated out of the funds that will otherwise be made available to students over the next 7 years, students who want to go to college and who do not have the financial means with which to go to college.

That $10.8 billion is presented by the Republican majority as being fairly shared. We are going to try to charge some of that to the loan industry and some of that to the students and families themselves.

I have a chart here, Mr. President, which I think makes the point pretty clearly that the cost, that $10.8 billion, is not fairly shared. What this chart shows is that something like 30 percent of this entire $10.8 billion, $3.1 billion specifically, will be additional costs to the loan industry; 70 percent of the entire cut in education is costs to students and their families. That is $7.6 billion over 7 years.

Let me talk about some of the specific things that we are doing to increase the costs to students and families during that time, because some of it is precedent setting and, in my view, it is a very bad precedent and reflects very badly on our country.

One which has been referred to by both the Senator from Massachusetts and the Senator from Rhode Island is that we are starting, for the first time, to charge interest on the loan from the day of graduation. That may seem like a small item and, in some larger global sense, it may be, but it signifies something about what the Congress is about in this reconciliation bill.

Always before, the idea was when students graduated from college, we would give them a 6-month grace period in which to get a job, in which to begin to receive regular monthly paychecks, before they were charged the interest on that loan.

But we are eliminating that in this legislation. Here the idea is that we can pick up $2.7 billion over the next 7 years by eliminating that grace period and starting to charge that interest from the day they graduate. I think that is a shortsighted, mistaken and wrong policy decision.

A second item that I particularly want to focus on that I think is perhaps even a worse precedent is this whole idea of charging a tax to schools that want to make a student loan. In my State, the schools that are making Federal student loans are generally schools that are trying to provide education to moderate-income families and students. They would be charged, under this bill, .85 percent, nearly 1 percent of the value of the loan, at the time the loan is originated.

When I bought a house, I remember that they charged me a loan origination fee. You always shop around to see where can you get the fewest points, where will they charge you the fewest points for your house loan. The Government has never charged points for student loans before. We have never charged origination fees when we made a loan to a student to go to school.

This year, for the first time, we will begin to charge an origination fee. Now we charge it to the institution. The school itself has to pay the student loan and, of course, that builds in an incentive for the school perhaps to look for more financially capable students. They do not have that cost. They do not need to worry about origination fees if they get students that, in fact, do not need student loans. I think it is a very bad precedent. I think when you start charging an origination fee for a student loan, it is a sad day in our Nation's history. That is exactly what we see proposed in this bill. That would, supposedly, result in the Federal Government picking up $2 billion over the next 7 years.

We are increasing the interest rates on family interest. That is another $1.5 billion. And then by capping the amount of direct student loans that can be made, presumably we are going to pick up $1.4 billion.

Mr. President, this amendment would strike the most onerous provisions of the reconciliation bill by striking the provisions that increase the costs of loans for students and their families.

The Republicans propose that almost 70 percent of the $10.8 billion cuts in the current student loan system be shouldered by students and their families. Only $3.1 billion is borne by the loan industry and $100 million by cost sharing with States. The overwhelming majority of these cuts, shown in red on this chart, would be shouldered by the very students the program is intended to help. Only 30 percent of the cuts, shown in yellow on this chart, are imposed on banks, guaranty agencies, and secondary markets in the student loan industry. That means that directly or indirectly the wrong people suffer. It will cost needy students more to borrow.

The Kennedy-Simon amendment fixes that. It strikes all portions of the Labor and Human Resources Committee reconciliation title that impose higher student loan costs on students and their families. Let me show you how.

First, the amendment would restore a 6-month interest-free grace period following graduation. That means that interest would not accrue on student loans for 6 months after graduation giving students time to look for a job. This amendment strikes the Republican cut of $2.7 billion for the interest-free grace period. The amendment would thereby save an individual student between $700 and $2,500, depending on the length of study and amount borrowed.

Next, the amendment eliminates a new .85-percent fee on new student loans. It strikes the $2 billion Republicans would save by introducing this new loan fee. The Republican plan would force colleges either to absorb this new tax on student loans or pass it on as increased students fees. This would have meant about $25 every year for about 14 million students with new loans. It would have effectively penalized schools for accepting needy students.

Next, the amendment eliminates the rise in interest rates families pay for student loans. Without this amendment, the increase in PLUS loan interest rates could amount to up to $5,000 a family. This increase would be paid by the very families who lack other assets against which to borrow, and must therefore borrow most heavily from this program to afford 4 years of college.

Finally, the amendment eliminates the 20 percent cap on the direct loan program. The program is now at 30 to 40 percent and has made the student loan process much quicker and more efficient for participating students.

This amendment is good policy for the Nation. In New Mexico, it will be absolutely essential. It will enable a better education for some students who otherwise would not go to college. Colleges in New Mexico have volunteered my office the numbers of their students on Federal financial aid because, they tell me, they know is vital for the students they serve. They say three New Mexico colleges alone have well over 20,000 students receiving some form of Federal financial aid. At the University of New Mexico, there are about 10,000; at New Mexico State University, about 9,000; at Western New Mexico University, about 1,400. Other colleges have more.

More important, over 70 percent of all financial aid in most New Mexico colleges is Federal. In some it is almost the only source available. In New Mexico Highlands University and New Mexico Junior College in Hobbs there is very little financial assistance that is not Federal. These schools serve students to whom financial assistance is absolutely essential, whose families cannot sustain higher levels of personal debt. Other States may be richer than New Mexico. But in my home State, this amendment would make the difference in reducing the level of student and family debt to a point that working families feel it is within their reach. This would enable some students to go to college who otherwise might not go. Graduating from college is no longer a ticket to the good life; it has become a mandatory qualification for most entry-level professional jobs.

This bill strikes at the heart of the Federal Government's commitment to education; the Kennedy-Simon amendment renews that commitment to making college accessible to qualified students regardless of privilege. I urge my colleagues to adopt this amendment.

The PRESIDING OFFICER. The time of the Senator has expired.

Mr. BINGAMAN. I urge my colleagues to support the Kennedy-Simon amendment.

Mr. KENNEDY addressed the Chair.

The PRESIDING OFFICER. The Senator from Massachusetts.

Mr. KENNEDY. How much time remains?

The PRESIDING OFFICER. The Senator has 28 minutes.

Mr. ABRAHAM. I yield myself such time as I may need to make a brief statement or two regarding this amendment. And then I will yield time to another Member on our side.

The chairman of the Senate Labor and Human Resources Committee and I were chatting here on the floor, and the Senator from Kansas indicated to me a couple of things. Members on both sides are probably aware that there are discussions going on now that may directly address much of the content of this amendment in a way that would be very similar to what is being proposed here. Those discussions are going on as we debate this issue.

There is likely to be, from our side, an amendment which would be responsive to some of these concerns, many of which were raised in the Labor and Human Resources Committee—Members on both sides of the aisle—during the debate.

For the students who are watching today and listening to our proceedings, or their families, I want to point out a couple of factors which, once again, the chairman of the committee reminded me of, which we discussed during our deliberations on this.

First of all, nothing in the reconciliation package will, in any way, affect the volume of loans available to students. In other words, the growth rate of student loan volume will continue unabated under the Republican package. Students who are hoping to get loans will have those loans available. We are not contracting the size of the loan volume. I believe it will be in the vicinity of $26 billion annually under this package.

In addition, I point out concerns that have been raised hear about the origination fee that is part of this package. There was an amendment, as the President will remember, brought before the committee that would have eliminated the origination fee. It was opposed and voted down. I believe every Member of the minority party voted against an amendment that would have eliminated those origination fees.

I want to, once again, point out just for clarification, insofar as the grace period issue is concerned, we are not asking students to begin paying back their loans upon completion of school. Our changes only go to the issues of when interest begins to accrue. Students will still have 6 months after they graduate before they are required to begin paying their student loans. Indeed, as I think everybody is aware, the overriding goal we have here in this reconciliation package, and more broadly in our budget, is to bring the budget into balance.

Mr. President, when we do that, we not only will bring down interest rates for the Federal Government, we also will bring down interest rates across America for everybody. When those interest rates come down, they will not just come down insofar as what we pay on the bills, it will be for what people pay on home mortgages and with respect to student loans. As those student loan interest rates come down, they will, I believe far more effectively, help students to finance their college education than anything we are doing here today, because a much lower student loan rate is going to mean far less total dollars spent by students than anything else we could do here in the U.S. Senate.

I also note that in our finance package here in the reconciliation bill, there also is a student loan deduction available to people who are paying student loans, for middle-income families. That, too, will help to offset the burdens of college education that middle-class families in this country pay.

So we are trying to be responsive. We are not reducing the volume rate. We are not requiring students to begin paying their loans earlier; and, most important, we are trying to balance the budget so that interest rates on student loans will be so low that they will help students in the kind of ways students want most, which is a total amount of money being paid back, lower than what they have to pay back today.

I yield 10 minutes to the Senator from Montana.

Mr. BURNS. Mr. President, this is the first time I have come to the floor to comment on this reconciliation package. I guess the first thing we tried to look at with regard to this is the tax cuts and also the cuts in spending. One has to look at it from the standpoint of how it affects home. What does it do for my home State of Montana? There are some things not in this package that I think, if you want to do something about a farm bill, give farmers accelerated depreciation and income averaging, we would not need a farm bill, if you want to be fair with agriculture because of the conditions under which they work.

But in this package, I congratulate Senator DOMENICI, the chairman of the Budget Committee and, of course, the Finance Committee, for their exceptionally hard work to try to balance and make it fair. Tax relief for families is the biggest part of this tax relief provision. It goes to families. Now, we hear talk on the other side of the aisle this morning about a cutback in programs. Why do you think there are tax cuts in here? Because it allows families to make the decision on how they want to spend their money, not how it is spent here in Washington, DC; it is for them who live in the hinterlands. There is tax relief for senior citizens and small businesses.

When you look at my State of Montana, that is going right down the line where we need a little relief. And we close some loopholes for corporations. So they did exceptional work on this. We have heard about the tax break for the rich, corporate welfare, and all of this, those loopholes for the corporations. They have been closed. Frankly, I have not seen a lot of that. This tax package, as a total revenue cost over a 7-year budget, is around $245 billion. However the cost is reduced by elimination of those corporate loopholes, which saves the Government a little over $21 billion over 7 years. That net cost makes us back to $224 billion. We can get bogged down in figures. I know how easy that is.

We have to keep reminding America through this whole debate that the single largest revenue item in this tax package is a $500 per child tax credit, which has a cost of about $142 billion. What is wrong with letting families hang on to their money? They earned it. Sure, there are some Government services they want to pay for and it takes some amount of dollars to provide services that only Government can offer. We know that. But when they start making the decisions for all parts of your life, then that is where the real debate starts. Nobody is debating public safety here or doing some of the things for the society that has to be done.

This package provides for an adoption credit; a marriage penalty credit; deductions for student loan interest, for the first time; deductions for contributions to individual retirement accounts. These tax breaks—about $28 billion, or so—are 13 percent of the total cost of the package, and are targeted for folks who are middle-income folks. There is $40 billion in capital gains tax reform. There, again, we hear ''cut taxes for the rich.'' Capital gains tax is a voluntary tax.

You do not have to pay capital gains tax. You do not have to pay it because you do not have to sell.

The real wealthy folks can get around it because they know how to move those things around with tax laws and different laws.

On capital gains, this helps even the homeowner whenever he sells his home and wants to retire. Everybody whose assets appreciate, pays capital gains taxes—that is, if they sell.

So it is not for the rich. It is for all Americans that are smart enough to get a hold of some assets that appreciate, and they pay taxes on them.

We visited with a very knowledgeable man from Kansas and he said over $7 trillion of assets would flow onto the market if the capital gains was cut in half. Imagine what that would do to the American economy. Imagine what that would do to the tax coffers of the Treasury of the U.S. Government, so that maybe we can do some things that we want to do.

We have to think a little bit—just think a little bit. Capital gains is basically a voluntary tax. Just a voluntary tax.

Another provision in this package, the estate and inheritance tax provision on that reform. Folks who leave estates—those estates have been taxed and taxed and taxed and the interest they make on that has been taxed and taxed and taxed and then when they die they are taxed again.

I think of all of the ranches and farms in the State of Montana where money had to be spent for insurance policies to protect themselves so they could pay the inheritance taxes so the farm or the ranch can stay in the family.

Needless, needless expense. They paid taxes on that land, and property tax, income taxes, investment taxes, and then when the key family member passes on there is another estate tax that has to be paid again.

Hard-working families—the only thing they have on these farms and ranches is just the land. They have not made a lot of money. They do not have a lot of cash. They just do not have a lot of cash.

In effect, these death taxes are robbing American communities of a tradition of values that local family-run businesses provide. I wholeheartedly support that provision. If you feel for a young man that is trying to start off in the agriculture business, my goodness, do not strap him with a debt that he cannot work his way out of.

If you think there is not some disparity there, I will give you just a little idea on what it is like to farm. I was walking down the grocery store aisle the other day and found out that Wheaties cost $3.46 a pound. Do you realize that we are only getting $2.50 a bushel for a bushel of wheat that has 60 pounds of wheat in it?

They wonder—it is a little bit of disparity here. You want that man to keep on producing food and fiber so the American people can eat cheaper than any other society on the face of this Earth.

A while ago I listened to my distinguished colleague from the other side of the aisle challenge the estate tax credit. Their argument is focused on the unfairness of giving a tax break to any estate that exceeds $5 million.

I have asserted the top one half of the top 1 percent of the American people fall into that category. They should not be getting a tax break in the first place. I agree.

I must depart from my distinguished colleagues on the other side of the aisle for two reasons. I believe any death tax is on its face unfair. If we are going to keep these small businesses, these farms and ranches in the families of traditional values, we have to take a look at what we do in the taxing situation.

Taxes that cost jobs—the alternative minimum tax, we did not get all that we needed in this, but if there is one place that creates jobs and opportunities, it is here. When you tax small corporations, small family businesses, make sure that they keep two sets of books to see which one is a higher set of taxes than the others, that takes away from this business of the ability to expand, to expand their business.

Under the committee's package, the method of depreciation is conformed but the useful life is not.

One major problem with this is that business will start to have to suffer the unnecessary costs of maintaining two sets of books on each depreciable assets of the performing two tax computations to determine that they do not fall into the alternative minimum tax bucket.

Two sets of books—needless, costly. We could be investing that in a bigger payroll. That is what creates jobs.

In conclusion, we should talk about some good things that are in this package. Talk about the good things that people are going to say we will keep more money in your neighborhood, for your quality of life, that you can make the decisions on how you want to spend the money and not be looking toward this 13 square miles of logic-free environment or answers that sometimes just do not work in our local communities.

That is what this debate is all about—where the power is, the power of the purse string. With the tax credits and some reform we will do the responsible thing and not the irresponsible thing of saying, ''Let's wait until next year,'' or ''Let's accept the status quo,'' and we know what the results of that are.

I yield the floor.

Mr. KENNEDY. I yield 5 minutes to the Senator from Illinois.

Mr. SIMON. Mr. President, I rise in strong support of the education amendment offered by my colleague from Massachusetts.

I glanced through this two-volume reconciliation thing this morning and I found all kinds of things. Here is a provision for the Hetch Hetchy Dam. I have no idea where the Hetch Hetchy Dam is or what it means.

It has very little significance for the future of our country, but what does have significance for the future of our country is what we are doing in the field of education.

The Presiding Officer may be too young to remember the GI bill after World War II. There was a fight on the GI bill. The American Legion, to their credit, said ''Let's have educational benefits as part of the GI bill.'' The other veterans organizations said, ''Let's have a cash bonus for veterans.''

Fortunately, the American Legion prevailed and we put the money into education. We lifted this Nation.

Now we face the same choice. Do we have a tax loophole here that is being put in, which the Kennedy amendment says, ''Let's not put that tax loophole in,'' or do we put the money in education? The Kennedy amendment says put the money in education.

I want to address specifically the question of direct lending. Let me say to my colleagues on the Republican side, this is not a Democratic idea. The first person that suggested it is Congressman TOM PETRI, a Republican from Wisconsin.

My cosponsor of this legislation in the U.S. Senate was Senator David Durenberger, a Republican from Minnesota. When he was approached and said we ought to have the free enterprise system work and have the banks and the guaranty agencies profit from it, Dave Durenberger said, ''This is not free enterprise; it is a free lunch.'' That is the reality.

There is not a school in the country, not a college or university, that is on direct lending, that wants to go back to the old system.

Colleges and universities like it, the students like it, taxpayers like it for reasons I will get into in a minute, and for my colleagues on the Republican side who say we like to do away with paperwork, I have heard speeches on both sides on that, every college and university says this does away with all kinds of paperwork. This is a change not just for a speech but for a vote. If the colleges and universities like it, if the students like it, if it is good for the taxpayers, why are we limiting direct lending? My friends, the only beneficiaries are the banks and the guaranty agencies and their lobbyists. And we have just seen in the newspapers that the banks have record-breaking profits. If we want to have a bank subsidy bill, let us call it that, but do not put the name of ''student assistance'' on it. Let us not play games.

Who are these people who are fighting direct lending? The Student Loan Marketing Association, Sallie Mae, created by the U.S. Congress. The salary of the chief executive officer of Sallie Mae, 3 years ago was $2.1 million. All they do is student aid, guaranteed by the U.S. Government. The guaranty agency, one in Indiana, USA—the chief executive officer earns $627,000. We pay the President of the United States $200,000. And that one guaranty agency is spending $750,000 on lobbying on this.

We face a choice. Are we going to help students and parents and taxpayers or the banks and the guaranty agencies? It is very, very clear. This is brazen, Mr. President, brazen. We have to help people.

Indiana University says there is 90 percent less paperwork with direct lending, 25 percent fewer errors, easier adjustments, faster disbursement. I have heard a lot of talk about unfunded mandates around here. This is an unfunded mandate you are imposing on colleges and universities. Iowa State University, for example, testified they have been able to take four people who used to work in student loans because of the all the paperwork and everything, and have them do other things. And they have been able to cancel some of their computers that they have, for $400 a month.

If I may have 1 more minute?

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

Mr. SIMON. It is very, very clear what the public interest is. ''Banks Cash In, Taxpayers Lose on Loan Programs,'' USA Today says.

Government employees—we hear a lot, let us simplify. This is what we are told: 500 employees direct lending; 2,500 Government employees. That does count the guaranty agencies.

Then here is what CBO says about the 20 percent cap that is in here right now: Under current law, direct lending will save us, over 7 years, $4.6 billion.

What we did on the budget resolution, we said count administrative costs for direct lending but not for the old program. So, because of the phoniness—and even the Chicago Tribune says they are cooking the books here—you theoretically save $600 million. The real saving is a saving of $4.6 billion.

If we are interested in helping students, colleges and taxpayers, we ought to be voting for the Kennedy amendment.

The PRESIDING OFFICER. Who yields time?

Mr. ABRAHAM. Mr. President, I yield 10 minutes to the Senator from Washington.

The PRESIDING OFFICER. The Senator from Washington is recognized for 10 minutes.

Mr. GORTON. Mr. President, I believe that it is important constantly, during the course of this debate, to return to fundamental principles, to the broad policy goals which we as a nation ought to seek for the betterment of our society and for a brighter future for those who follow us. In returning to those fundamental principles, there is no better place to start than with this fundamental principle enunciated by Thomas Jefferson almost two centuries ago. And I quote our third President:

> The question whether one generation has the right to bind another by the deficit it imposes is a question of such consequence as to place it among the fundamental principles of Government. We should consider ourselves unauthorized to saddle posterity with our debts and morally bound to pay them ourselves.

The staff notes I have here with me this morning have, at one place, the notation ''they,'' that is to say the opponents to this resolution, ''do not wish to balance the budget.'' But I do not believe that to be true. I have not heard any argument at any time this year from a Member of this body that has not included in it at least lip service to the concept of a balanced budget. But, of course, there are three ways to that goal, or at least three kinds of oratory which give lip service to Thomas Jefferson's principle.

The first is to state the principle but always to have an objection to any course of action which will make that principle a reality. And that is the common approach of those who oppose the resolution we have before us today.

The second way, a way that seems to have very little support on the other side of the aisle but clearly actuates the President of the United States, is to define the problem out of existence. I will come back to that in just a moment.

The third way, the hard way, the difficult way, is actually to make basic changes in our laws and in our spending policies, that will in fact lead us to a balanced budget.

To return for a moment to the President's approach of defining it out of existence, I would also like to quote him. Just a little more than 2 short years ago, the President of the United States said:

> The Congressional Budget Office was normally more conservative about what was going to happen and closer to right than previous Presidents have been. I did this so we could argue about priorities with the same set of numbers. I did this so that no one could say I was estimating my way out of this difficulty. I did this because, if we can agree together on the most prudent revenues we are likely to get if the recovery stays and we do the right things economically, then it will turn out better for the American people than we said. In the last 12 years, because there were differences over the revenue estimates, you and I know that both parties were given greater elbow room for irresponsibility. This is tightening the reins on Democrats as well as Republicans. Let us at least argue about the same set of numbers so the American people will think we are shooting straight with them.

In those eloquent words the President said let us all agree that we will use the projections of the Congressional Budget Office.

That was then. This is now. Earlier this year the President presented a budget to us which never, in his own terms, included a deficit of less than $200 billion. Later, when it turned out that Republicans were serious about balancing the budget, the President said, ''Me, too. I can do it. And I can do it without pain. I can do it without changing any major policies in the United States. I can do it by defining it out of existence. I will abandon my allegiance to the Congressional Budget Office. I will simply estimate that interest rates and inflation will be lower and revenues will be higher, and without any major changes at all we can balance the budget.'' So he defined the problem out of existence.

The day before yesterday in this body we had a straw poll, as it were, on whether or not the President's approach was acceptable. And it lost by a vote of 96 to nothing. The other side of this aisle, quite properly, rejects that approach. But it also rejects the approach of any significant changes. So, at this moment, nominally we are debating education. They do not want any changes. Previously we were debating Medicaid. They do not want any changes. Before that we debated Medicare. They do not want any changes. In fact, you can go down a litany of spending programs, and they do not want any changes. But they would like to have a balanced budget. It just is not a high enough priority.

Mr. President, to return to the Congressional Budget Office, we now know that we are not simply engaging in a game of whether or not it is appropriate to balance the budget. We know what the positive results of balancing that budget will be. The Congressional Budget Office says that if we actually change the laws appropriately interest rates will be sufficiently lower and economic growth will be sufficiently higher so that the Federal Treasury will be $170 billion better off by the time the budget comes into balance in the year 2002. That is only the Federal Treasury. That is not the other hundreds of billions of dollars which will be in the pockets of the American people because they have better jobs and higher wages.

That is what this exercise is all about, a better break for America.

So what are we proposing to do? We are proposing to say to the Americans, if we go through this process, if we make these changes, we are going to give that $170 billion back to you in lower taxes on working Americans, and a little more besides because we have been responsible enough to balance the budget.

So when we get right down to it, Mr. President, that is what this debate is all about.

First principles—the moral duty not to load our spending on the backs of our children and grandchildren; and the economic benefit—an economic benefit I suspect Thomas Jefferson did not suspect—of acting in a responsible fashion, both because we will create more opportunity for our people and because we can appropriately lower our taxes.

That is the difference between the two parties. That is the difference between a yes and a no vote on this resolution.

The PRESIDING OFFICER (Mr. BURNS). Who yields time?

Mr. KENNEDY. Mr. President, how much time remains?

The PRESIDING OFFICER. The Senator from Massachusetts has 20 minutes and 54 seconds.

Mr. KENNEDY. I yield 4 minutes to my colleague.

The PRESIDING OFFICER. The Senator from Iowa is recognized.

Mr. HARKIN. I thank the Senator for yielding.

I just could not help but hearing my friend from Washington saying we have a moral obligation. Yes. We do. We have a lot of moral obligations to our children and to the future. One of the most important obligations is to ensure that future generations have the ability to get a decent, sound education so that they can raise their families and so that they can compete in the world marketplace. That also is a moral obligation.

What this reconciliation bill does is pull the rug out from under that obligation that we have for future generations.

Mr. President, we hear a lot of talk about the tax breaks that are in this bill. Those of us on this side have been talking about the $245 billion tax breaks for the wealthy that will come at the expense of the elderly and Medicare cuts. There is an $11 billion cut in student aid in this bill, the largest cut in student aid in our history. But what we are not hearing about are the hidden taxes that the Republicans have in this bill, the ''stealth taxes.'' This is what they are hitting students with to pay for those tax breaks for the wealthy.

This chart illustrates this right here. This budget adds about $700 to $2,500 of debt per student by eliminating the interest subsidy during the grace period. That is a hidden tax on our students. It also includes up to $5,000 in additional expense for families who use the PLUS program by raising their interest rates. It is another tax on students and their families. It imposes a direct Federal tax of .85 percent on colleges and universities participating in the student loan programs; a direct tax on colleges. Of course, they are going to have to pass that on to their students.

Last, of course, it forces schools out of the direct loan program that has been so successful.

So we hear about the tax breaks to the wealthy. We do not hear about the stealth taxes that are in the Republican bill, and mainly it falls on students.

Mr. President, there was an article recently in the Des Moines Register which I ask unanimous consent to have printed in the RECORD at this point.

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

[From the Des Moines Register]

THE REALITY OF CUTTING STUDENT AID

(By Rekha Basu)

If you want to talk to Robin Kniech, you'd best catch the Drake University junior early, before she heads for class or checks in at one of her five jobs, which add nearly 40 hours to her already full load.

Between the baby sitting, secretarial and other work, Kniech just manages to eke out her $1,200 tuition contribution. The rest of the $14,100 is made up from merit-based scholarships and college loans.

Last week, which was Save Student Financial Aid Week, sponsored by Drake Democrats, Kniech was also out rallying students against proposed cuts to federal student aid. For her, it's a subject of more than political interest. Any cuts, however small, could tip the delicate balance she has crafted to get a college education.

''I don't have any financial support from my parents,'' says Kniech. ''I don't have any more hours to squeeze, and if I were to lose $300 in aid, I probably wouldn't be in school.''

Just when you start thinking there's no other sacred zone left for congressional Republicans to tamper with, along comes another. If it isn't school lunches or aid to families with minor children, or programs that give disadvantaged preschoolers a fighting start, if it isn't rolling back federal standards governing the care of elderly in nursing homes or the health care of low-income people, then it's gashes into the very programs that enable people to go to college so they can hope to get decent jobs. At Drake, several hundred thousands dollars could be lost, according to John Parker, director of financial planning. Some 60 percent of Drake students get need-based assistance.

This is a tough issue to get your arms around, given the rather confusing tangle of college-aid programs and formulas. But the bottom line is the GOP plans to take $10.4 billion out of student-loan entitlement programs and apply it to deficit reduction. The legislation targets Stafford loans—private loans secured by the federal government, which you might remember as Guaranteed Student Loans. That's what they were called when I got one for graduate school. A whopping 90 percent of Drake law students and 40 percent of undergraduates now get them.

It also hits loans to parents to help finance their kids' educations, and several loan programs originating with the federal government but administered by the university, such as the Perkins loan. That cut alone would knock off aid to 90 Drake students.

Some proposals that might seem benign can cut quite deep. One would force student recipients of subsidized Stafford loans (those given to the highest-needs students) to start accruing interest charges immediately on graduation, instead of after the six-month grace period they now have. The added debt could be just enough to derail Kniech's plans to join the Peace Corps. ''This hits at high-needs students harder than anybody else,'' says Parker.

There's also a proposal to raise both the ceiling and floor on the major federal grant program, Pell grants, disqualifying some 250,000 students nationwide, costing 75 Drake students about $40,000, and affecting students' eligibility for other grants. And more.

If you're tempted to argue that a student like Kniech should set her sights on a less costly education, forget it. She couldn't afford community college. She'd have to pay more than twice what she's paying out of pocket.

Viewed piece by piece, the cuts may not look like much. And Drake Republicans have countered with flyers pointing to the programs which aren't slated for actual cuts (but contain no increases for inflation), or the growth in funding of the Pell grant program. But every cut matters to students struggling to stay afloat. ''There are students at Drake who, if they had to come up with another $50 they just flat out couldn't do it,'' Parker says. And there's the precedent. As senior Tanya Beer put it, ''I think we're moving more toward education for the privileged rather than education as a right.''

The financial-aid story offers an interesting juxtaposition of GOP fact and rhetoric. While the cheerleaders of congressional Republicans like to rail about elitist liberals, the scheme unfolding in Congress is built around an unparalleled elitism, deliberately cutting off avenues for advancement for those starting out at a disadvantage, even as they are admonished to stay in school and work harder.

So excuse Robin Kniech if the politicians' lectures about working her way up ring a little hollow. She's keeping her end of the bargain, and a 3.8 grade-point average. She just doesn't have anything left to give up.

Mr. HARKIN. It is entitled ''The Reality of Cutting Student Aid.''

I will read a couple of items from it:

If you want to talk to Robin Kniech, you'd best catch the Drake University junior early, before she heads for class or checks in at one of her five jobs, which add nearly 40 hours to her already full load.

Between the baby sitting, secretarial and other work, Kniech just manages to eke out her $1,200 tuition contribution. The rest of the $14,100 is made up from merit-based scholarships and college loans.

''I don't have any financial support from my parents,'' says Kniech. ''I don't have any more hours to squeeze, and if I were to lose $300 in aid, I probably wouldn't be in school.''

John Parker, director of financial planning, said that 60 percent of Drake students get need-based assistance.

''There are students at Drake who, if they had to come up with another $50, just could not, flatout could not, do it,'' Parker said.

I think I will end on this note, a good note. The writer of the article said:

So excuse Robin Kniech if the politicians' lectures about working her way up ring a little hollow. She's keeping her end of the bargain, and a 3.8 grade-point average. She just doesn't have anything left to give.

Mr. President, here is what is happening at one of our regent universities, the University of Northern Iowa, the smallest of our three state universities. For the 1990–91 school year the average loan of a student per year was $2,589. That was in 1991. Today that is up to $4,395, and, if this reconciliation bill passes, that is going to climb even higher. This bill just piles more debt on students. That is going to discourage students from going to school and seeking a higher education.

Who does it hit? It hits moderate- and low-income families the hardest. That is why we have to defeat this reconciliation bill and make sure that these students can get a decent education.

The PRESIDING OFFICER. The Senator's time has expired.

Who yields time?

Mr. KENNEDY. I yield 4 minutes to the Senator from Connecticut.

The PRESIDING OFFICER. The Senator from Connecticut is recognized.

Mr. DODD. Thank you, Mr. President. I appreciate my colleague yielding me this time.

Mr. President, I am a cosponsor of this amendment and strongly support this amendment. Many good arguments have already been made here this morning. In fact, the chart used earlier by my colleague from New Mexico I think makes the case. Seventy percent of the cuts proposed in the bill before us will fall on students and their families; 30 percent are industry losses.

I suppose in the context of a huge budget, some may say what is $7.6 billion in all of this? I suppose there are not many people here in this body who would understand what this will mean to millions of Americans. The impact seems relatively minor when you start talking about $100, $300, or $500 a year. But they are not minor costs for most Americans.

There is a failure to appreciate, whether it is Medicaid, Medicare, higher education, that while these numbers of $90, $100, $200, $2,000, or $2,700 do not seem like anything large in the context of people of the upper-income levels, to working families in this country, these amounts make the difference between getting an education, getting health care, losing the job, or falling back into poverty. And for many of these families, they will be hit time and time again by the provisions of this bill—they will pay more for health care, receive less earned income tax credit and pay more for college.

Our colleague from North Dakota the other day offered an amendment on the cuts in Medicare. He said cannot we forgo the tax breaks for people making in excess of $250,000 a year? The savings to us would be $50 billion over 7 years, if we just said nobody over $250,000 gets a tax break. We could have saved $50 billion, if we had followed that amendment. But this Senate said no. We are even going to provide the tax breaks for people making in excess of a quarter of a million dollars.

Just think what that $50 billion would do. We would not have to be debating this amendment. Mr. President, $7 billion of that $50 billion could go to these middle-income families out there that are going to feel the pinch in higher education.

Mr. President, we all appreciate and know that in a global economy in the 21st century we are going to have to produce the best-educated, and the best-prepared generation that this country has ever produced if we are going to be effective. That is common sense. Everyone ought to understand that.

Yet as you increase these costs on these families, we are going to watch students fall through the cracks. We are going to lose that talent and ability merely because we want to provide a tax break for people making in excess of a quarter of a million dollars. I do not know anyone who believes, if you have to make a choice as to which of those two groups you benefit when there are scarce resources, it ought not go to people earning a quarter of a million dollars rather than to those of modest means pursuing higher education.

I think it is regretful; I think it is sad, indeed, that this institution could not make the simple decision of saying to those at the highest incomes: Wait a while. Maybe next year or the year after we can provide a tax break for you. But right now we need to assist families struggling to meet the costs of higher education.

This $7.6 billion is going to fall heavily on those families out there trying to make ends meet, trying to send their kids to college and trying to make difficult choices that make this possible.

Let me just quote one recent survey. It shows that business that made an investment in the educational attainment of their work force—as reported by corporate managers—resulted in twice a return in increased productivity of a comparable increase in work hours and nearly three times the return of an investment in capital stock. That is corporate managers talking about the importance of investments in education. I hope this amendment is adopted.

There are 11 million young Americans who are in our public higher education institutions. Cannot we today offer some relief, some hope for them even if it means saying to those making more than a quarter of a million a year, you are going to have to wait a while to get your break, to see to it that those 11 million families, those 11 million children get the opportunity for a decent education? That choice ought to be clear.

I urge adoption of the amendment.

The PRESIDING OFFICER. The Senator's time has expired.

Mr. ABRAHAM addressed the Chair.

The PRESIDING OFFICER. Who yields time?

Mr. ABRAHAM. At this time I yield 10 minutes to the Senator from Oklahoma.

The PRESIDING OFFICER. The Senator from Oklahoma is recognized for 10 minutes.

Mr. NICKLES. Mr. President, I wish to thank my colleague from Michigan. I compliment him on his leadership. I just mention that many of the allegations and statements that are made are certainly not taking a look at the overall big picture.

I wish to help students, too. I understand that there may be a leadership amendment that is going to make some modifications in the proposals that are being discussed. I think I will wait for the discussions on the specifics until that amendment is offered. It will be accommodating some of the concerns that have been raised because I think all of us—I happen to have four kids, two of whom are in higher education right now. That costs a little money. But I will tell you the best news we could give my kids that are going to college is to balance the budget.

We only have one proposal before us to balance the budget. That is the proposal that the Republicans have put forth that will give us a balanced budget. I remember going to a town meeting not too long ago and somebody who was about 23 years old raised their hand and said: Senator, will I ever see a balanced budget in my lifetime?

They were just as serious as they could possibly be. Later today, or maybe tomorrow, we are going to be voting on a balanced budget. But there is only one. President Clinton does not have a balanced budget. We do. When you think of somebody going to college and talking about college loans, what a heck of a deal it is right now that they inherit such enormous national debt. Let us at least stop it.

The only proposal that we have before us to stop it is our proposal to balance the budget. Now, we may make some modifications in the proposal to alleviate some of the concerns that have been raised specifically dealing with student loans. So again I will leave that alone for the time being.

Let us talk about what we are doing for all American families. I heard my colleague say, well, this is $10 billion. We are giving American families $140 billion of tax cuts. If they have children, they get a tax cut under our proposal, $500 per child. If you have four children, that is $2,000. That is pretty significant. And families get to decide if they want to use that money for education, for transportation, or for other things. Families make that decision. I think that is important.

I also want to talk about the benefit of a balanced budget for the average American family. If you have a $100,000 mortgage—it seems like that is a large amount but that is not that unheard of today—you will have savings—it is estimated by independent sources that by having a balanced budget you will have a 2-percent interest rate reduction, maybe as high as a 2.7-percent reduction on a $100,000 mortgage. That boils down to savings of over $2,000 per year, actually $2,162 per year.

Also, if you have a student loan, let us say an $11,000 student loan, that is $216 in savings just in the fact that interest rates have come down. If you have a car loan of, say, $15,000, you have savings of $180. Those total savings of $2,500 per year if we are able to bring interest rates down by balancing the budget. So I think students have a real interest in seeing us balance the budget.

I also want to talk about some of the misstatements that have been made. Are families better off at different income levels? Because I heard some people say some lower-income families are getting a tax increase. That is totally false, totally, completely false. And so again I wish to look at what happens to families under this proposal. Families that make, say, $5,000, they do not pay any income tax. They pay zero income tax. Right now they get an earned income credit of $1,800. They get it under present law. That is what they are going to get under our proposal.

What about families making $10,000? They still do not pay any income tax. They get a $3,110 EIC. Next year they are going to get an increase that goes to $3,200.

What about families that make $15,000? Right now, they get a check from Uncle Sam of $2,300. They do not write Uncle Sam a check. They still pay zero income tax and next year they are going to get a bigger check, $2,488. So that is an increase. That is an improvement.

What about families that make $20,000? Well, they get an EIC of $832. With two children, they are presently paying zero tax. Next year, they are going to get from us, EIC goes up to $1,429.

You might say, why? Well, the tax credit reduces their tax deduction so they get a higher EIC.

What about a family that, say, makes $30,000. You have a lot of families making $30,000 that are sending kids to school. Right now, they are writing Uncle Sam a check for $929. Under our proposal, they will receive an EIC of $171 and pay no income tax. That is over a $1,000 improvement for that family. And actually every family beyond here will receive over a $1,000 improvement. Right now, if they are writing checks for $2,000, they will write a check for $900. That is over a $1,000 improvement.

A $40,000 family would write a check to Uncle Sam right now with two children, $3,500. Under our proposal, they will write a check for $2,400. Again, they save $1,100. They save in the child credit. They also save from the reduction in the marriage penalty.

A family making $50,000 would write a check for $5,000. Under our proposal, they will write a check for $3,900. They will get a $1,100 savings. They can use that money for education. Our whole propose is targeted at families, and families can decide how to spend that money. And people with children are concerned about education. We are going to let them keep their money so they can decide how it should be spent. I think that is awfully important.

We have heard a lot of rhetoric that bothers me because it is not factual. Lower-income groups are going to have their taxes raised. Not true. In many cases they are alluding to earned income credits, and so on. Those grow. I happen to be pretty familiar with them. I am going to put them in the RECORD. Maybe everybody can be familiar with them. These credits are growing every year. We give taxpayers a tax cut if they have children and they want their children to go to school.

It is interesting; after the debate we had last night, somebody called my office about 11 o'clock and said: I am kind of embarrassed because my daughter, who is going to school, going to college received an earned income credit of $300. He said the reason why I am embarrassed is because I am a millionaire. But in present law they qualify. Does that make sense? I said, well, why would your daughter qualify? Well, she forgot to tell them that I gave her $18,000 to support her college education. But under present law she can qualify if she does not report that income. Now, we try to tighten down on EIC, so we report other income and say that income should be counted.

Right now with EIC, you qualify under the program if you make less than $26,000. Under our proposal we allow that to grow to $29,000. Some people say that is a Draconian change because the administration wants you to qualify for EIC if you make $34,600. That may be the majority of people in Alabama; that may be the majority of people in Michigan, maybe in Oklahoma. There are a lot of people in our State that make less than $34,000.

So we curb the growth. Right now you can qualify if you have income less than $26,000. We allow that to grow under our proposal to $29,000. But the administration wants it to grow to $34,000.

I had a millionaire call me last night and say, ''My daughter received a benefit that I don't think she should have. I think you're right. I think a lot of people are receiving this benefit that shouldn't. Let's try to target our assistance to those people who really need the help.''

That is what we are trying to do, target our assistance. Some 70 percent of this package is directed at American families that make less than $75,000 per year. Those are the families that are sending their kids to school. So let us be responsive. Let us be helpful. And let us make some of the changes that are necessary to make our economy grow.

At the same time, let us balance the budget. I am really excited about the opportunity to balance the budget. I am bothered by the fact that the President of the United States had a press conference yesterday and he said, ''Look how great we are doing. The deficit has come down 3 years in a row. We are making real progress.''

What he forgot to show is what happens in the future. According to the Congressional Budget Office, his deficit grows. He talks about $164 billion in 1995, and it is less than it was the year before. I think that is great. I do not think he is entirely responsible for that. But what happens in the outyears? Well, the Congressional Budget Office says that it will be $210 billion in the year 2002. He forgot to tell everybody the deficit is going to go from $164 billion to $210 billion and over $200 billion almost every year, according to the Congressional Budget Office.

That is not acceptable. There is a change. Some of us are very, very sincere. We mean it. We want to balance the budget. Some of us voted for a constitutional amendment to make us balance the budget, and we failed. We lacked one vote in the Senate. But we also said we should do it whether this amendment passes or not.

Many people on the other side of the aisle said, ''We should pass a balanced budget. We don't need a constitutional amendment to make us do it.'' And if we had the right composition in this body, they would be correct.

The PRESIDING OFFICER (Mr. SHELBY). The Senator from Oklahoma has spoken for 10 minutes.

Mr. NICKLES. I ask for an additional 2 minutes.

The PRESIDING OFFICER. The Senator from Oklahoma is recognized for an additional 2 minutes.

Mr. NICKLES. It would be correct if we had the composition in the body that would vote for a balanced budget. But I will tell my colleagues, we cannot balance the budget unless or until we are willing to contain the growth of the entire budget. And we have already had votes to say, ''Oh, let's don't reduce the rate of growth in Medicare. Oh, we're cutting $270 billion in Medicare.''

The facts are, in Medicare, this year we are spending $178 billion in Medicare, and in the year 2002 we are going to spend $286 billion in Medicare. That is a significant increase. It is a 7 percent increase over that entire period of time, 7 percent per year.

''Don't cut Medicaid, for crying out loud. No. Medicaid is too sensitive.'' They forget to tell people Medicaid in the last 4 years has grown as much as 28, 29, 13, and 8 percent. Make that in 5 years then 9 percent. Medicaid has exploded in costs. Many States have figured out ways to dump their liability on the Federal Government. It used to be a 50–50 share for most States. Now they are figuring out ways to make it 70 percent Federal Government, 30 percent State. We are trying to reform that and curtail that growth.

Mr. President, I think it is awfully important we balance the budget, and I compliment my colleagues for the proposal we have before us today. I yield the floor.

The PRESIDING OFFICER. Who yields time?

Mr. ABRAHAM. Mr. President, may I inquire as to how much time is left?

The PRESIDING OFFICER. The Senator from Michigan has 8 minutes 40 seconds.

Mr. NICKLES. Will the Senator yield me——

I ask unanimous consent, Mr. President, to have printed in the RECORD several charts and other material.

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

AMERICAN FAMILIES BETTER OFF TOMORROW THAN TODAY UNDER SENATE GOP BILL

AGI=Earned Income	Today		Senate GOP Bill—1996	
	EIC check from Uncle Sam	Tax check to Uncle Sam	EIC check from Uncle Sam	Tax check to Uncle Sam
Married with Two Children				
$5,000	$1,800	0	$1,800	0
$10,000	3,110	0	3,208	0
$15,000	2,360	0	2,488	0
$20,000	832	0	1,429	0
$25,000	0	$929	171	0
$30,000	0	2,018	0	$950
$40,000	0	3,518	0	2,450
$50,000	0	5,018	0	3,950
Married with One Child				
$5,000	$1,700	0	$1,700	0
$10,000	2,094	0	2,156	0
$15,000	1,359	0	1,525	0
$20,000	0	$190	266	0
$25,000	0	1,643	0	$1,083
$30,000	0	2,393	0	1,833
$40,000	0	3,893	0	3,333
$50,000	0	5,393	0	4,833
Single with Two Children				
$5,000	$1,800	0	$1,800	0

AMERICAN FAMILIES BETTER OFF TOMORROW THAN TODAY UNDER SENATE GOP BILL—Continued

AGI=Earned Income	Today		Senate GOP Bill—1996	
	EIC check from Uncle Sam	Tax check to Uncle Sam	EIC check from Uncle Sam	Tax check to Uncle Sam
$10,000	3,110	0	3,208	0
$15,000	2,098	0	2,488	0
$20,000	337	0	1,429	0
$25,000	0	$1,424	0	$347
$30,000	0	2,513	0	1,468
$40,000	0	4,013	0	2,968
$50,000	0	5,513	0	4,468
Single with One Child				
$5,000	$1,700	0	$1,700	0
$10,000	2,094	0	2,156	0
$15,000	864	0	1,425	0
$20,000	0	$685	0	$252
$25,000	0	2,138	0	1,600
$30,000	0	2,888	0	2,350
$40,000	0	4,388	0	3,850
$50,000	0	5,888	0	5,350

85urce: Joint Committee on Taxation.

EARNED INCOME TAX CREDIT

[Historical and current law estimates]

Calendar year	Total cost (billions)	Percent growth	Outlay cost (billions)	Percent growth	Revenue cost (billions)	Percent growth	Number of family beneficiaries	Percent growth	Average credit	Percent growth
1975	1.3		0.9		0.4		6,215,000		$201	
1976	1.3	4	.9	−1	.4	16	6,473,000	4	200	0
1977	1.1	−13	.9	−1	.2	−39	5,627,000	−13	200	0
1978	1.0	−7	.8	−9	.2	0	5,192,000	−8	202	1
1979	2.1	96	1.4	74	.7	166	7,135,000	37	288	43
1980	2.0	−3	1.4	−2	.6	−6	6,954,000	−3	286	−1
1981	1.9	−4	1.3	−7	.6	3	6,717,000	−3	285	0
1982	1.8	−7	1.2	−4	.6	−13	6,395,000	−5	278	−2
1983	1.8	1	1.3	5	.5	−8	7,368,000	15	224	−19
1984	1.6	−9	1.2	−10	.5	−6	6,376,000	−13	257	15
1985	2.1	27	1.5	29	.6	24	7,432,000	17	281	9
1986	2.0	−4	1.5	−1	.5	−10	7,156,000	−4	281	0
1987	3.4	69	2.9	98	.5	−13	8,738,000	22	450	60
1988	5.9	74	4.3	45	1.6	256	11,148,000	28	529	18
1989	6.6	12	4.6	9	2.0	20	11,696,000	5	564	7
1990	6.9	5	5.3	14	1.6	−17	12,612,000	8	549	−3
1991	10.6	53	7.8	48	2.7	69	13,105,000	4	808	47
1992	13.0	23	10.0	27	3.1	12	14,097,000	8	926	15
1993	15.5	19	12.0	21	3.5	14	15,117,000	7	945	2
1994	19.6	26	16.5	38	3.1	−12	18,059,000	19	1,088	15
1995	23.7	20	20.2	22	3.5	13	18,425,000	2	1,265	16
1996	25.8	9	22.0	9	3.8	10	18,716,000	2	1,380	9
1997	26.9	4	22.9	4	4.0	5	18,907,000	1	1,425	3
1998	28.0	4	23.8	4	4.2	4	19,104,000	1	1,473	3
1999	29.3	5	24.9	4	4.4	5	19,369,000	1	1,519	3
2000	30.5	4	25.6	3	4.8	10	19,638,000	1	1,569	3
2001	31.7	4	26.9	5	4.8	0	21,200,000	8	1,639	4
2002	33.1	4	28.0	4	5.1	5	21,400,000	1	1,687	3

Source: Joint Committee on Taxation: Provided by Senator Don Nickles, 10/20/95.

EARNED INCOME TAX CREDIT

[Two or more children]

Year	Credit percent	Maximum credit	Min Income for max credit	Max Income for max credit	Zero credit income
Historical					
1976	10.00	$400	$4,000	$4,000	$8,000
1977	10.00	400	4,000	4,000	8,000
1978	10.00	400	4,000	4,000	8,000
1979	10.00	500	5,000	6,000	10,000
1980	10.00	500	5,000	6,000	10,000
1981	10.00	500	5,000	6,000	10,000
1982	10.00	500	5,000	6,000	10,000
1983	10.00	500	5,000	6,000	10,000
1984	10.00	500	5,000	6,000	10,000
1985	11.00	550	5,000	6,500	11,000
1986	11.00	550	5,000	6,500	11,000
1987	14.00	851	6,080	6,920	15,432
1988	14.00	874	6,240	9,840	18,576
1989	14.00	910	6,500	10,240	19,340
1990	14.00	953	6,810	10,730	20,264
1991	17.30	1,235	7,140	11,250	21,250
1992	18.40	1,384	7,520	11,840	22,370
1993	19.50	1,511	7,750	12,220	23,049
1994	30.00	2,528	8,425	11,000	25,296
1995	36.00	3,110	8,640	11,290	26,673
Current Law					
1996	40.00	3,564	8,910	11,630	28,553
1997	40.00	3,680	9,200	12,010	29,484
1998	40.00	3,804	9,510	12,420	30,483
1999	40.00	3,932	9,830	12,840	31,510
2000	40.00	4,058	10,140	13,240	32,499
2001	40.00	4,184	10,460	13,660	33,527
2002	40.00	4,320	10,800	14,100	34,613
Senate Reforms					
1996	36.00	3,208	8,910	11,630	26,731
1997	36.00	3,312	9,200	12,010	27,111
1998	36.00	3,424	9,510	12,420	27,521
1999	36.00	3,539	9,830	12,840	27,941
2000	36.00	3,650	10,140	13,240	28,341

EARNED INCOME TAX CREDIT—Continued

[Two or more children]

Year	Credit percent	Maximum credit	Min Income for max credit	Max Income for max credit	Zero credit income
2001	36.00	3,766	10,460	13,660	28,761
2002	36.00	3,888	10,800	14,100	29,201

Source: Joint Committee on Taxation: Provided by Senator Don Nickles, 10/20/95.

EARNED INCOME TAX CREDIT

Year	Credit percent	Maximum credit	Min income for max credit	Max income for max credit	Phaseout income
ONE CHILD					
Historical					
1976	10.00	$400	$4,000	$4,000	$8,000
1977	10.00	400	4,000	4,000	8,000
1978	10.00	400	4,000	4,000	8,000
1979	10.00	500	5,000	6,000	10,000
1980	10.00	500	5,000	6,000	10,000
1981	10.00	500	5,000	6,000	10,000
1982	10.00	500	5,000	6,000	10,000
1983	10.00	500	5,000	6,000	10,000
1984	10.00	500	5,000	6,000	10,000
1985	11.00	550	5,000	6,500	11,000
1986	11.00	550	5,000	6,500	11,000
1987	14.00	851	6,080	6,920	15,432
1988	14.00	874	6,240	9,840	18,576
1989	14.00	910	6,500	10,240	19,340
1990	14.00	953	6,810	10,730	20,264
1991	16.70	1,192	7,140	11,250	21,250
1992	17.60	1,324	7,520	11,840	22,370
1993	18.50	1,434	7,750	12,200	23,054
1994	26.30	2,038	7,750	11,000	23,755

EARNED INCOME TAX CREDIT—Continued

Year	Credit percent	Maximum credit	Min income for max credit	Max income for max credit	Phaseout income
1995	34.00	2,094	6,160	11,290	24,396
Current Law					
1996	34.00	2,156	6,340	11,630	25,119
1997	34.00	2,227	6,550	12,010	25,946
1998	34.00	2,305	6,780	12,420	26,846
1999	34.00	2,380	7,000	12,840	27,734
2000	34.00	2,455	7,220	13,240	28,602
2001	34.00	2,533	7,450	13,660	29,511
2002	34.00	2,615	7,690	14,100	30,462
Senate Reforms					
1996	34.00	2,156	6,340	11,630	23,321
1997	34.00	2,227	6,550	12,010	23,611
1998	34.00	2,305	6,780	12,420	24,021
1999	34.00	2,380	7,000	12,840	24,441
2000	34.00	2,455	7,220	13,240	24,841
2001	34.00	2,533	7,450	13,660	25,261
2002	34.00	2,615	7,690	14,100	25,701
NO CHILDREN					
Current Law					
1976	n/a	n/a	n/a	n/a	n/a
1977	n/a	n/a	n/a	n/a	n/a
1978	n/a	n/a	n/a	n/a	n/a
1979	n/a	n/a	n/a	n/a	n/a
1980	n/a	n/a	n/a	n/a	n/a
1981	n/a	n/a	n/a	n/a	n/a
1982	n/a	n/a	n/a	n/a	n/a
1983	n/a	n/a	n/a	n/a	n/a
1984	n/a	n/a	n/a	n/a	n/a
1985	n/a	n/a	n/a	n/a	n/a
1986	n/a	n/a	n/a	n/a	n/a
1987	n/a	n/a	n/a	n/a	n/a
1988	n/a	n/a	n/a	n/a	n/a
1989	n/a	n/a	n/a	n/a	n/a
1990	n/a	n/a	n/a	n/a	n/a
1991	n/a	n/a	n/a	n/a	n/a
1992	n/a	n/a	n/a	n/a	n/a

EARNED INCOME TAX CREDIT —Continued

Year	Credit percent	Maximum credit	Min income for max credit	Max income for max credit	Phaseout income
1993	n/a	n/a	n/a	n/a	n/a
1994	7.65	306	4,000	5,000	9,000
1995	7.65	314	4,100	5,130	9,230
1996	7.65	324	4,230	5,290	9,520
1997	7.65	334	4,370	5,460	9,830
1998	7.65	346	4,520	5,650	10,170
1999	7.65	357	4,670	5,830	10,500
2000	7.65	369	4,820	6,020	10,840
2001	7.65	380	4,970	6,210	11,180
2002	7.65	392	5,130	6,410	11,540
Senate Reforms					
1996	0.00	0	n/a	n/a	n/a
1997	0.00	0	n/a	n/a	n/a
1998	0.00	0	n/a	n/a	n/a
1999	0.00	0	n/a	n/a	n/a
2000	0.00	0	n/a	n/a	n/a
2001	0.00	0	n/a	n/a	n/a
2002	0.00	0	n/a	n/a	n/a

Source: Joint Committee on Taxation: Provided by Senator Don Nickles, 10/20/95.

[From the U.S. Senate—Republican Policy Committee]

To: Budget and Tax L.A.'s.
From: J.T. Young.
Re: Earned Income Tax Credit.

Once again we bring to your attention a piece run by today's Washington Post that refutes the shrill political posturing of the White House.

(By James K. Glassman)

A PROGRAM GONE BONKERS

The road to a $5 trillion national debt is paved with good intentions.

Look at the Earned Income Tax Credit (EITC). Launched by Gerald Ford, lauded by Ronald Reagan, expanded by George Bush and Bill Clinton, it's based on welfare principles that even a Republican (or a professed New Democrat) can love. The only problem is that, like many other good ideas in Washington, it's gotten completely out of hand.

Currently, the EITC is the fastest-growing program in the federal budget. It will cost the Treasury $24 billion this year, up from less than $2 billion 10 years ago.

In their giant reconciliation bill—the final budget measure of the year—Republicans are trying to restrain this growth. Under the Senate version, EITC costs will rise to $32 billion in 2002. In the budget language of Washington, that's a cut. In any other language it's an increase—although not so large as projected under the current law, which has costs rising to $36 billion by 2002.

The EITC is a sort of negative income tax. If you fall into a certain earnings bracket, you don't pay the government; the government pays you.

The idea of the EITC is to put more money in the pockets of low-income working families. If you don't work, you don't qualify. Since the benefits are paid in cash and the rules are simple, the Internal Revenue Service can administer the EITC easily and cheaply.

Believers in the free market like the notion that the EITC doesn't force recipients to use funds for a particular purpose like other federal programs (housing, food stamps). Instead, it gives them money and lets them make their own choices.

The EITC is not only the fastest-growing entitlement program, it's the broadest. In 1986 some 7 million families were covered by the EITC, and the average-outlay by the government was $281. This year 18 million families are covered at an average of $1,265. In 1986 the maximum credit taxpayer could receive was $550; today, it's $3,111.

In Mississippi, a whopping 39 percent of families receive the EITC; in Texas, 26 percent; California, 22 percent. With this kind of penetration, the EITC follows a welfare tradition invented by Franklin Roosevelt: To keep a program alive, make sure money flows not just to the poor but to the middle class. That's been the key to success for Social Security, Medicare, student loans and farm subsidies.

The EITC was begun as a modest program to help offset the burden of payroll taxes on the poor and, through its unique structure, to encourage them to work more. But the philosophy soon became: "Hey, if a little bit is good, then more is better," says Bruce Bartlett, an economist who served in the Bush Treasury Department.

Today, the EITC is enjoyed by families making as much as $26,672 a year, and that doesn't include outside income. Under the tax law that President Clinton promoted and signed two years ago, by 2002 families making $34,612 will qualify for EITC benefits. The Senate wants to scale that figure back to $30,200—which seems pretty sensible for a government that already owes its creditors $4.9 trillion.

At its core, the EITC is a massive income transfer scheme. New IRS figures show that in 1993 the top 5 percent of American earners paid 47 percent of the federal income taxes, up from 37 percent in 1981. Meanwhile, the bottom 50 percent of earners—thanks in large measure to the EITC—paid 5 percent of the taxes.

The EITC, in other words, has created a veritable tax holiday for about half the families in America.

Many would say that's fair. But there's another question raised by the EITC: Does it really encourage work? There's doubt.

For 1996, families with two or more children will earn credits of 40 percent of their income until they reach earnings of $8,910 annually. Then, they max out at a credit (in nearly all cases, a cash payment) of $3,564. So far, so good. Clearly, there's a big incentive to work, since a dollar paid on the job becomes $1.40 in the pocket (minus modest payroll taxes).

If you earn between $8,910 and $11,630, you still receive the maximum credit. Then the disincentive begins—you start losing 21 cents of credits for every additional dollar you earn. When your income reaches $28,533, your credits hit zero.

Again, this sounds fair. But the problem is that the EITC forces lower-income Americans to face marginal tax rates that are higher than those faced by the richest Americans.

As Bartlett wrote recently in a brief for the National Center for Policy Analysis: "Families with incomes between $11,000 and $26,000 are being taxed at the rate of 60 percent on each additional dollar earned. . . . This total tax rate includes federal, state and local taxes plus the reduction in the EITC."

And these high marginal taxes definitely discourage work. Economist Edgar Browning of Texas A&M reported in the National Tax journal that nearly half of all families receiving the EITC has less income than they would have had without the tax credit—because the credit enticed them to work less. And a University of Wisconsin study found that "on balance the EITC reduces the total hours worked."

Is there a solution to the EITC conundrum? One answer is to remove the phase-out of benefits: Simply give all taxpayers an extra 40 percent credit for the first $10,000 or so of income. But that would be hugely expensive. Another answer is to kill the EITC entirely. But that would be politically impossible.

The third course is to try to restrain a program gone bonkers. That's what the Republicans are doing. At the same time, however, they should admit that the EITC isn't quite so glorious as they once thought. Maybe luring people out of poverty is something that government just can't do.

Ms. MIKULSKI. Mr. President, I must oppose the reconciliation bill we consider today because it impacts on parents, students, and families in ways they cannot afford; that is why I support and cosponsor Senator KENNEDY's amendment to strike the student loan provisions in this bill that impose higher college costs on students and working families.

Mr. President, the Labor Committee's proposal to save $10.85 billion through changes in the Federal Student Loan Program is simply unacceptable. It strikes a blow at the Federal Government's role in providing an opportunity structure for our Nation's youth. It threatens the future economic opportunity for young people who are today's students and tomorrow's work force, and it rejects help to those who practice self-help.

The Labor Committee's reconciliation proposal is another strike at this Nation's opportunity structure. The Republicans want to levy on new tax on colleges and universities. The Republicans want colleges to pay a .85 percent tax on their total student loan volume. That is outrageous.

It does not make a difference whether that tax is .85 percent or 2 percent as originally proposed by committee Republicans. A tax is a tax. Colleges and universities will still have to pay a new tax to the Federal Government every year.

Mr. President, colleges and universities all across my State of Maryland are adamantly opposed to this new tax.

This new tax means that the University of Maryland in College Park will have to pay approximately $255,000 in taxes on its student loan volume each year. The University of Maryland in Baltimore will have to pay approximately $180,000.

Private independent colleges will be especially hard hit. These colleges do not get substantial State financial support. This results in higher student loan volume. So, Loyola College in Baltimore will have to pay approximately $95,000 to the Federal Government.

It means that Johns Hopkins University will have to pay about $204,000 and Western Maryland College will pay about $25,000 in taxes on student loans each year.

Where will colleges get this money? They may be forced to pass on this new tax burden to students in the form of increased tuition, reduction in scholarships, or elimination of student services or programs.

College tuition has already sky-rocketed. Our undergraduate students borrow the maximum of $17,125 a year just to be able to afford a college education, to have access to increased opportunities and to achieve the American dream. But this reconciliation bill will leave some students out in the cold.

This is unacceptable. It is not only a tax on colleges, but a tax on opportunity. Students in this country are told every day—do well, work hard, get a good education and you will be rewarded. But this kind of tax sends the wrong message to students trying to get ahead and trying to get ready for the future.

Mr. President, the Congress passed the Higher Education Act amendments in 1992 to bring help to those who practice self help. It was meant to be Federal help to middle class families who are drowning in debt and trying to send their children to college.

Yet, imposing a new tax is not only a hit on colleges and students, but also a hit on parents trying to help pay for their child's college education. This reconciliation bill increases the interest rate that parents will pay on loans and increases the overall cap on that interest.

Mr. President, promises made must be promises kept. By cutting student loans, we are cutting the promises we made to students, to parents and to colleges.

I believe in rewarding the good guys in our society who work hard and play by the rules. That means giving help to middle-class families where moms and dads struggle—maybe even working two jobs—to pay tuition to send their son or daughter to college.

Mr. President, these families are paying loans on top of loans. We cannot turn our backs on them now.

Our students need our support through Federal financial aid programs or through innovative initiatives like national service. But, we are doing away with those opportunities too.

National service gives students an alternate way to afford college, and at the same time, national service helps meet some of our community's most critical needs.

As an appropriator, I know firsthand how hard it is for the Government to come up with a balanced check book. But education must be our No. 1 priority. It is with me. It is for parents and students who balance their own check book every day and every semester. It should be a priority for this Congress.

Mr. President, college is no longer a luxury. It is a necessity just to stay competitive in the job market. It is a dream come true for parents of first generation college students to see their children walk across the stage. I believe we should give people the chance to pursue their dream through earned opportunities. To rob them of this opportunity is robbing America of its future.

I hope every member of the Senate will support Senator KENNEDY's amendment to strike the student loan provisions from this bill. It is an important investment to this Nation's students and it is important to America's economic future.

Mr. HOLLINGS. Mr. President, first I want to thank the Senator from Massachusetts for his great leadership on preserving student aid. He has moved quickly at every opportunity to stick up for students and parents, and his amendment today is sorely needed.

Mr. President, student aid has a proud history in this country. Much of my generation went to college on the GI bill. Then we passed the Higher Education Act of 1965, helping boost college attendance to today's levels. Of the 13 million students in college today, half of them receive Federal grants and loans under that Act.

Economically, budgetary, morally, this bipartisan policy of making student aid a priority has been right. Economic analysis shows that we have benefited 8 for 1 on our GI bill investment. Recent analysis shows that the investment in education is twice as productive as other workplace investments. And the lower income people in our society should not be shut out of an affordable college education. We need to make every effort every year to make sure that our higher education assistance policy builds our country rather than dividing it.

But Republicans have come this year with the proposition to students that everyone has to help balance the budget. Students should take some time in the library and study this bill. Everyone does not pay. Students—particularly low-income students—are asked to pay $10.8 billion more. But others—particularly those who can pay for college out of their pockets—get new tax breaks. These tax breaks and increased spending in other parts of the budget are much larger than the student loan cuts. In other words, this Congress could easily choose not to make students pay more, but the Republican leadership thinks it is more important to give more to certain constituencies before the next election, all the while crying balancing budget.

Let me be specific about how Congress could avoid cutting student aid in this bill:

First, we could lower the brand new tax break in this so-called budget-balancing bill from $245 billion to $235 billion.

Second, we could trim back the proposed defense increase of over $50 billion.

Third, we could refuse to provide a new tax break for corporations currently paying the minimum allowed, which is what is offered in this amendment.

The fact is, all of these alternatives—and many others—are unacceptable to the Republicans that wrote this budget because student aid was a much lower priority to them than new tax breaks.

Mr. President, these student aid provisions are shameful. If students and parents knew what was in this bill, they would think we had gone off the deep end. This is not the way we balance the budget, it is the way we pander for the next election and put the budget out of balance in the long run. I urge my colleagues to support the Kennedy amendment to maintain our investment in education.

Mr. AKAKA Mr. President, I rise to express my deep concern about cuts in education programs included in the reconciliation bill.

The bill before us cuts $10.8 billion from the student loan program. These proposals include a 1 percent fee hike in PLUS loans, elimination of the grace period for recent graduates, the imposition of a 20 percent cap on direct student loan volume, and an .85 percent school tax based on the institution's student loan volume. If you wanted to undermine deliberately higher education, it would be difficult to come up with a more destructive list of proposals. Plain and simple, these education cuts are irresponsible.

Mr. President, the 1 percent fee hike for PLUS loans is regressive and could add $5,000 to a family's indebtedness for a college education. This may not mean much, but to a family struggling to make it on $25,000 a year, it could deprive a student of a college education. Moreover, this measure discriminates against families who haven't achieved the dream of home ownership, and who cannot take out home equity loans to finance college.

Eliminating the grace period for recent graduates is similarly ill-conceived. This provision would saddle graduates with additional financial burden at the most critical time in their careers. It could force graduates to settle for lower paying, less desirable jobs immediately upon graduation rather than providing them a reasonable opportunity to secure higher paying employment that better matches their skills and desires.

The proposal to cap the direct loan program at 20 percent of the total student loan volume is misguided in three respects. First and foremost, it would discourage additional schools from participating in the program and reduce the opportunities for thousands of economically disadvantaged students who would not be able to qualify for guaranteed loans.

Second, the 20 percent cap will ultimately drain the Treasury of billions of dollars because reinsurance fees and other subsidies will be paid to banks, secondary markets, and guaranty agencies. Direct loans have been a money saver because they cut out the middleman, reduce administrative overhead, and increase accessibility. Only the banks and other financial institutions stand to profit from the changes in this bill.

Third, capping direct loans will effectively limit one of the most important side benefits of the program—providing competition to the banks. Without the direct loan program, the lending industry would be free to raise interest rates on their own student loan instruments, increasing borrowing costs to those who choose, or are forced to choose, private lending sources. This in turn is likely to lead to additional defaults, the costs of which will be borne by the taxpayer. I would be curious to learn how proponents of free enterprise explain this clearly anticompetitive initiative.

Mr. President, the last major GOP education initiative is the proposed 0.85

percent tax on schools. Like the other proposals, this is a regressive inititaive that will discourage schools from participating in the direct loan program, force them to pass on the costs to students through increased tuition, and require them to tap into their already dwindling student financial aid budgets. Again, as with the other initiatives, this provision will disproportionately impact students from low- and middle-income families. It is ironic that as Republicans trumpet a $245 billion package of tax cuts that largely favor wealthier Americans, they seek to impose an indirect tax on students and families who can least afford it.

Mr. President, these are some of the reasons why I oppose the education provisions contained in this measure. When added to the proposed wholesale reductions in discretionary education programs—from Head Start to Goals 2000, to campus-based aid—they constitute a plan to reduce access to quality education and harm our ability to compete in an increasingly sophisticated international marketplace.

Reducing investment in education, which is already inadequate, will inevitably limit economic growth and undermine the standard of living of middle-class Americans in the 21st century. And it will close the window of opportunity for the economically disadvantaged among us who are pursuing the American dream.

Mr. President, reducing our commitment to an educated, skilled work force in the name of deficit reduction is shortsighted and terribly misguided. As this country struggles to find its way in a global marketplace dominated by cheap foreign labor and high technology, withdrawing our investment in education amounts to economic suicide.

This budget proves that Republicans are more committed to protecting the interests of the haves than in accommodating the aspirations of the vast majority of Americans who want only to improve the quality of their lives through hard work and education. Again, I believe this is a pennywise, pound-foolish approach that is shortsighted, mean spirited, and will cost the taxpayer money in the long run.

If this budget is implemented, students of modest means may have to forgo a college education; others who are fortunate enough to achieve their baccalaureates may have to forgo their dreams of pursuing graduate study. And those students who leave college in the future will be saddled with huge debt burdens at a time when they are least likely to be able to afford payments.

The proposals contained in this measure, in concert with the proposed reductions in fiscal year 1996 education appropriations measure, will ensure that our future work force is less educated, less productive, and less well off. This in turn will reduce the Nation's tax base, placing further upward pressure on the deficit—exactly the opposite effect from the stated purpose of this budget plan.

This wholesale disinvestment in our most important resource, our young people, is not merely shortsighted, it is blind. Blind to the imperatives of the new global marketplace, blind to the effect that cuts in education will have on our ability to prosper in an increasingly complex world, and blind to the effect it will have on our deficit.

But competitiveness, economic viability, and individual opportunity will not be the only victims of the proposed cutbacks in education. Our sense of civil community, of history, of tolerance, the ability to conduct informed, rational discourse—these are also the potential victims of this harsh and ill-conceived budget plan.

For education is not just about making enough to feed the kids or to buy a new car or to own a home—it is also about preparing ourselves to carry out the responsibilities of citizenship in the world's oldest republic.

Mr. President, no sane nation embraces ignorance. Yet, this is what the proposed resolution would have us do. I therefore urge my colleagues to reject this war on knowledge by opposing the education proposals contained in this measure that threaten our future.

Mr. KENNEDY. How much time do we have?

The PRESIDING OFFICER. The Senator from Massachusetts has 14 minutes.

Mr. ABRAHAM. I am prepared to yield our time.

Mr. KENNEDY. I was just going to yield 4 minutes to the Senator from Washington, and then we go with your side.

Mr. ABRAHAM. Fine.

Mr. WELLSTONE. Will the Senator yield?

Could I ask the Senator from Michigan how much time will be yielded to the Senator from Idaho?

Mr. ABRAHAM. The remainder of our time.

Mr. WELLSTONE. OK. Thank you.

The PRESIDING OFFICER. The Senator from Washington is recognized for 4 minutes.

Mrs. MURRAY. Thank you, Mr. President.

I thank my colleague from Massachusetts for this amendment.

As I sit here and listen to this debate today, I cannot help but wonder how many of our colleagues depended upon financial aid to advance their education and build the foundation for their careers. This is a highly educated body. And judging from the vast array of degrees that are conferred upon my colleagues, I would have guessed that many were dependent upon Federal assistance to finish their schooling.

However, the proposal to eliminate $10.8 billion in student loans forces me to question whether any of my colleagues on the other side of the aisle ever relied on financial aid to get an education. I can tell you I would not be here today without Federal assistance that made my college education possible.

I will also tell you that working families will be the hardest hit by this gutting of our student loan program. These middle-income families often do not qualify for full scholarships and cannot afford to pay full tuition, particularly when $20,000 a year for tuition is today's norm in higher education. Why sacrifice our Nation's future by limiting educational opportunities for young people?

This bill could have targeted the student loan industry, but instead 63 percent of the bill's student loan cuts fall directly on students and their parents. Take for example the increased rates on PLUS loans that are taken out by parents. I can tell you as a parent of two children entering the post-secondary world, I am concerned that families across this land will find these new loans out of reach. This aid is particularly important to those families without enough equity in their homes to take out a tax-deductible home equity loan.

Mr. President, I am extremely concerned with the proposal to eliminate a small, but very important, element to those entering our work force. All of us realize the difficult challenges facing today's college graduate. The limited prospects of employment, coupled with financial independence, on top of an already mounting educational debt put many of our graduates today in fiscal hardship before they are ever able to contribute back to our society.

To help these individuals during this difficult time, we have provided a 6-month grace period on their loan once they finish school. This is not loan forgiveness. It does not lead to increased deficits or defaults. It simply provides a new college graduate a few months to find a job and begin the process of becoming a contributing member of our society.

Some say this is a minor provision, appreciated by few students. I will tell you, at the University of Washington, in Seattle alone, 12,000 students will feel the impact of this grace period. It means $2.4 million to those students.

Finally, Mr. President, let us discuss a program that is working. The direct loan program is producing enormous benefits for all. In a recent survey, 112 campuses using the direct lending program were polled, and 90 percent reported satisfaction with the program.

During this academic year more than 1,350 schools are making borrowing easier for their students through the direct loan program. It is praised by students and college presidents alike for its speed, efficiency, and lack of bureaucracy. Why are we capping this success at 20 percent of total loan volume when we know it works? Let us give direct lending a chance to work for our schools and its students.

Mr. President, these cuts in our student loan programs are not economic savings. They are only going to shortchange our country's future. When we sacrifice our next work force for the sake of quick economic savings, we all mortgage our economic prosperity. The cuts in student loans are a direct impact to every single working family who wants to know that their child will be able to go on to college in this country that we are so proud of.

Mr. President, I yield back my time to the Senator from Massachusetts.

The PRESIDING OFFICER. Who yields time?

Mr. ABRAHAM. I yield the remainder of our time to the Senator from Idaho.

The PRESIDING OFFICER. The Senator from Idaho.

Mr. CRAIG. I thank my colleague from Michigan for yielding.

Mr. President, I find that the debate that is currently going on on the floor interesting but not balanced. And I say that because, while we talk about our children and the great compassion that I think this Senate and this Congress has always demonstrated toward young people in need, there is another side to the story that must be told if we are to speak of balance.

There is no question that we want as many of our young people as well educated as they can possibly become. We should encourage that kind of an environment. Clearly, the student loan program that is embodied within this package today will continue to educate as many as are currently being educated with the flexibility of growth to include more. While it changes the parameters of the obligation, it would be grossly unfair for anybody to portray that we are stepping away from or stepping back from our commitment to disadvantaged young people today seeking higher education.

What is glaringly absent from the debate on the other side is the rest of the story. I will tell you that having an education, having a degree in an economy that does not create a job and hire you is the greatest of tragedies.

The budget that we are seeking to bring about, in promises kept to the American people, is a budget in balance, and there is not an economist in this country today that will disagree that a budget imbalance causes the economy of this country to be more productive, more job creating, having the ability to pay higher wages and to hire the master's degrees and the doctorate degrees that oftentimes today go wanting and in their search for a job cannot find themselves able to pay the student loan.

The future of our children, Mr. President, and our grandchildren does not depend on a student loan. It depends on the economy of this country and the vitality of that economy that produces the student loans that creates the jobs that offers the future and the opportunity.

Most economists agree today that our current debt structure creates a 2-percent drag on our economy, and that 2-percent drag costs us hundreds of thousands of high-paying jobs annually as we work to increasingly compete in a world marketplace.

I find it absolutely amazing that this President will argue a $200 billion deficit and a debt that heads toward $5 trillion and says that that is growth and that is opportunity and that is going to create a productive economy.

Let me tell you what that kind of $200 billion deficit does to the average child of today, the college student of tomorrow, the job seeker in the future.

The average child today will pay $5,000 additional taxes over their lifetime with that $200 billion deficit. The Clinton budget projects deficits of that range out through the year 2000, and that alone adds up to an additional tax burden of $40,000 in the lifetime of that child. Those are statistics from the National Taxpayers Union.

Mr. President, in my opinion, that is the future. This Senator is going to vote for a dynamic program of student aid, but he is not going to deny that student the same opportunity that that student's parents had in their lifetime: to seek a better life, to have a job, to be productive, to be creative. That is our reality, and that is what we promise the American people.

So I suggest to all of us today that this really is a debate about the child and the child's future and his or her opportunity to be productive, to have a rewarding experience in their life, because just like the security of Medicare and just like the security of Social Security, they are all bound inextricably to the productivity of an economy. Not debt, not layoffs, not a sluggish economy that is not able to get up to speed and to be competitive in a world marketplace.

I am absolutely amazed that we cannot strike that balance or that we have to struggle so hard to argue that a balanced budget makes sense. Somehow this deficit syndrome that the President has caught himself in and is unable to escape—while he argued yesterday, ''Look at the productivity, look what I have done,'' what he failed to say, ''In the outyears, I am going to have to ask the American people for another large tax increase, because while my tax increase of a year ago has forced the deficit down, the Government has not changed its spending habits. And every program that I offer in my budget,'' i.e., the President, ''I want more spending and more Government and more growth in the most nonproductive sector of our society.''

The American people last November said it very clearly. They said, ''Sorry, Mr. President, you're wrong; you've got to change and our Government has to change and we have to make sense of something, because we sense our vitality is slipping away, our ability to make a living is slipping away.''

I do not dispute what the other side is saying about the less ability of the American family to pay for their child's education, but have they ever stopped to ask why there is less ability, why can the family of today not provide as much for the child as the family of 20 or 30 years ago? There is an obvious reason. They cannot provide the lifestyle. The economy has been dragged down by a debt structure and a Government that consumes ever greater a proportion of the gross national product of our country in the most nonproductive of ways.

I do not dispute the need for Government, but I do dispute its size, I do dispute the debt, I do dispute the deficit, because economic common sense says, and most economists agree, that if this Government can live within its means, our economy will be a much more productive place, I say to my fellow Senators, and we all know what that means. That is opportunity, that is jobs, that is productivity, that is the average family being able to care for their children and having the pride to say to their children, ''You are going to have a better life; you are going to have greater opportunity; we want you to have that college degree, and we can assist you in doing so because our lives are better lives.''

That is the issue at hand. It is the debt. It is the question of deficit. It is the drag on the economy and the nonproductive way that we have found ourselves increasingly caught up in, unable to provide those kinds of opportunities.

I applaud what this side is attempting to do in response to the American people and future generations to come.

You see, Mr. President, I have parents—like we all do—who grew up in the Depression days, and they tell me about the phenomenal difficulties and the attitudes that for a generation that experience provoked on the American scene; that somehow they thought less of themselves and less of their ability to produce because of the phenomenal negative economic experience that that generation went through.

Can we assume that that could never occur again? Well, we should not, and that is what Republicans and Americans are doing today in their effort to produce a balanced budget to control the growth of Government and say to future generations, ''We heard you and we provided an economy that will give you the opportunity you seek.''

The PRESIDING OFFICER. Who yields time?

Mr. KENNEDY. I yield 2 minutes to the Senator from Massachusetts.

Mr. KERRY. Mr. President, I am delighted to join my colleague from Massachusetts in supporting this amendment. As I listen to some of the rhetoric on the floor, I really feel like this is Alice in Wonderland out here. This is not a debate about whether we are going to reduce the deficit or balance the budget. The Republicans keep coming back and saying, ''By God, the only way we are going to deal with the deficit and the budget is to do these things.''

The choice here is how we are going to balance the budget. They want to spend more money on B–2 bombers.

They want to continue the Market Promotion Program. They want to take a $5 million asset on a trust fund and give people a $1.7 million tax break. It is a question of how we are doing it.

What we all understand is, we should not be doing it at the expense of students and at the expense of the colleges and universities that have entered into the Direct Loan Program so that you can put more money back into the pockets of the lending institutions. It just does not make sense.

The Senator from Idaho stands up and says, ''We are going to take a lesser amount of money, but we are still going to be able to give you the same amount of education.'' I wish he had been there yesterday when the chancellor of the University of Massachusetts and the folks from Lowell, MA, and New Bedford and Fall River, which have 15 percent unemployment, working class people came in and said to me, ''Senator, if these cuts go through, our kids are going to drop out of school.'' And they are going to drop out of school because they are going to have $5,000 of additional costs in interest on the PLUS loan that is going to be $700 to $2,500 of debt because they eliminate the interest subsidy on the 6-month grace period. They are going to have a transfer tax on colleges and universities participating in the student loan program, and they are going to end, for half the universities, direct participation.

Mr. President, those kids cannot go to school paying that additional money. But they are giving the money to people earning more than $300,000, and to all of these other interests. They are continuing additional defense spending. The question is how we will balance the budget. It should not be done on the backs of the future generation in education.

The PRESIDING OFFICER. Who yields time?

Mr. DOLE addressed the Chair.

The PRESIDING OFFICER. The majority leader.

Mr. DOLE. Mr. President, has leader time been reserved?

The PRESIDING OFFICER. Yes.

Mr. DOLE. I ask unanimous consent that I may use a portion of that leader time without it being charged against either side.

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

REPORTS OF WAR CRIMES

Mr. DOLE. Mr. President, today's Washington Post reveals shocking news about what happened to the men of Srebrenica after this so-called safe area fell to Bosnian Serb forces in July. Twelve thousand men from this U.N.-designated safe area tired to flee to Bosnian Government-held territory and more than half were brutally butchered by forces under the command of Gen. Ratko Mladic.

Yesterday's Christian Science Monitor reported that Serb officers—from Serbia—actively participated in the massacre of Moslems from Srebrenica.

No doubt about it, General Mladic and his forces are directly responsible for these war crimes. But, these reports beg the question: What was the role of the Yugoslav Army in this attack on Srebrenica and the subsequent massacre of Moslems. And more importantly, what was Slobodan Milosevic's role in these savage war crimes?

Reportedly Mladic is often in Belgrade—where he coordinates with senior Serb officers, including the Chief of Staff of the Yugoslav Army. The Yugoslav Army has continued to actively assist Bosnian Serb forces. And Bosnian Serb and Serb air defenses are integrated.

The bottom line is that the Congress—and the American people—need to hear what the administration knows about the relationship between Bosnian Serb forces and the Yugoslav Army, and the relationship between Mladic and Milosevic. Have we been told everything the administration knows about Milosevic's possible culpability in this hideous war crime?

Frankly, I am highly skeptical that the buck stops at General Mladic. In any event, these questions need to be answered by the administration now.

Next week, the proximity talks will begin in Dayton and Serbian President Slobodan Milosevic will attend. We need to know whether we are rolling out the red carpet for a war criminal. We need to know who the administration is dealing with—the butcher of the Balkans or the peacemaker of the Balkans?

Furthermore, the President should publicly commit his administration to ensuring that these war crimes will not be swept under the rug as part of the price of peace settlement. If Milosevic is responsible for war crimes, he should be held accountable—even if this complicates the peace negotiations.

Mr. President, if the administration fails to effectively address the matter of war crimes in the former Yugoslavia, the Congress will. The fiscal year 1996 foreign operations bill includes an amendment I offered on the Senate floor which would prohibit bilateral assistance to any country that provides sanctuary to individuals indicted the U.N. War Crimes Tribunal on Yugoslavia. It also instructs U.S. representatives in multilateral institutions to vote against aid to any country that provides sanctuary to indicted war criminals.

The United States is the leader of the free world—this requires not only political, but moral leadership. We cannot repeat the United Nations's grievous error of looking the other way when confronted with enormous crimes against humanity.

Mr. President, I reserve the remainder of my leader time.

Mr. WELLSTONE. Mr. President, I ask unanimous consent to have 30 seconds to thank the majority leader for his statement.

Mr. DOLE. I yield 30 seconds to the Senator from Minnesota.

Mr. WELLSTONE. I thank the majority leader for his statement made on these war crimes, these atrocities. I do not believe that those who committed these crimes should be able to get away with it. I think it would be a terrible mistake for the world.

I appreciate the power of what the majority leader says. I very much appreciate his focus on the war crimes.

THE BALANCED BUDGET RECONCILIATION ACT OF 1995

The Senate continued with the consideration of the bill.

The PRESIDING OFFICER. Who yields time?

Mr. KENNEDY. I yield 3 minutes to the Senator from Minnesota.

Mr. WELLSTONE. When I heard what my colleague from Idaho said, I could not be in more profound disagreement. The debate is not on a balanced budget, deficit reduction; it is on a Minnesota standard of fairness. This agenda here is not connected to the reality of the lives of people that we represent back in our States: ''Senator, I am a student at Moorhead State, I work three minimum-wage jobs. The college years are not the best years of my life.''

''Senator, I am a nontraditional student. I am older than you and I lost my job; I am going back to school, and I do not have much money. If you cut my financial aid, I will not be able to get back on my own two feet.''

''Senator, I am a single mother, and I am going back to school, and I have two small children. If you cut my financial aid, I will not be able to move from welfare to workfare.''

I hear it in community colleges; I hear it in public universities; I hear it in private schools. I asked my colleagues, I say to my colleague from Massachusetts, during markup, ''Have you held town meetings in the campuses? Do you know what the consequences of what you are doing here in the Senate will be for students in this country?''

Mr. President, this is outrageous.

I ask unanimous consent to have printed in the RECORD the text of a petition from 515 students at Inver Hills Community College and Lakewood Community College.

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

PETITION FOR SAVING OUR STUDENT LOAN PROGRAM

Students are concerned about federal financial aid cuts Congress proposes to higher education. If these cuts are made, they will affect my ability to go to college and find a living wage job. Please help me continue to have an education that is affordable and accessible. The economic security of our nation depends upon a well-educated work force. America's future rests in your hands.

Mr. WELLSTONE. Mr. President, I simply say it loud and clear, and I will shout it from the mountaintop. I only have probably 30 seconds left. If you want to do deficit reduction, cut the subsidies for the pharmaceutical companies, cut the subsidies for the oil companies, cut the subsidies for the insurance companies, cut the subsidies for the tobacco companies; do not spend more money on stealth bombers and Trident and all of the rest, and do not have tax cuts that disproportionately go to the wealthiest people.

Do not do deficit reduction by denying all too many young people—and not-so-young people because many of our students are older—their opportunity for a higher education. I am proud to be an original cosponsor of the Kennedy amendment. It speaks to basic economic justice. I hope 100 Senators vote for it.

Mr. KENNEDY. Mr. President, how much time remains?

The PRESIDING OFFICER. The Senator from Massachusetts has 5 minutes 12 seconds.

Mr. KENNEDY. I yield myself 4 minutes, Mr. President.

Mr. President, I want to repeat what I mentioned at the outset, that our amendment is budget neutral. We have been asked about that.

Mr. President, in the final few moments, I have been amazed by the silence of our Republican friends in defending an indefensible policy. Silence in defending a policy that will put a stranglehold on the sons and daughters of working families trying to achieve a better education. The most that was said in defense of this indefensible policy, Mr. President, by one Member of the Republicans, is that this proposal is ''changing the parameters of the obligation.'' Let me tell every working family in my State and across the country the truth. This Republican proposal is going to mean more dollars out of your pocket and more obligations on the students of this country.

In the final breath, Mr. President, there is an extraordinary reliance by our Republican friends on raising the revenues. In their proposal, they put a tax—described by the majority of the Republicans as a ''fee''—on every educational institution in this country. They would mandate a tax on every educational institution. The cruelest part of all is that the amount of that tax increases as they provide more and more assistance to the neediest students that go to those schools. The institutional tax goes in the opposite direction of every educational policy that we have made in the last 30 years. It requires more and more payment by the sons and daughters of working families and the neediest families. That is just an extraordinary admission, Mr. President, of a bankrupt effort by our Republican friends by taxing these working families.

In the Republican proposal, working families are going to have to pay more out of their hard-earned income because of the tax increase in the EITC. Then, the same working families are going to pay more out of scarce resources for the copays and the deductibles we will have to have.

Because of reductions in Medicaid, these working families are going to pay even more to provide health care coverage for their children.

For what reason? To give a tax break for the wealthiest individuals and the wealthiest corporations. That is what this is all about. They are taking the money out of the pockets of the neediest families in this country and transferring it to the wealthiest individuals. That is the parameter of the obligation that our Republican friends refer to when they try to justify their position.

Mr. President, this bill and these cuts are too harsh and too extreme. But, in addition to their cold heart, Republicans are now getting cold feet. The verdict of the American people is coming in.

Republicans are being found guilty beyond a reasonable doubt of hurting senior citizens on Medicare; guilty of hurting helpless elderly patients in nursing homes; guilty of punishing innocent children on welfare; guilty of closing college doors to the sons and daughters of working families; guilty of pandering to polluters and endangering the environment; guilty of massive giveaways to powerful special interest groups; guilty of taxing low-income workers; guilty of taxing hard-pressed college students to give tax breaks to millionaires.

Whatever became of the anti tax Republicans? I say shame, shame on the Republican Party for using their majority power to hurt the vast majority of Americans. This bill will be dead on arrival at the White House, and we ought to bury it right here in the U.S. Senate.

The PRESIDING OFFICER. The time of the Senator from Massachusetts has expired.

Mr. KENNEDY. I hope we have an opportunity to vote on this amendment soon.

What is the Chair's understanding about when we will be able to have a disposition of this amendment?

Mr. EXON. Mr. President, if I could answer briefly the Senator's question. It is a good one.

We have been trying to work on this since yesterday afternoon. It appears we are very close to agreement that allows us to start voting up or down on these amendments sometime early this afternoon and very late into the evening.

Mr. KENNEDY. Would the Senator yield half a minute on the bill?

Mr. EXON. I yield.

Mr. KENNEDY. Mr. President, I have heard that my Republican colleagues are trying to doctor up some different proposal on student loan cuts. We have had months to change the proposal. I hope we will support this amendment that represents the best judgment of parents, educators, and working families.

Mr. EXON. Mr. President, I thank the Senator from Massachusetts for his excellent presentation, and I agree with his remarks. I agree with his conclusion. I hope we can move in an expeditious fashion.

I yield 8 minutes off the bill to my colleague from North Dakota.

Mr. DORGAN. Mr. President, I have been puzzled here for nearly a day and a half because we have some very important decisions to make in the U.S. Senate, one of which deals with Medicare, and we are not voting on them.

Reconciliation is a process that provides us 20 hours. We offered an amendment that does not take great skill to read. It does not take many staff people to read it. It is very simple.

It says, ''Let's reduce this tax cut for the wealthy and use the savings to reduce the cut on Medicare for the elderly.'' That is a very simple proposition.

It has been almost 30 hours since it was offered yesterday on the floor of the Senate, and no vote. Why no vote? Is it hard to understand? Are people still reviewing this? No, that is not why. What we have is a stall.

I understand we may be getting close to an agreement, and I hope we are, because if we are not, we are going to start reading this legislation—maybe two or three times. It is 1,949 pages, given us Tuesday night to come to the floor Wednesday morning.

Most people here do not have the foggiest notion of what is in it. Most of us have some suspicion about what is in it. Most of us believe that this, handed to the wealthier families in America, will provoke significant smiles because they will find some awfully good news in here for their families. Drive a Mercedes Benz, make half a million a year, there is awfully good news in here for you.

If you are an elderly person, dependent on Medicare or a poor person on Medicaid or a middle-income family trying to send your kids to school, or a poor mother who has a child in Head Start, the news here is pretty grim. It says we cannot afford you. It says you better tighten your belt because this is coming your way, and this is not good news for you at all.

I think some of the pieces of the puzzle are starting to come into focus about who is fighting for whom. Whose side are you on?

Here are a couple pieces of that puzzle. This was in the paper yesterday. One of the new Republicans over in the House of Representatives says ''the Democrats once again have it all wrong when they claim the GOP's proposed $500 tax credit for families earning up to $200,000 is a tax cut for the rich.'' He says those folks are lower middle class.

> Heineman, former Raleigh Police Chief, told the Raleigh News and Observer that his salary of $133,000 plus $50,000 a year in police pensions ''does not make me rich. It does not make me middle class. In my opinion that makes me lower middle class.''

This new Republican, this fellow that has new ideas and came with a notion of change says, ''When I see someone who is making anywhere from $300,000 to $750,000 a year, that's middle class.'' He said, ''When I see anyone above that, that's upper middle class.'' Oh, really? These are the new ideas? Middle class at $750,000 a year? Now I can understand why they tell us their tax cut is aimed at the middle class. Now it is clear to me. I understand how these pieces to the puzzle start to fit.

Another big piece—in fact, it is the centerpiece for this puzzle in this morning's newspaper—the Speaker of the House, speaking candidly to Blue Cross Blue Shield, an insurance company, says this in talking about Medicare:

> Now let me talk about Medicare . . . we don't get rid of it in round one because we don't think that would be politically smart.

Let me say that again. The Speaker of the House says, and these are people who say, ''We love Medicare; we want to save Medicare.''

> We don't get rid of it in round one because we don't think that would be politically smart and we don't think that's the right way to go through a transition. But we believe it's going to wither on the vine because we think people are going to voluntarily leave it.

Now, put these pieces into the puzzle and see if you do not start getting the message. These are people who are going to save Medicare? No, I do not think so.

Round one. They do not get rid of it in round one. But guess what? This is a 10 rounder, and by the end of this match they plan on getting rid of Medicare. This is all about the middle class—yes, their middle class—somebody making $750,000 a year.

I said, good news and bad news around here. I was watching Star Wars the other night with my children. I have not seen that for a long time. Does anyone remember the characters in Star Wars, R2–D2 and C3–PO? I was thinking, if children in this society had names with numbers maybe they would do better; right?

Let me give some numbers that do well. I said that a lot of folks do not do well in this. A lot of kids do not do well. Fifty-five thousand kids, all of whom have names, will no longer be in Head Start because the majority cannot afford them in the Head Start program. A kid by the name of Tim or Martha or Tom, they get bad news, no Head Start program.

But if you had an initial like a B–2 or an F–15 or a UH–60 Blackhawk—go down this list. I do not have time. But this is a list, all of which represent spending add-ons; in other words, money that the Defense Department did not ask for, for helicopters, amphibious ships, fighters, bombers, star wars, and on and on and on that the Defense Department said they did not want, they did not need, and they did not order.

Guess what? The conservatives say, ''We insist you buy it because we got the money to pay for it.'' And then they bring 2,000 pages out here to the floor and say, ''We are sorry. We are broke. You are poor? You are young? Out of luck.''

So we say to them on Medicare, on our first amendment, offered nearly 30 hours ago, how about establishing priorities here? How about at least forgetting the tax cut notion you got for the wealthiest Americans and using some of that money to provide Medicare for the elderly? Do you know what, 30 hours later we cannot get a vote. Why can we not get a vote? Is it because they cannot understand the amendment? No. It is because they are stalling. They do not want to vote on the amendment.

One way or another, somehow we are going to vote on this amendment. We might stand here for 6 days, but we are going to vote on this amendment, and we are going to vote on the education amendment, and we are going to vote on the next amendment which is fiscal responsibility, which says do not give a tax cut until we have a balanced budget.

I am a little disappointed about what has been going on the last 30 hours. I can understand a shuffle when I see it. I can understand a stall when I see it. But nobody ought to claim to us they do not understand this issue. After 30 hours you would think everybody understands it well enough to have a vote.

So, it is 10 minutes to 1. How about a vote at 1 o'clock? Why do you not give the elderly in this country an opportunity? Express yourselves and give us an opportunity to express ourselves about tax cuts for the rich and Medicare cuts for the rest? Let us decide if we are going to have a vote soon.

If we are near an agreement, I say fine. I want us to have an agreement and get through this. But I say, at the end stage of this process, that I happen to know and all of you in this room know what is really at work. We have a Medicare amendment on the floor. The Speaker of the House gives a speech to Blue Cross/Blue Shield. He says he wants to save Medicare. And here is what he says in his speech. ''We don't get rid of it in round one because we don't think that would be politically smart.''

We understand what that means about round two. That is why this is important. That is why there is some passion in this debate, about a lot of folks who have reached their senior status in life and fear they are going to get sick and they are not going to have the money to deal with that illness. This is important.

Mr. President, I ask for 1 additional minute.

Mr. EXON. I am sorry. Another 30 seconds. I am trying to conserve time on this side.

Mr. DORGAN. I yield the floor to the Senator from Nebraska.

Mr. EXON. I will yield 30 seconds to the Senator from Maryland.

Mr. SARBANES. Mr. President, I listened very carefully to the very distinguished Senator from North Dakota. What is the date of that speech the Speaker made when he said that this is only round one to get rid of Medicare?

Mr. DORGAN. The speech apparently was given the other night, October 24.

Mr. SARBANES. On the same day, October 24, Senator DOLE made a speech. Listen to this. ''I was there, fighting the fight, voting against Medicare—1 of 12—because we knew it wouldn't work in 1965.''

So you have the Republican leader in the Senate and the Republican leader in the House, both of whom have been trying to portray themselves as helping Medicare, now bragging about the fact that they are against Medicare or that this is only the first round in getting rid of it.

The PRESIDING OFFICER. The Chair will advise the Senator 30 seconds has expired.

The Senator from Nebraska.

Mr. EXON. Mr. President, as I understand it we are now prepared to go to the next item that will be offered by the Senator from Arkansas with 30 minutes equally divided; is that correct?

Mr. ABRAHAM. Yes. We are prepared to do that.

Mr. EXON. So I hope the Chair could recognize the Senator from Arkansas, following 1½ minutes that I would like to yield at this time to the Senator from Vermont.

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

Mr. LEAHY. Mr. President, I have repeatedly said on the Senate floor that balancing the Federal budget is so important we need to set our partisan differences aside.

Unfortunately, balancing the budget was the most serious problem facing our country—until today.

The American people are fed up with Washington—and how can you blame them.

The single working mother who is holding two jobs to take care of her children should expect nothing less than having the Federal Government pay its own bills.

Vermonters must balance their checkbooks each month, why should the Government that they send their taxes to not be held to the same accountability.

Mr. President, Republicans laud this budget reconciliation bill that we are debating today as the solution to the deficit problem.

Well, this bill may balance the budget but the wake it leaves behind threatens to irreparably divide our country. This bill is a cruel prank on hard working Americans who have asked Congress to get our budget in order.

The Republican leadership has answered the call to balance the budget with a plan that radically redistributes the wealth of our country.

Playing on the desires of hard working Americans, the Republican leadership has seized the opportunity to protect the wealthiest in our country.

This plan balances the budget on the backs of the people who are working the longest hours, in the lowest paying jobs.

Ironically, as these Americans have shouted out the loudest about getting our fiscal books in order, they will be the ones who feel the pain the most.

Under the guise of saving Americans from the burden of debt, the Republican leadership has devastated programs that help hard working men and women realize the American dream of economic opportunity.

We are told that in order to save programs, we must first kill them so that 7 years from now they will emerge solvent and robust.

It is a leap of faith that I cannot make, much to my embarrassment, because my distinguished colleagues in the majority have been telling us what a bold and courageous moment in time that they are seizing.

They are the self appointed saviors out to rescue us from the trillions of dollars of debt accrued during the Reagan-Bush administrations. They never mention that latter part—no doubt an oversight—and in the press of time, it is perfectly understandable why the subject never arises.

A case in point is education. This bill makes short-sighted cuts in education. It cuts student loan programs by $10 billion over the next 7 years.

Students will be hit with 70 percent of these cuts—increasing the costs to the 20,000 Vermonters receiving higher education and their families by at least $5,800 over the life of a student loan.

Congress should be working to make education more affordable—not less.

These additional financial burdens will discourage many students from continuing their education after high school.

The Contract With America has sealed the fate of the next generation of Americans. They may never have the chance of post high school training or a college education—the key to a better paying job.

Mr. President, the list of programs that the Republican leadership are slashing under the thin guise of reform is long.

This bill is a back door version of the New Federalism, the short-lived brainchild that was the predecessor of the Contract With America. Congress piles up the rhetoric while dumping the tough decisions on the States.

Governors are increasingly wary of this, because the cost for maintaining any of these programs will rest squarely on the local taxpayers.

We know that Medicaid is a life-line to provide essential health care to low-income pregnant women, children, the disabled, and the elderly.

It is also the safety net that rescues middle-class families when a factory closes down and the jobs that are available do not provide health insurance.

It spares middle-class families from choosing between nursing home care for a parent or financing the college education of a son or daughter.

I think we all agree that the Medicaid reform proposal before us turns the program over to the States, at greatly reduced funding levels.

Despite all the disclaimers from its supporters, I remain unconvinced that it is anything more than a recurrence of policies that once made poor farms and orphanages the sanctuaries for low-income children and families in America.

I agree that States should have more flexibility, but not at the cost of our national responsibility. Our States will find themselves hundreds of millions of dollars short of funds to provide necessary health care over the next 7 years.

Vermont already has flexibility through the Federal waiver process.

Vermont's plan continues the Federal/State partnership nature of Medicaid and enables Vermont to cover 15,000 more of the State's growing number of uninsured.

This bill will nullify Vermont's initiatives to administer the program more economically.

The budgetary pressure on States to make cuts in eligibility and benefits will be very strong. On average, States will lose 30 percent of their Federal Medicaid payments by the year 2002.

There is no provision in this bill that would provide Vermont, or any State, with additional resources in times of economic downturn or recession when the Medicaid rolls have historically increased.

Vermont will lose 10 percent on average over the next 7 years and cuts are backloaded so that Vermont will lose 27 percent in the year 2002.

This cut is estimated to reduce Federal Medicaid payments to Vermont by $205 million over the next 7 years.

If the sharp reductions in Federal Medicaid funding cannot be offset by managed care savings or cuts in payments to providers, States will have to cut benefits or severely limit the number of people eligible unless they are willing to pay a much larger share of the cost of the program with State funds.

Competition among States may contribute to the pressure to restrict eligibility.

Without Federal standards, many predict a race to the bottom where no State wants to be seen as providing broader coverage or more generous benefits than its neighbors.

While there was much talk about this bill partially retaining an entitlement for low-income pregnant women, children, and the disabled, the truth is that the bill fully follows through on the Contract With America proposal to provide no assurance to any low-income American that they will get the health care they need.

This fact was certified by the Congressional Budget Office earlier this week.

The plan also repeals requirements that now protect nursing home residents from being restrained, drugged, or forced to live with substandard care in disreputable homes.

It replaces these safeguards with 50 separate State regulations with no standard minimum requirements.

I have been pleading for Congress and the President to join in bipartisan negotiations on balancing the budget without jeopardizing the success of our health programs.

The PRESIDING OFFICER. The Senator from Arkansas.

MOTION TO COMMIT

Mr. BUMPERS. Mr. President, I send a motion 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 Arkansas [Mr. BUMPERS] moves to commit the bill S. 1357 to the Committee on Finance.

Mr. BUMPERS. Mr. President, I ask unanimous consent that reading be dispensed with.

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

The motion is as follows:

MOTION TO COMMIT WITH INSTRUCTIONS

Mr. President, I move to commit the bill S. 1357 to the Committee on Finance with instructions to report the bill back to the Senate within 3 days (not to include any day the Senate is not in session) making changes in legislation within that Committee's jurisdiction to delay the effectiveness of any revenue reductions until the first fiscal year in which outlays no longer exceed revenues.

Mr. BUMPERS. Mr. President, this is very simple and straightforward. The Members of this body should vote for this on a purely intellectual basis, without regard for partisanship. That is hard for me to say, and I know it is hard for people around here to respond to that kind of request. But it simply says: Do not cut taxes until you balance the budget.

I can remember not too many months ago when that idea had great credence in this body, on both sides of the aisle. I had even hoped at one time that the chairman of the Budget Committee who crafted this whole thing, Senator DOMENICI, would join me, today, with this amendment saying we are not going to cut taxes until we balance the budget. Here is what Senator DOMENICI said on May 29, this year, just a few months ago.

''We are working through some very, very tough terrain,'' he said, acknowledging that most battles lie ahead. ''But I am convinced that most people share our view that we must balance the budget first before we cut taxes.''

Here is a chart for anybody who chooses to look at this thing economically and sensibly. Here it is. You cut taxes in accordance with $245 billion, the figure that is bandied about here, and if you cut taxes by $245 billion over the next 7 years you add $293 billion to the national debt and our children and grandchildren will pay interest on that $293 billion as far as you can see.

I do not want to mix Social Security in this, but when you add this $300 billion, also bear in mind there are about

$656 or $660 billion in Social Security surpluses that are going to be used. To say we are going to have a balanced budget when we are using Social Security surpluses, when we are $78 billion short even by the Republicans' own numbers, it is a scam to lead the American people to believe that we are going to have a balanced budget. If we never have another deficit after 2002, our grandchildren and great-grandchildren are going to pay interest on this tax cut.

You know, the reconciliation bill provides $5,600 per year—listen to this—$5,600 per year in tax cuts for the wealthiest 1 percent of the people in this country, and the bottom 50 percent wind up with less money than they had before this reconciliation bill passes.

What does that say about the values of the U.S. Congress, about their attitude—not toward people with stocks who get dividends and interest, but about working people who sweat and toil every day to keep this Nation going, who get nothing out of this except increases, lowered standard of living?

Do you know something else? This bill stands squarely on the shoulders of 50 brave Democrats who, in August 1993, passed a reconciliation bill. I want you to think about this. If it were not for 50 brave Senators who stood on their hind feet and voted to raise taxes on the wealthy and to cut spending accordingly, the Republicans would be faced with raising another $1.081 trillion to balance the budget.

The senior Senator from Texas, a candidate for the Presidency, said we want all of those people in the back of the wagon to get out and help the rest of us pull. They were. Every single Republican in the Senate was in the back of the wagon that day when a lot of people lost their jobs a year and a half later for doing something so sensible. And here they are still in the back of the wagon taking advantage of $1.8 trillion that the Democrats provided, the most courageous, sensible thing that the President of the United States has proposed since he has been President.

Mr. EXON. Will the Senator yield for a second for a unanimous-consent request?

Mr. BUMPERS. I am happy to yield.

Mr. EXON. I ask unanimous consent that the unanimous-consent request not be charged to either side. In order to try to accommodate as many people as possible we are trying to shrink down this time.

I ask unanimous consent that, rather than one-half hour of time on this amendment, it be reduced by 5 minutes each to 25 minutes per side.

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

Mr. EXON. I thank my friend and say, to accommodate a lot of people, we have subtracted 5 minutes.

Mr. BUMPERS. Mr. President, our friends on the other side of the aisle have the best of both worlds. They can criticize and carp about that bill in 1993, and yet they have never tried to undo one penny of it; did not undo the gas tax, did not undo the 36-percent tax rate increase, have not done anything about the surcharge, and they get the benefit of over $1 trillion in balancing the budget because 50 Senators stood up—and 2 of them are not with us today because they did; and about 17 Members of the House are not with us today because they did.

This tax cut is the height of fiscal irresponsibility. That is the reason we call it the fiscal responsibility amendment, to do away with the tax cut until we balance the budget. We have the rest of our lives to cut taxes. Our first chore is to keep faith with the people of this country.

If you eliminate the tax cut, you do not balance the budget in the year 2002 even by the Republican figures. You can do it in 2001. That would be shocking.

But the most important thing I want to say, Mr. President, is do not cut taxes when we are running this kind of a deficit. Balance the budget, and then talk about taxes. When you are talking about tax cuts, talk for a change about working people and real middle-class Americans.

Mr. President, I yield the floor. Does anyone wish time?

I yield to the distinguished Senator from Michigan 5 minutes.

The PRESIDING OFFICER. The Senator from Michigan.

Mr. LEVIN. Mr. President, I thank my friend from Arkansas.

This tax package which is contained in the massive budget reconciliation bill is ill timed. It is inequitable. It provides the $224 billion tax break which, when fully phased in, would go disproportionally to the wealthiest among us. Indeed, more than half of those tax breaks would go to the wealthiest 14 percent of Americans, and we are talking about the fully phased in tax package. In that tax package, while the upper 14 percent get over 50 percent of the tax reductions, 14 million Americans of modest means would actually get a tax increase.

This maldistribution is reason enough to reject this tax package. But it becomes all the more unacceptable when one considers the extreme lengths to which the majority has gone to pay for these large tax breaks. Senior citizens are hit hard, students are hit hard, and working people are hit hard. But, above and beyond those flaws, there is the simple fact that we in this tax package would be providing tax cuts before assuring the reality of the deficit reduction that is projected. In other words, under this bill we would be spending the money before it is in the bank.

We have seen this before. In 1981, President Reagan introduced the Economic Recovery Tax Act which had large tax cuts, and also had projections, aspirations, hopes, and plans that the budget would be balanced by 1984. The tax cuts were not made dependent upon those projections taking place. If they had been, we would have been a trillion dollars better off in those years. But it seems to me that history is so recent that we ought to take its lessons and say to ourselves that we have to get deficit reduction under our belts before we enact tax cuts. This time let us make sure that projections of deficit reductions turn out to be true before we do the easier part.

On October 18, the Congressional Budget Office Director, June O'Neill, wrote the chairman of the Senate Budget Committee to provide the critical certification which the budget resolution calls for. The claims of a balanced budget are based on that certification, and the tax cut is based on an argument that we are reaching a balanced budget by 2002, which in turn is based on that certification. But when you read the certification, it is a bunch of hedges.

The Congressional Budget Office letter says, "Based on estimates using economic and technical assumptions underlying the budget resolution, assuming the level of discretionary spending specified in that resolution, the Congressional Budget Office projects . . ."—and later on the letter says—"the Congressional Budget Office projects that the resulting reductions in interest payments will be $50 billion in the year 2002 and $170 billion over the 1996–2002 period." Then the Congressional Budget Office says, "Those projections were based on a hypothetical deficit reduction path." It is based on those hypothetical estimates, projections, that the balanced budget claim is made for the year 2002. But even more significant, for the purpose of this amendment which is pending, it is based on those hypothetical paths, projections, and estimates that the tax cut is being defended.

This letter does not certify much except that the Congressional Budget Office has a long list of wiggle words which are available to us. And it is the foundation; it is that certification again which is the foundation for the assertion that the budget is going to be in balance in the year 2002. And you cannot help that because you have to have projections and estimates. But what we can avoid doing is providing a tax cut before we know in fact that the budget is going to be balanced.

So what this amendment says is hold off the tax cuts until we balance the budget. In fact, let us put the money in the bank before we spend it.

And, let's not be fooled by the happy talk about reaching a balanced budget. It is not balanced by any commonsense or legal definition. We know already, as Congressional Budge Office Director June O'Neill's letter to Senator CONRAD acknowledges, this plan falls short of balancing the budget by $105 billion in the year 2002. This is because the Republican majority's budget uses the surplus in the Social Security Trust Fund to mask the real Federal deficit.

The law, section 13301 of the Congressional Budget Act, states:

[T]he receipts and disbursements of the Federal Old-Age and Survivors Insurance Trust Fund and the Federal Disability Insurance Trust Fund shall not be counted as new budget authority, outlays, receipts, or deficit or surplus for purposes of:

(1) the budget of the United States Government as submitted by the President,

(2) the congressional budget, or

(3) the Balanced Budget and Emergency Deficit Control Act of 1985.

And, the law further states:

The concurrent resolution shall not include the outlay and revenue totals of the old age, survivors, and disability insurance program established under Title II of the Social Security Act or the related provisions of the Internal Revenue Code of 1986 in the surplus or deficit totals required by this subsection or in any other surplus or deficit totals required by this title.

We're not only spending the dollars before they are in the bank, we are spending them earlier and faster than we are even projected to have them to spend.

Nearly half of the savings in this budget are projected to come in 2001 and 2002, while the tax breaks are set in law now. In fact, the budget resolution assumes $440 billion in discretionary spending cuts over 7 years. Only $18 billion of that would be cut next year, less than 5 percent. We know from past history what happens when tax cuts are put in law now while most of the actual cuts are to take place later.

Some of our Republican colleagues have appeared, in public statements, to agree that a tax cut should be put off until we are sure deficits will drop as predicted. Let's join together on a bipartisan basis and do just that.

I yield the floor.

Mr. BUMPERS. Mr. President, I yield the Senator from Wisconsin 5 minutes.

The PRESIDING OFFICER. The Senator from Wisconsin.

Mr. FEINGOLD. I thank the Chair.

Mr. President, this amendment is simple and straightforward. It eliminates the fiscally irresponsible and reckless tax cut that is the core of this fatally flawed reconciliation package.

All the other provisions of the reconciliation bill, in my view, flow from this singular act of fiscal irresponsibility. Cuts to Medicare and Medicaid, student loans and the earned income tax credit, as well as the other provisions in this measure, all driven by the need to fund a quarter of a trillion dollar tax cut, are so out of proportion to any consensus the public would support that I think they doom any hope their supporters might have of really balancing the budget.

Mr. President, just as we are beginning to climb out of the hole that was dug 14 years ago, somebody wants to shove us back in.

Mr. President, we have made remarkable progress in lowering the Federal budget deficit during the 103d Congress. The President's deficit reduction package produced $600 billion in lower deficits and got us about half the way there—almost half the way there to a balanced budget, from over $300 billion to about $160 billion. In fact, Mr. President, but for the debts rung up during the 1980's, we would be in balance today.

But we still do not have a balanced budget, and we cannot afford any tax cut—not the President, not the House, not the Senate tax cut. We need to balance the budget. That should be our first priority.

Actually, Mr. President, this bill is really an alchemist's dream. Those who have crafted this measure have finally invented a machine that makes gold. The reconciliation bill really amounts to just that. It is a machine that makes gold. All you do is feed health care services for the most vulnerable among us in our Nation, and out comes gold.

Of course, Mr. President, not everyone shares equally in that bounty. The gold from this machine largely benefits the best off in our Nation. The better off you are, the more you get. The less well off you are, the less you get.

I am not going to dwell any further on the distribution issues relating to the tax cut. As I have noted many times on this floor, this issue comes to me as an issue of pure fiscal responsibility. Even if the benefits of tax cuts were more fairly distributed, I would oppose it. We cannot afford to cut taxes while we still face a Federal budget deficit of $160 billion. Nobody out there believes that makes fiscal sense. It is the opposite of sense. And you cannot spend $1 three times. You cannot say you are spending the dollar to save Medicare and then you are going to use the same dollar to eliminate the deficit and then you are going to use the dollar for tax cuts. You can only spend it once. This budget uses it not to save Medicare, not to reduce the deficit, but to fund tax cuts. For that reason, I regard this as the most important amendment in this process, and I urge my colleagues to support it.

I thank the Chair.

Mr. BUMPERS addressed the Chair.

The PRESIDING OFFICER. The Senator from Arkansas.

Mr. BUMPERS. I wonder if the minority leader has a speaker here he wishes to recognize at this point?

Mr. ABRAHAM. Is the Senator referring to me?

Mr. BUMPERS. Yes.

Mr. ABRAHAM. He mentioned the minority leader.

Mr. BUMPERS. Majority leader. I am sorry; I have a hard time breaking the habit.

Mr. ABRAHAM. I will have somebody here shortly. If the Senator has a short speech, we would be ready to go after that.

Mr. BUMPERS. Mr. President, I yield 5 minutes to the Senator from North Dakota.

Mr. DORGAN addressed the Chair.

The PRESIDING OFFICER. The Senator from North Dakota.

Mr. DORGAN. Like the previous amendments, this one is also painfully simple. It is an amendment that will not take a dozen staff to explain, an amendment that will not take a great deal of research, an amendment that probably should not take a great deal of thought. No one can misunderstand what this is. This amendment says we ought not do a tax cut until the budget is balanced. Do not serve dessert before the main course.

It is a pretty simple proposition. My expectation is they will not want to vote on that either. We have been here 30 hours. They do not want to give a vote on Medicare so we will not get a vote on this. One of these days we will, I guess.

Let me talk about the proposed tax cut. This is the center pole in the tent called Contract With America. This is the center pole of the tent, the tax cut. And I understand why. It is enormously popular. Go take a poll and ask people: Would you like a tax cut? Heck, yes, I would like a tax cut; the bigger the better.

So I understand why it is there. This is about polls and focus groups and finding out what is popular—let us give a tax cut. I wonder how the American people would feel if they were told that every dollar of this tax cut will be borrowed in order to give it. In other words, we are going to increase the Federal debt during these 7 years with this plan by $660 billion roughly—this plan, a $660 billion increase in the debt and then a $245 billion tax cut. In other words, every single dollar plus much more will be borrowed. We will borrow money, float bonds to give a tax cut, a substantial portion of which will go to upper income Americans.

I think most people would say, well, that does not make much sense. But that is not what this debate is about—sense. If it were about sense, we would not even have to offer this amendment. We would have people say let us do the honest work and the tough work, the heavy lifting to balance the Federal budget. Let us do that. When we are done with that, then let us talk about the Tax Code, what is wrong with it, how do we fix it, who gets a tax cut.

That is not what we are doing. What we are doing is pretending to balance the budget and saying now that we pretend to balance the budget, we will offer up a tax cut. Unfortunately, we have a letter dated October 20 from the Director of the Congressional Budget Office. I asked, is the budget in balance in the year 2002? The answer is no—$105 billion deficit in 2002. That is, of course, if you take the Social Security trust funds and put them in the Social Security trust funds where they should be. If you take them out and use them as operating revenue, then you balance the budget.

I guess those who took remedial accounting and believe that double entry bookkeeping means you can use money twice in two different places at the same time, I guess they are comfortable and they can sleep with this. But, of course, if you were in private business and said, let me take the money out of my employees' pension funds and use it on my operating statement, you would be doing years at hard tennis at some minimum security prison. Instead, it is ''budget technique'' to say, let us misuse Social Security trust funds, show a balanced budget in the year 2002 by misusing that money, and then claim we have a balanced budget so we are going to give a tax cut. Every single dollar of this tax cut will be borrowed in the next 7 years and every Member of this Senate knows it. They can pretend they did not hear or they did not know; it escaped their attention. But they know it. This amendment is very simple. It is called a ''fiscal responsibility amendment.'' It says, let us do the tough, honest work first, get the budget balanced, really balanced, and then let us decide how to fix our tax system.

Having said all of that, I hope one of these hours we will get a vote first on Medicare and then on the sequential amendments because these are not difficult for anybody to understand.

The PRESIDING OFFICER. The Senator's time has expired.

Mr. ABRAHAM addressed the Chair.

The PRESIDING OFFICER. The Senator from Michigan.

Mr. ABRAHAM. Mr. President, I yield myself such time as I need. I will be very brief, and then I will yield further time on our side.

Mr. President, the fact is it is not surprising that the minority is arguing against tax cuts. They are the party that raised taxes in this country in the last Congress by a record-setting $270 billion. In my State and across America, everywhere I go, the people I talk to say we need a tax cut to make ends meet. The middle-class squeeze we talk about on the floor all the time is in no small measure the result of the fact that today in America average families send $1 to Washington for every $4 they earn versus $1 for every $50 they earned back in the 1950's and the 1960's. Those are the families who are paying the bills and paying the taxes.

As we go through the belt-tightening process here in Washington to bring down the deficit, we believe it is only fair to let those hard-working families keep more of what they earn. What we have been presented with today is an amendment that says to all of those families: Wait. Wait, American families, hard-working families, for your $500 tax credit. Wait, spouses who work in the home, before you get your IRA. Wait, to people who want to adopt and need a little help making an adoption feasible. Wait, to jobseekers who need the opportunities created by progrowth tax cuts.

We believe the waiting should be over. We say this: If America's taxpayers want to wait for the Democrats and President Clinton to produce a tax cut, fine. But we have already gone through a lot of waiting for the tax cut that was promised in the 1992 campaign by the President. It has never been delivered. The waiting that this amendment suggests will have to continue will also be undelivered. We are prepared to allow hard-working families to realize tax savings now.

At this time I yield 6 minutes to the Senator from Alabama.

The PRESIDING OFFICER. The Senator from Alabama.

Mr. SHELBY. Mr. President, we have entered a new age in American politics. All of us know that. The days are long gone when elected officials can get elected, duck controversy, avoid hard choices, and, yes, hide from the judgment of the people. Governing in 1995 requires hard choices, adherence to principle and accountability. As party defections increase, as State legislatures and governorships change hands, my former colleagues on the other side of the aisle scratch their heads and ask why. The answer is simple, Mr. President. On the other side of the aisle there is no accountability and no willingness to make hard choices.

Instead, I believe they remain wedded to the status quo politics and policies that have led this country to the verge of bankruptcy.

For 60 years the other side has steadily created a Federal monster that now handles $1 out of every $4 in our economy. While the growth of the Government that past half century is stunning, it should come as no surprise to all of us. The politics of the status quo promoted on the other side of the aisle operates on the simple premise that the American people will always trade their freedom and their hard-won dollars for the promise of Government security.

''Tax and spend.'' Yes, Mr. President, ''tax and spend, and the docile American people will never resist. Tax and spend, tax and spend, and the American people will never support the reform or repeal of a Government program. Make the American people dependent on the Federal Government for everything from income and health care to business subsidies, and they will never resist or even reject us.''

These, Mr. President, I believe, are the maxims by which the agents of the status quo operate. But, Mr. President, the agents opposed to change have vastly underestimated the American people. The reason, Mr. President: The price of a balanced budget is so high that the American people will reject any politician who attempts to do the right thing and bring the budget into balance. They are dead wrong. We are allowing families to keep more of their hard-earned dollars, and we are ending welfare as we know it, and, above all, we are balancing the budget. The agents of change have a solemn obligation to do the unheard of, keep their promises. And I believe we will.

Mr. President, I would just like to show two charts in the short time I have of what parents can purchase with a $500-per-child tax credit in America.

For example, with a $500 tax credit, items parents can purchase: a winter jacket, $30; winter boots, $30; athletic socks, $6.50, six pairs of those; a sweat shirt, $12; books, $100; a tutor for their child, $230, 32 hours. That is $498.50. We checked it out.

We also have another chart for the $500 tax credit. Parents can purchase 847 jars of baby food or, Mr. President, 2,370 disposable diapers or approximately 6 months of electric bills.

The $500 tax credit for working families in America is real, and they need it.

Ms. MIKULSKI. Mr. President, I rise in strong support of the fiscal responsibility amendment. Mr. President, we should not cut taxes until we balance the budget. This reconciliation legislation cuts taxes before the budget is balanced. This is like eating dessert before dinner.

I support a balanced Federal budget and I have voted for significant deficit reduction over the past 2 years. But reducing the deficit cannot be accomplished if we are simultaneously cutting taxes for the wealthiest of Americans.

This is fiscally irresponsible. This highlights the Republican's real priority in this reconciliation bill—cutting taxes for the wealthiest Americans.

Balancing the budget must be based on principles that uphold basic values. Protecting our seniors, providing opportunities for our young people, and protecting the ladders of opportunity for working families are my guiding principles. This reconciliation legislation violates those principles by gutting Medicare and Medicaid, cutting student loans and repealing the earned income tax credit [EITC].

The fact is Mr. President, the Republican tax cut would add nearly $300 billion to the national debt by 2002. All but the last few billion of the tax cut is borrowed money, under the Republicans own deficit reduction timetable.

This reconciliation bill is fiscally irresponsible—and don't think otherwise. Requiring the budget to be balanced before we cut taxes is the responsible, fair and principled action to take. That's what this amendment ensures. This amendment also ensures that future tax cuts will be targeted to low and moderate-income working American families, not the wealthiest Americans. That is why I support this amendment and urge my colleagues to support it.

Mr. President, the tax cuts proposed by the Republicans are fiscally disastrous. I urge my colleagues to vote for fairness and common sense and vote for this amendment.

Mr. ROBB. Mr. President, I have long believed that it would take courage and wisdom to develop and implement a plan that would lead to a balanced budget. Without the courage to make tough choices and the wisdom to place budget policy above partisan politics, our ability to develop an equitable plan that can stand the test of time and public opinion is severely limited.

While I give our Republican friends credit for bringing this package to the floor, I must say that a certain element of this plan does not reflect courage, wisdom or equity. A particular concern to me is the tax breaks which have been included in the bill.

Mr. President, it does not take courage to cut taxes. That is one of the easiest votes a legislator can cast. What takes courage is to revisit politically popular tax cuts at a time we have a nearly $5 trillion debt, and even a unified balanced budget is at least 7 years away if we get there at all. And for all the talk about fiscal responsibility recently, how can we endorse a $245 billion tax cut that makes balancing the budget much more difficult and adds to the debt over the next 7 years?

Mr. President, I was one of three Democrats who supported the original Senate budget resolution this year because I strongly believe that we have a responsibility to make tough choices that are necessary to balance the budget.

Unfortunately, during the budget resolution conference between the House and the Senate, fiscal responsibility gave way to political expediency as tax breaks were added up front and the deep spending reductions moved into the next century. Were these particular changes wise? In my judgment, absolutely not.

I think most in this Chamber would agree we should not be cutting taxes until we prove capable of carrying out these spending reductions and actually balance the budget.

If we get further down the road and decide spending reductions, particularly Medicare and Medicaid, in this plan are politically unsustainable, I fear, Mr. President, that we will abandon the spending cuts and leave the tax cuts in place at a time when their cost will begin to explode. And as we have seen before, the end result will be we will simply be further away from a balanced budget.

The last point I would like to address is equity. Including the tax cut in this plan is not equitable. At a time when we are asking the American public to sacrifice by restraining the growth of programs which benefit low- and-moderate-income individuals, how can we, in good conscience, adopt a tax cut which, according to the Treasury Department estimates, will disproportionately benefit upper-income Americans? I simply cannot agree.

Including $245 billion in tax cuts in this budget package is not courageous, it is not wise, and it not equitable. I would implore my colleagues to reject the proposition that we should have tax cuts before we have a balanced budget.

With that, Mr. President, I yield the floor, and I thank the Chair.

YOUR'RE RIGHT MR. PRESIDENT, YOU RAISED TAXES TOO MUCH!

Mr. ROTH. Mr. President, why after shackling American middle-class families with the largest tax increase in history, has Bill Clinton finally admitted that he made a mistake? Why does his confession come just days before Congressional Republicans are scheduled to meet in conference to finish one of the largest tax cut proposals since the Kemp-Roth income tax rate reductions brought our economy roaring back in the 1980's?

Because Bill Clinton knows his taxes did not deliver on his promise to improve the economy, bring down interest rates, and thereby reduce the deficit.

Tax increases never do.

History proves that increases actually poison economic growth while tax cuts unlock capital, encourage savings, improve investment, and create jobs, opportunity, and growth.

Kemp-Roth led to the longest peacetime economic expansion in history. Eighteen million jobs were created, along with four million new businesses. Family income rose and home ownership boomed as interest rates and inflation fell. At the same time, Treasury revenues doubled, not because Americans were paying a higher percentage of their income to taxes, but because Americans had higher incomes.

We must unlock this kind of growth again. Only by creating an environment where our economy can expand can we simultaneously cut the deficit and meet necessary Government obligations.

Last spring the House passed a 7-year $354-billion tax reduction package, 76 percent of which, would go to family relief, and 24 percent to job creation. The plan offers a $500-a-child tax credit, encourages savings and investment, and offers other incentives for economic growth.

The proposal recently passed by the Senate Finance Committee cuts taxes by $245 billion, offers relief for our middle class—with over 70 percent of the $245 billion going to families making less than $75,000 a year—and, like its House counterpart, contains incentives that will encourage savings, investment, capital formation, and business growth. These provisions mean more jobs for Americans, greater economic security for our families, and stability in our communities.

Of the $245 billion Senate relief package, a full $223 billion will go to families. The remaining $22 billion will strengthen businesses and lead to increased employment opportunity. It will also improve America's ability to compete in the global community, with other nations that provide their businesses with strong incentives to compete with us.

The four pillars of both proposals are: First, a $500 child tax credit; second, restoration and strengthening of Individual Retirement Accounts; third, relief from overbearing estate taxes on families and businesses; and, fourth, reduction of the top rate of capital gains on individuals and corporations.

These measures meet our promise to the American people that in Washington we will change business as usual. The current system double-taxes savings, thwarts investment, hinders productivity, increases prices, stifles wages, and hurts exports. It is complex, controlled by special interest groups, and places disincentives on work.

Our proposals represent a major step toward correcting these deficiencies, and because we have cut spending, our bill balances the budget while making room for tax relief. The House has acted. Now, the full Senate must pass the Finance Committee's proposal. Following a House-Senate conference to iron out any differences between the bills, both Chambers must pass this historic reform, and the President must sign it into law.

Americans need relief. Our economy needs a shot in the arm. Even Bill Clinton has admitted as much. We call on him to join us in our efforts to unleash the potential our economy has to move us into a bold and exciting future.

He admits he made a mistake. Working together, we can fix it.

Martin Feldstein, former Chairman of the President's Council of Economic Advisers and professor of economics at Harvard University spells out in a very livid fashion what the 1993 tax increases really did in an article in The Wall Street Journal. I request that article be included in the RECORD in its entirety.

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

[From The Wall Street Journal]

WHAT THE '93 TAX INCREASES REALLY DID

(By Martin Feldstein)

President Clinton was right when he recently told business groups in Virginia and Texas that he had raised taxes too much in 1993, perhaps more so than he realizes. We now have the first hard evidence on the effect of the Clinton tax rate increases. The new data, published by the Internal Revenue Service, show that the sharp jump in tax rates raised only one-third as much revenue as the Clinton administration had predicted.

Because taxpayers responded to the sharply higher marginal tax rates by reducing their taxable incomes, the Treasury lost two-thirds of the extra revenue that would have been collected if taxpayers had not changed their behavior. Moreover, while the Treasury gained less than $6 billion in additional personal income tax revenue, the distortions to taxpayers' behavior depressed their real incomes by nearly $25 billion.

HOW IT HAPPENS

To understand how taxpayer behavior could produce such a large revenue shortfall, recall that the Clinton plan raised the marginal personal income tax rate to 36% from 31% on incomes between $140,000 ($115,000 for single taxpayers) and $250,000, and to 39.6% on all incomes over $250,000. Relatively small reductions in taxable income in response to these sharply higher rates can eliminate most or all of the additional tax revenue that would result with no behavioral response.

If a couple with $200,000 of taxable income reduces its income by just 5% in response to the higher tax rate, the Treasury loses more from the $10,000 decline in income ($3,100 less revenue at 31%) than it gains from the higher tax rate on the remaining $50,000 of income above the $140,000 floor ($2,600 more revenue at 5%); the net effect is that the Treasury collects $600 less than it would have if there had been no tax rate increase.

Similarly, a couple with $400,000 of taxable income would pay $18,400 in extra taxes if its taxable income remained unchanged. But if that couple responds to the nearly 30% marginal tax rate increase by cutting its taxable income by as little as 8%, the Treasury's revenue gain would fall 67% to less than $6,000.

How can taxpayers reduce their taxable incomes in this way? Self-employed taxpayers, two-earner couples, and senior executives can reduce their taxable earnings by a combination of working fewer hours, taking more vacations, and shifting compensation from taxable cash to untaxed fringe benefits. Investors can shift from taxable bonds and high yield stocks to tax exempt bonds and to stocks with lower dividends. Individuals can increase tax deductible mortgage borrowing and raise charitable contributions. (I ignore reduced realizations of capital gains because the 1993 tax rate changes did not raise the top capital gains rate above its previous 28% level.)

To evaluate the magnitude of the taxpayers' actual responses, Daniel Feenberg at the National Bureau of Economic Research (NBER) and I studied the published IRS estimates of the 1992 and 1993 taxable incomes of high income taxpayers (i.e., taxpayers with adjusted gross incomes over $200,000, corresponding to about $140,000 of taxable income). We compared the growth of such incomes with the corresponding rise in taxable incomes for taxpayers with adjusted gross incomes between $50,000 and $200,000. Since the latter group did not experience a 1993 tax rate change, the increase of their taxable incomes provides a basis for predicting how taxable incomes would have increased in the high income group if its members had not changed their behavior in response to the higher post-1992 tax rates. We calculated this with the help of the NBER's TAXSIM model, a computer analysis of more than 100,000 random, anonymous tax returns provided by the IRS.

We concluded that the high income taxpayers reported 8.5% less taxable income in 1993 than they would have if their tax rates had not increased. This in turn reduced the additional tax liabilities of the high income group to less than one-third of what they would have been if they had not changed their behavior in response to the higher tax rates.

This sensitivity of taxable income to marginal tax rates is quantitatively similar to the magnitude of the response that I found when I studied taxpayers' responses to the tax rate cuts of 1986. It is noteworthy also that such a strong response to the 1993 tax increases occurred within the first year. It would not be surprising if the taxpayer responses get larger as taxpayers have more time to adjust to the higher tax rates by retiring earlier, by choosing less demanding and less remunerative occupations, by buying larger homes and second homes with new mortgage deductions, etc.

The 1993 tax law also eliminated the $135,000 ceiling on the wage and salary income subject to the 2.9% payroll tax for Medicare. When this took effect in January 1994, it raised the tax rate on earnings to 38.9% for taxpayers with incomes between $140,000 and $250,000 and to 42.5% on incomes above 250,000. Although we will have to wait until data are available for 1994 to see the effect of that extra tax rate rise, the evidence for 1993 suggests that taxpayers' responses to the higher marginal tax rates would cut personal income tax revenue by so much that the net additional revenue for eliminating the ceiling on the payroll tax base would be less than $1 billion.

All of this stands in sharp contrast to the official revenue estimates produced by the staffs of the Treasury and of the Congressional Joint Committee on Taxation before the 1993 tax legislation was passed. Their estimates were based on the self-imposed ''convention'' of ignoring the effects of tax rate changes on the amount that people work and invest. The combination of that obviously false assumption and a gross underestimate of the other ways in which taxpayer behavior reduces taxable income caused the revenue estimators at the Treasury to conclude that taxpayer behavior would reduce the additional tax revenue raised by the higher rates by only 7%. In contrast, the actual experience shows a revenue reduction that is nearly 10 times as large as the Treasury staff assumed.

This experience is directly relevant to the debate about whether Congress should use ''dynamic'' revenue estimates that take into account the effect of taxpayer behavior on tax revenue. The 1993 experience shows that unless such behavior is taken into account, the revenue estimates presented to Congress can grossly overstate the revenue gains from higher tax rates (and the revenue costs of lower tax rates). Although the official revenue estimating staffs claim that their estimates are dynamic because they take into account some taxpayer behavior, the 1993 experience shows that as a practical matter, the official estimates are close to being ''static'' no-behavioral-response estimates because they explicitly ignore the effect taxes on work effort and grossly under estimate the magnitude of other taxpayer responses.

CURRENT PROPOSALS

In Congress had known in 1993 that raising top marginal tax rates from 31% to more than 42% would less than $7 billion a year, including the payroll tax revenue as well as the personal income tax revenue, it might not have been possible for President Clinton to get the votes to pass his tax increase.

Which brings us back to President Clinton's own statement (half-recanted the next day) that he raised taxes too much in 1993. Congress and the president will soon be negotiating about the final shape of the 1995 tax package. The current congressional tax proposals do nothing to repeal the very harmful rate increases of 1990. Rolling back both the personal tax rates and the Medicare payroll tax base to where they were before 1993 would cost less than $7 billion a year in revenue and would raise real national income by more than $25 billion. Now that the evidence is in, Congress and the president should agree to undo a bad mistake. ●

Mr. BUMPERS. I yield the Senator from Florida 2 minutes.

The PRESIDING OFFICER. The Senator from Florida.

Mr. GRAHAM. Mr. President, we have just heard a speech about change versus the status quo. This is one place in which we are all together. This is the status quo. This is deja vu all over again. We started this process of saying that we were going to meet deficit reduction targets and committed to the American people our frugality and our dedication to their attainment.

We did it under what was called Gramm–Rudman. And in the years from 1986 to 1990, those 5 years, we had deficit-reduction targets for Gramm–Rudman that were supposed to bring us to a balanced budget early in this decade.

What did it, in fact, bring us? More enormous deficits. And every year of Gramm–Rudman, from 1986 to 1990, we failed to meet the deficit reduction target. In fact, the total amount of our excess deficits, deficits beyond the target, was $201 billion over those 5 years.

Did we change that pattern after President Bush went to Andrews Air Force Base and negotiated a new deficit-reduction plan? We did not—in 1991, 1992, 1993, again, failure to meet the deficit reduction targets in excess of $150 billion in just those 3 years.

Mr. President, we delude ourselves, we repeat the status quo, not engage in change if we are saying that we are going to give ourselves this tax benefit before we demonstrate, first, that we have a serious, credible plan for balancing the Federal budget that is not just smoke, mirrors and ideas in the minds of a few people, but rather concrete law that has been passed, signed by the President and is a firm national contract and commitment to its attainment, and, second, a period of demonstrated fidelity to that plan and performance under that plan.

I am the grandfather of eight young boys and girls. I know one thing about children: They like to eat their dessert before they will eat their spinach. That is what we are being asked here to do, is eat the cake and ice cream before we have the carrots and peas. I think we should not go down that path one more time.

The PRESIDING OFFICER. The time of the Senator has expired.

Mr. BUMPERS. Mr. President, I yield 2 minutes to the Senator from Nebraska.

Mr. KERREY. The Senator from Alabama's speech was earlier. It was helpful. I have to pick up some groceries on the way home. But I did not find it to be terribly helpful in this debate, saying that Democrats have no accountability, that Democrats are not willing to make hard choices, that we are for the politics of the status quo. That is just bunk.

I just stood out on the Capitol steps a little while ago endorsing a Democratic proposal that balanced the budget in 7 years, making very tough choices but without this tax cut. And one of the hard truths that we have to face right now is, the truth of the matter is Republicans in America, Mr. President, not Republicans in this Congress, by the New York Times poll this morning, Republicans in America oppose the tax cut. Indeed, more Democrats in America support the tax cut. And the most revealing thing of all is that the lower the income goes of working people, the more they favor a tax cut. Unfortunately, they do not benefit from this tax cut.

Indeed, as a consequence of change in the earned income tax credit, and according to the Republican Joint Tax Committee, every family under $30,000 will have a tax increase.

It is remarkable, Mr. President, in addition to not needing to cut taxes, we have got plenty of tough choices to make, and I hope we are able to vote in a bipartisan fashion for tough choices, that break the status quo of deficit financing and move us to a balanced budget.

But those are not the only goals that we need to move toward. That is not the only status quo that we need to make. We had another million Americans that moved into the ranks of the uninsured in 1994. We have another 1.5 million that will move to be uninsured in health care as a consequence of what is happening in the health care industry.

Almost 50 percent of the babies born in the State of Texas are paid for by Medicaid, working people, Mr. President, as a consequence of the status quo. There are lots of changes that need to be made. I am willing to make tough votes to change the status quo and move to a balanced budget, but not with a $245 billion tax cut that does not benefit the Americans that need to be benefited.

Mr. BUMPERS. How much time remains?

The PRESIDING OFFICER. Three and a half minutes.

Mr. BUMPERS. I yield 2 minutes to the Senator from Connecticut.

Mr. DODD. Mr. President, I thank my colleague for yielding.

Mr. President, really what we are suggesting with this amendment is two concepts here: It is fiscal responsibility and equity. I know that there are those who believe that these tax breaks are critical. Some, I believe, honestly believe, I think, this is going to create some sort of a massive new growth, although there are no studies that I know of that indicates that is the case at all. But the cruel, hard facts here, Mr. President, are that what we are talking about is a deficit that will increase.

According to the hand-selected head of the Congressional Budget Office by our friends on the other side, they have said this produces a deficit, this proposal, in excess of $93 billion. So for those who are seeking fiscal responsibility, the inclusion of $245 billion in tax breaks does not get us there.

So, Mr. President, on the question of fiscal responsibility, this is irresponsible. On the issue of equity, what we are doing here with this proposal is we are taking significant cuts, far beyond what is needed to restore the integrity of Medicare or Medicaid, in order to pay for tax breaks, the bulk of which go to people at an upper-income category and simultaneously increasing the tax obligation of those people at the working class category.

If you make $30,000 or less, you have got a $352 tax increase. That is what is in this bill. It is in black and white, a $352 tax increase.

If you are the top 1 percent of income earners, your tax break is almost $6,000. That is not equitable, Mr. President. It is not fiscally responsible, and it is not equitable. And for that reason, we urge our colleagues to support this amendment.

The PRESIDING OFFICER. The Senator's time has expired.

Mr. BUMPERS. Mr. President, let me just close by saying that I can remember when there were about 10 Republicans last summer who were strongly opposed to a tax cut until we balanced the budget. I do not think the majority leader was very keen for it. And the Senator from New Mexico, chairman of the Budget Committee, was devoutly opposed to it.

So what happened along the way? I can only conclude that NEWT GINGRICH said, ''This is the major part of the contract. You do not have any choice. You have got to abandon all economic reason and sanity and vote for this tax cut.''

It is the height of fiscal irresponsibility to do it. But even more importantly, it is a social disaster. It makes the working people of this country second-class citizens. They are in the second tier. I do not want to say the idle rich, but the rich who do not work, who get their income from the sweat of somebody else's brow, they are in the first-class tier.

Mr. President, the real tragedy is the American people are not asking for this. If you look at the New York Times poll this morning, the American people are strongly opposed to a tax cut until we balance the budget.

Here is a USA poll taken in December of 1994. Seventy percent of the people in this country said, ''We want the budget balanced before you cut taxes.''

The PRESIDING OFFICER. The Senator's time has expired.

Mr. BUMPERS. Mr. President, what is the parliamentary situation?

The PRESIDING OFFICER. The Senator from Michigan controls 19 minutes. The time has expired on your side.

Mr. ABRAHAM addressed the Chair.

The PRESIDING OFFICER. The Senator from Michigan.

Mr. ABRAHAM. Mr. President, at this time, we are prepared to yield back the remainder of our time. I inquire before I do as to whether the Senator from Nebraska is prepared to proceed with their next amendment? If not, until they are ready I will probably be putting in a quorum call request without the time running against either side.

Mr. President, I yield back the remainder of my time. I suggest the absence of a quorum, and I ask unanimous consent that the time not run against either side.

The PRESIDING OFFICER. Without objection, it is so ordered. The clerk will call the roll.

The assistant legislative clerk proceeded to call the roll.

Mr. ABRAHAM. 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. ABRAHAM. Mr. President, at this time, I yield 5 minutes to the Senator from Texas, to be taken off our time on the bill.

The PRESIDING OFFICER. The Senator from Texas.

Mr. GRAMM. Mr. President, if you are looking at our budget which is now before the Senate, it addresses two basic facts that I believe alarm all working Americans.

The first fact is that the average family in America with two little children, which in 1950 was sending $1 out of every $50 it earned to Washington, DC, is today sending $1 out of every $4 it earns to Washington, DC. And if over the next 20 year, we do not start a new spending program nor eliminate an existing one, to pay for the Government we have already committed to will mean that in 20 years the average working family in America with two children will be sending $1 out of every $3 they earn to Washington, DC.

Bill Clinton looks at that trend and says, ''Great, let's accelerate.'' We look at it and say, ''It has to be stopped and it has to be reversed.'' And that is exactly what we do in our budget.

The second figure is a very simple fact and it is an alarming fact. A baby born in America today, if the current trend of Government spending continues unabated, will pay $187,000 of taxes in their working lifetime just to pay interest on the public debt. That is not just economic suicide, that is immoral, and we are determined to stop it.

Here is basically where we are. We have written a budget that over 7 years comes into balance. President Clinton has trumpeted the fact that the deficit today is down, but he does not show us that his own budget office shows that under his budget, and the Congressional Budget Office shows convincingly, that the deficit now skyrockets under the Clinton budget. He has sent us not one but two budgets, and under both of those budgets, the deficit explodes.

We have proposed a budget that achieves balance in 7 years, and now the President is saying to us that unless we increase spending on programs that we do not need and we cannot afford that the President is going to veto our budget.

Well, Mr. President, let me say as one Member of the Senate, there is no circumstance under which I am going to go back and rewrite our budget. There is no circumstance under which I am going to agree to increase spending, to continue the deficit spree that threatens the future of our country and that threatens the future of our children.

We have proposed a budget that cuts taxes. It gives a $500 tax credit per child for every working family in America. What it means is that if we are successful next year, every working family in America that pays taxes that has two children will get to keep $1,000 more of what they earn to invest in their own children, to invest in their own family, to invest in their own future.

Now Bill Clinton says the Government can spend the money better than that family can spend the money. We reject that. We think history proves that notion is wrong and we are confident that the people who do the work and pay the taxes and pull the wagon in America agree with us.

Our $500 tax credit per child, our elimination of the marriage penalty will mean that the average working family in my State will get to keep $1,100 more of their hard-earned income to invest in their own future, to invest in their own children, and we want that to happen.

We talk so much about balancing the budget, but it has been so long since we have done it that people forget what the benefits of a balanced budget are. First of all, since we are balancing the budget and cutting taxes, the first benefit for a working family with two children is they get to keep $1,000 more of what they earn.

But a balanced Federal budget would mean on an average mortgage of the average working family, that their mortgage payments per year over the next 20 years would be $1,664 less per year. In buying a new car every 4 years and financing it, as most working Americans have to do, they would pay $180 less in interest costs for buying that car every year because we balanced the budget.

Because we will have more growth when income is going into expanding the economy, that is $1,385 of income for every working family.

You add it all up and the average family in America gains, I repeat, gains $4,229 a year directly from a balanced budget. It means over 1.75 million more jobs annually and reducing the national debt mortgage on our grandchildren by $66,000.

This budget is a choice: Do you want more income, lower interest rates, higher growth, more jobs, less debt on your grandchildren and to keep more of what you earn?

We say, ''Yes.'' The Democrats say, ''No, Government can do it better.''

MOTION TO COMMIT

Mr. BAUCUS. Mr. President, I send a motion to the desk.

The PRESIDING OFFICER. The clerk will report the motion.

The assistant legislative clerk read as follows:

The Senator from Montana [Mr. BAUCUS] moves to commit the bill S. 1357 to the Committee on Finance with instructions to report the bill back to the Senate within 3 days (not to include any day the Senate is not in session) making changes in legislation within that Committee's jurisdiction to reduce revenue reductions attributable to tax breaks benefiting upper-income taxpayers over the next seven years in an amount necessary to avoid unfair cuts in Medicare payments to rural hospitals and other rural health care providers, to maintain federal support at the levels recommended by the President of the United States for federal agriculture and nutrition programs, and to maintain levels of federal support for education and child care in rural America.

Mr. BAUCUS. Mr. President, I ask unanimous consent that the time allotted be reduced to 15 minutes, equally divided.

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

Mr. ABRAHAM. Mr. President, on behalf of our side, we will agree to that.

Mr. BAUCUS. Mr. President, the whole country knows about the Medicare cuts in this budget, and the threats they present to rural hospitals and to health care for seniors.

A lot of people know that a few days ago, the House Speaker NEWT GINGRICH called this bill the round one in a long-term plan to kill Medicare.

Many people know how deeply it will cut student loans and assistance for elementary and secondary education.

THE 1995 FARM BILL

But very few people know that this year, the budget is also the farm bill. It will reauthorize all the commodity programs and the Conservation Reserve Program. It will eliminate several more. Altogether, for the next 7 years, it sets our national agriculture policy.

It is supposed to keep rural economies stable. And it should guarantee consumers a safe and dependable food supply at a reasonable price. But on the Senate floor today, we have something entirely different.

I am sorry to say it, but laying everything about Medicare, tax increases on people making less than $30,000 a year, education and the rest aside, this is a terrible farm bill.

WRITTEN IN SECRET

First, it is partisan. It is a hard-line, ideological approach to agricultural policy, not an effort to bring people together and take the best from everyone.

Second, it is secretive. It was written behind closed doors. And very, very few Americans even know it is up on the floor today.

At an absolute maximum, the agricultural part of this budget will get a grand total of 50 minutes for debate. It is a scandal, but it is not a surprise. Because if this were my bill, I would not want to say much about it either.

But in any case, I want to welcome all my colleagues to the debate on the 1995 farm bill. I imagine the other side will be awfully quiet. But we're here to make up for it.

We are going to use these 45 minutes to tell the truth about the big, gobbling, turkey out here on the Senate floor. And then we'll give the other folks a second chance.

Our motion to recommit will restore the traditional, bipartisan approach to agricultural policy. We can work together, restore some fairness and moderation. And if we adopt this motion, our friends on the other side of the aisle can have something to be proud of when they go home and talk to their farmers.

SEVEN LEAN YEARS TO COME

If you have read Genesis, chapter 41, you know the story of Joseph's dream. He compared the 7 years to come with:

seven kine . . . poor and very ill favoured and lean-fleshed, such as I never saw in all the land of Egypt for badness.

These seven ill-favored cattle ate up the good cattle, just as seven ears of corn, ''withered, thin and blasted with the east wind'' ate up seven good ears of corn. So Joseph could tell that the future would bring 7 years of trouble— 7 lean years, in which ''all the plenty shall be forgotten in the land of Egypt.''

Well, we may not be as wise as Joseph. And the days of inspired prophecy may be gone. But on the other hand, we have a lot more than a dream to go on. We have hard facts and numbers. And these facts and numbers tell us that our farmers have 7 pretty lean years ahead.

This bill makes dramatic cuts in farm supports, which have already been cut 60 percent in the past decade. If this turkey survives Thanksgiving of 1995, the year 2002 will see us fund just half of today's Conservation Reserve Program. Bad for farmers, bad for hunters, bad for recreation.

The Emergency Livestock Feed Assistance Program will end. Our deficiency payments—the safety net our producers need in tough times—will be capped. In the very worst years, when our producers need help most, it won't be there.

Then look at nutrition. School lunch, daycare meals, and meals for senior citizens are all cut. And these are not surgical strikes—these are repeated blows with a meat axe.

These cuts affect more than farmers. They affect all of rural America. Schools, grocers, bankers, fuel dealers, equipment and automobile dealerships, and even our local and county governments will all feel the pinch.

And we are doing all this at a time when our competitors in Europe are not giving up a thing. They already give their farmers over 10 times the export subsidies we provide.

This budget cuts the Export Enhancement Program by 20 percent, and market promotion by 30 percent. We will end up exporting less, and that means lower incomes for farmers.

KEEPING YOUNG PEOPLE OFF THE LAND

Finally, maybe the most painful item of all. That is the apparent exclusion of beginning farmers from all these services. This spring I went to a lot of high school graduations in rural Montana. Places like Geyser, Hobson, Stanford, Opheim, Harlem and Dodson.

We have some great kids in these communities. They are looking forward to a career in agriculture like their parents. They want to work and provide for their families on their own land.

This bill shuts them out and puts them at a competitive disadvantage. Combine that with the trouble young farmers have in obtaining credit, and the message they get from this budget is clear. There is no place for you in production agriculture. There is no place for the small family farm in America.

OUR AMENDMENT: A SECOND CHANCE

Well, we can do better. And with our amendment, we will do better.

Our amendment is very simple. It says, go back to the drawing board. Take it back to the Finance Committee. Restore some sense and moderation to agricultural policy, nutrition and our rural economic approach as a whole. The amendment doesn't dictate how we should do it, but it gives us a chance to take a second look and get it right.

Let us remember the story of Joseph. He saw the 7 lean years coming. He told Paraoh about his dream. And Paraoh listened to Joseph. He changed his agriculture policy, promoted production, and stockpiled corn. And therefore Egypt got through the 7 lean years.

We can do the same. if the folks on the other side will listen, we can take advantage of this second chance. We can vote for the motion to recommit, and come back with a moderate, nonpartisan farm policy that is good for everyone. I hope it will get the Senate's support.

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

The PRESIDING OFFICER. Who yields time?

Mr. BAUCUS. I yield 4 minutes to the Senator from Illinois.

Ms. MOSELEY-BRAUN. Mr. President, there is kind of a joke in Illinois that goes: ''Just outside of Chicago, there's a place called Illinois.''

That joke, or that phrase, used in the tourism industry, is based upon a notion that when people think of Illinois, they often first think of Chicago, and the rest of the State is overlooked. And that part of the State, the part ''just outside of Chicago,'' is rural. That part of the State has vital agricultural industry. That part of the State is where you will discover more rural communities than any other State in the Nation except Texas.

In fact, when you discover that fully half of the 11.5 million people of Illinois live in the places outside of Chicago, that, I think, paints a more accurate picture of what Illinois is about than what our popular mythology would lead you to believe.

The reason I mention that, Mr. President, is that what happens in this bill, in this Reconciliation Act, with regard to rural programs is, therefore, vitally important to the State that I was elected to represent.

I hope always to represent all of that State and speak to the interests of rural Illinois—speak to the interests of what we call downstate as much as any other part of my State. That part of Illinois, just outside of Chicago, is a part of Illinois that I am determined to see is not overlooked. But being overlooked, I think, captures the general feelings shared by many rural Americans this year when it comes to Federal dollars and Federal attention this part of the country needs and deserves.

Mr. President, rural Illinoisans understand the meaning of shared sacrifice. No group of Americans should be asked to share a disproportionate burden of cuts any more than any other group. Rural Illinoisans have told me, and I have been around my State in town meetings, the deficit reduction should be a priority for this Congress. They understand that no Federal program should be off limits, that nothing should be excluded from review, and that everything should be on the table.

However, they also understand that shared sacrifice is something that means everybody. Shared sacrifice is exactly what this reconciliation bill fails to accomplish.

Some Americans will see huge and significant tax cuts from this bill. But more than half of all Americans, including most rural Americans, will see no tax cut at all. What is more, the net effect of the overall bill is to tighten the economic vise on rural America.

The $13 billion in farm program cuts proposed by this bill means that Illinois farmers will lose over three-quarters of a billion dollars in economic protection. With $113 million in title I education cuts, rural Illinois loses $3 million at a time when many rural school districts face a funding crisis. The cuts proposed for grants and loans for water and waste disposal programs mean thousands of rural Americans will not have access to safe drinking water.

I understand my time is concluded. I would like a further minute to finish up.

Mr. BAUCUS. I yield 30 seconds to the Senator from Illinois.

Ms. MOSELEY-BRAUN. In closing, Mr. President, for rural America, this bill, in fact, is ''Robin Hood in reverse.'' The cuts on the rural programs are needlessly excessive, and given the fact that the tax breaks called for in this bill are absolutely inconsistent with our objective of deficit reduction, I believe we should recommit this bill back to the Finance Committee.

Mr. President, just outside of Washington is a place called rural America, a place populated by hard-working Americans who are willing to do their share—and then some—to achieve real deficit reduction, but who cannot afford the loss of economic opportunities this bill entails.

Surely we can do better than this bill.

Mr. BAUCUS. I yield 2 minutes to the Senator from Alabama.

Mr. HEFLIN. Mr. President, I want to talk about safety nets. The policy relative to agriculture is designed around a safety net. They have target price tied to some degree to the cost of production. This is a policy that has been established where there is no payment in good years. When you have a bad year, you need a safety net.

The proposal in the House eliminates the safety net. The proposal in the Senate puts gaping holes in the safety net for farmers. The idea of doing away with farm programs over a period of time, in my judgment, fails to realize the calamities, the disasters, that farmers face. They are subject to weather, they are subject to foreign competition, to price changes, all sorts of disastrous effects that can occur to the market.

I think we are making a serious mistake. We have cut agriculture programs from $30 million in 1986 down to $9 million last year. Here we come along with a $13.7 billion further cut in agriculture over 7 years. I think it is too much. We are not doing right by the farmer. We are doing away with the policy of safety net.

Mr. WELLSTONE. I yield a minute of my time to the Senator from Alabama.

Mr. BAUCUS. I yield 1 minute to the Senator.

Mr. HEFLIN. I want to mention, also, the safety net in regard to rural hospitals and the people.

In effect, what we are doing under the Medicaid and Medicare situation, we are eliminating a safety net for hospitals for rural America. In my judgment that is a mistake.

Safety nets go across the board. In my judgment, this bill is wrong in regard to what it does to rural America.

Mr. BAUCUS. I yield 2 minutes to the Senator from Minnesota.

Mr. WELLSTONE. Mr. President, 2 minutes is hardly any time at all.

Let me just put it to you this way. This is thoughtless. This is not a farm bill. It is not agricultural policy. It is slash and burn. It is $48 billion over the next 7 years. It plays off children and nutrition programs against family farmers, against the environment. It is a 50-percent cut in the Conservation Reserve Program, which in my State of Minnesota and I bet every State, has brought together those that love outdoor recreation and the environmentalists and the farmers.

This is really, Mr. President, the opposite of a careful policy—the very opposite of a careful policy. What we have here is the worst of all worlds—keep the farm prices low, then have some subsidy. Have the subsidy in inverse relationship to need, with taxpayers having to pick up the cost.

Mr. President, why do we not understand that rural people are not going to stay out of sight and out of mind? Why are we picking on the people that we think do not have the voice, picking on the people we think do not have the power, picking on people who are not the heavy hitters, not the players, are not the big contributors.

That is what this is about. We should not have these tax cuts that go to wealthy people. We should not have a Pentagon budget that is $7 billion over what the Pentagon wanted, and we should not lavish subsidies on most of the major large corporations and financial institutions in the country.

Rural people in Minnesota, the people of greater Minnesota, ask for one thing and one thing only: A fair shake. There is no fair shake and there is no fairness to this plan.

That is why I am proud to be an original cosponsor of this amendment.

Mrs. MURRAY. Mr. President, I rise to support this motion to recommit. I am deeply concerned about the Republican budget proposal and its all-out assault on rural America. I understand the need to balance the Federal budget. In fact, I've supported balanced budgets. But, I do not think we should do it on the backs of our working families and farming communities. They deserve better treatment than that. Just because the voice of rural Americans is not heard as loudly on Capitol Hill as others does not mean they can be ignored.

This Republican budget attacks rural communities in my State of Washington on a number of fronts. Republican cuts to Medicare will force 157,700 older and disabled rural Washingtonians to pay higher premiums and higher deductibles for a weakened second class Medicare Program. The cuts will increase the severe financial pressure on rural hospitals in Washington. The average rural hospital will lose $5 million in Medicare funding over 7 years, forcing some to close their doors. In addition, the American Medical Association has stated that the Medicare cuts ''will unquestionably cause some physicians to leave Medicare''. Rural America is already suffering from a shortage of doctors when compared to the Nation as a whole and it will only become worse under this budget. Rural Americans will be paying more for less, and that is unacceptable.

In addition, Medicaid cuts will eliminate coverage for children, nursing home residents, and people in need of long-term care. As many as 2.2 million rural Americans, including 1 million children will be denied medical coverage in 2002 if the Republican plan is adopted. Gordon Lederer, a farmer in Latah, WA, sits on the board of directors of the Tekoa Care Center. Patients pay $90/day at Tekoa, and Mr. Lederer said that the board does not know how the Care Center will continue to provide service to the community if the cuts to Medicaid are enacted.

Mr. President, cuts to the earned income tax credit will cripple working families and their ability to provide for their children in rural Washington. The Republican cuts to EITC raise taxes on 49,945 working families in rural Washington by an average of $388 in 2002, imposing a $1.4 billion tax increase on rural Americans overall. And there's more.

The 25 percent cut to farm programs will reduce farm spending in my State of Washington by $290 million, drastically reducing support for commodity programs. I am particularly concerned about the reductions in the loan rate for wheat. These reductions could threaten the viability of farms in my State. In fact, I just heard from Mack and June Crow, wheat farmers from Oaksdale, WA. Their son now runs the family farm and they are deeply concerned about the impacts of the farm program cuts on their farm's income and hence, their ability to survive. Farms are a symbol of American bounty recognized worldwide. They are a major part of Washington State's export-based economy. Most importantly, they are a way of life that roots us and grounds us in our history and our land. To balance the budget on the backs of family farmers is not only unfair, it is un-American.

Republican cuts to education programs will deny basic and advanced skills education to 937 children in rural Washington. Small town schools in Washington are already having difficulty making ends meet. A 17 percent cut in title I funds will deny these schools crucial assistance as they struggle to adequately prepare our children for the future.

In addition, cuts to rural nutrition, housing, and transportation programs as well as cuts to programs designed to protect the environment and public health add insult to injury, and will further undermine our rural Americans attempts to secure a solid future for themselves and their children.

Mr. President, this Republican plan to balance the budget unfairly targets rural Americans. It burdens them with far more than their fair share of cuts. I therefore encourage my colleagues on both sides of the aisle who care about rural America to support this motion to recommit.

Mr. DASCHLE. Mr. President, today my colleagues and I offer an amendment to the budget reconciliation bill that reaffirms our commitment to rural America. This budget before the Senate today will devastate the hard-working farmers and ranchers that provide our Nation's food supply. It will also decimate the main street businesses, schools and hospitals that make up our rural communities. The agricultural cuts in this budget are too extreme, are unfair to rural America and should be restored. Our amendment proposes to do just that.

No one should be fooled. The agricultural provisions in this bill represent the bulk of the farm bill. Buried in this 2,000-page document is the heart and soul of agricultural policy for the next 7 years. There were no hearings during the development of this bill and no opportunity for Democratic input. Now we do not even get a vote on farm policy. It is all rolled up in this enormous budget bill. Everyone knows this is not the way farm bills have been developed in the past.

This farm bill rips the safety net out from under our hard-working producers by cutting $13.4 billion from farm programs over the next 7 years. In South Dakota that translates into a loss of $460 million for our producers. Nationwide net farm income is projected to decrease over $9 billion over the next 7 years. Clearly family farmers who are already disappearing at the rate of 600 per week cannot tolerate this level of income reduction.

The pain of this budget does not stop at the farm gate. It bleeds into our rural hospitals. Ten to fifteen rural hospitals are projected to close in South Dakota if the proposed Medicaid/Medicare cuts are enacted. Some people already have to drive over 50 miles to reach a hospital or doctor. After this budget goes into effect they will have to drive even farther. Add to that the fact that over 2 million rural residents nationwide will be denied Medicaid, and anyone can see that this budget is a recipe for a health care disaster in rural America.

The sad truth of this situation is that it does not have to be this way. This severe level of cuts was required only to finance the lavish tax breaks for the wealthiest of Americans who do not need them. This amendment my colleagues and I are offering provides the opportunity to send the agricultural provisions back to the drawing board and to do it right.

Rural Americans deserve better than what they are getting under this budget. Farmers and ranchers are committed to balancing the budget as long as it is done fairly. Reducing farm income to pay for tax breaks is not remotely fair. No one is asking for a handout—only as fair shake. This budget gives rural America, the very heartland of the Nation, little more than a cold shoulder. We can and should do better than that.

Mr. BAUCUS. Mr. President, I yield 2 minutes to the Senator from North Dakota.

Mr. DORGAN. Mr. President, as I have said previously, this bill is about choices: 2,000 pages of making choices.

All across this country people got up this morning and ate breakfast food. Some ate rice that was crisped, called rice krispies. Some ate flaked corn, called corn flakes; wheat that was puffed, puffed wheat.

It is interesting. We have folks that raise these crops. They plow and raise wheat and corn. Down South they raise rice. Then we have a lot of folks that process it—the ones that put the crisp in it, put the flake in it, put the puff in it.

The big agrifactories have plenty of reason to smile at this. This bill is a really nice deal for them: tax cuts, major advantages.

But, the folks who get up in the morning and plow, they do not have much reason to smile. They get big cuts.

The President said $4.2 billion in cuts. We agreed to that.

But the Republican majority came along and more than tripled it. You cannot write a decent farm program that way. They painted themselves in the corner.

So instead of bringing a farm bill to the floor, which we have always done before, for the first time in history they threw it into a reconciliation bill and hoped nobody would notice.

Their approach is to say to farmers, do not worry. If you are a family farmer in trouble, move to downtown. That is their answer.

It is not an answer for North Dakota, in my judgment. A lot of farm families rely on us writing a decent family farm program. These people work hard, and all they are asking for is a fair shake.

We ought not to ask them to bear the entire burden of all the budget cuts. They have had a 60 percent cut in support prices alone in recent years. Now we are told to take a much higher proportion of cuts than virtually any other area of the Federal budget.

Frankly, it is not fair and it is not right. It ought not be done.

Mr. BAUCUS. I yield 3 minutes to the Senator from Vermont.

Mr. LEAHY. Mr. President, 2 weeks ago I spent a crisp Monday morning at Claude Bourbeau's farm in St. Albans, VT, with Secretary Dan Glickman and a number of Vermont dairy farmers. I wanted to give him a chance to visit with some hard-working honest folks who will be severely affected by this budget bill.

Many of those farmers are concerned about this budget. I am too. I told the farmers that they lose thousands of dollars a year in revenue under the Senate Republican plan.

I asked the farmers, ''Which of you could afford a cut like that?'' Not a single hand went up.

It turns out that I was underestimating the impact when I was in Vermont. Just this morning, the Food and Agricultural Policy Research Institute and Texas A&M University released a new study.

This new, independent study says that under the Senate Republican plan, a typical 70-cow dairy farmer in Vermont would see net cash income fall by $9,050—from $31,120 to $22,070—in the next year. The House Republican plan is even worse—it would cost a typical farmer $17,850. Farm income would decline from $31,120 in 1995 to $13,270 in 1996. Under these plans, typical dairy farmers will lose 30 to 60 percent of their annual incomes. These farmers are already working dawn to dusk just to get by.

These numbers are consistent with a new analysis that USDA released a couple of days ago.

When those farmers in St. Albans hear how bad these cuts are, they will be stunned.

This budget is a war on rural America in many ways.

Over 27,000 working families in Vermont alone will see their taxes increase because the Republicans are scaling back the earned income tax credit.

The typical rural hospital will lose $5 million a year or more in Medicare. In rural Vermont, doctors and hospitals will lose $290 million in Medicare funds. I am afraid that doctors will simply abandon the small towns.

Schools in rural Vermont will lose $1.2 million in education funding. Our schools cannot afford that kind of hit.

Republicans want to create giant tax breaks for rich people and big corporations. The average rural family is not wealthy enough to benefit from the Republican budget. In Vermont, 63 percent of taxpayers earn less than $30,000—those are the people who will see their taxes increase.

According to Congressional Research Service, over half of all heads of households working in the agricultural sector qualify for the earned income tax credit, which Republicans cut.

In 1994, 328,000 farm families qualified for the EITC. Many of these were farm laborers, but 100,000 were farm operators and managers. Over one-third of all farm operators and managers nationwide will see their taxes increase under this Republican budget.

This Nation's farmers are struggling, and this budget says to them, ''Tough luck.''

The Finance Committee cut the EITC but it passed over $200 billion in tax breaks. Most of those tax breaks will benefit families earning over $100,000 a year. Only 3 percent of rural households earn that kind of money.

Several Senators addressed the Chair.

Mr. BAUCUS. Mr. President, how much time remains?

The PRESIDING OFFICER. Four minutes.

Mr. BAUCUS. I yield to the Senator from North Dakota.

Mr. CONRAD. Mr. President, this plan for rural America is the equivalent of dropping a neutron bomb in the middle of rural America. Remember the neutron bomb? That is where the buildings remain standing but the people are gone. That is what will happen in much of rural America if this farm plan and this plan for rural America ever becomes law.

The Republican plan would force farmers off the land. In a low-price year, it would mean a 60 percent reduction in net returns to farmers in my State. It would close hospitals in rural areas. The hospital association in my State has just done a survey and they say 26 of the 30 rural hospitals in North Dakota would go to negative returns on their Medicare patients. It would shutter nursing homes and represents unilateral disarmament in the world trade battle over agricultural trade.

We would pull the rug out from our producers at the very time our competitors are already supporting their farmers at a level three times ours. That would be a profound mistake, not only for the rural parts of this country but for the trade balance of the United States.

Agriculture is one of the two areas in which we still enjoy a substantial trade surplus. We ought not to wave the white flag of surrender in this trade fight. We would never do it in a military confrontation. We should not do it in a trade battle.

The PRESIDING OFFICER. The Senator from Michigan.

Mr. ABRAHAM. Mr. President, at this time I yield 5 minutes to the Senator from Iowa.

The PRESIDING OFFICER. The Senator from Iowa.

Mr. GRASSLEY. Mr. President, obviously I rise to oppose the motion that is before us. It may be well intended, but let me tell you, the simple truth is that this amendment will hurt the very people, the very rural America, and the very family farms that, according to their statements, it is intended to help.

People on the other side of the aisle probably do not intend it this way, but the fact of the matter is, with their tax policy, they do not believe in taxation, they believe in confiscation. Because, when you leave high estate taxes, when you leave high capital gains taxes and the impact of inflation on each, you are in a situation where, when you tax inflation, it is confiscation and not taxation.

The estate tax laws, the way they are—and they have not been changed for 15 years; the capital gains tax laws, and they have not been changed since 1986—are tying up a lot of property in rural America that will not move because people are not going to pay confiscatory, high rates of taxation. One sure thing, if you do not need the income and you do not have to sell, you are not going to sell and give it all to the Federal Treasury, because in most of the farms of America, the lifetime of savings is tied up just to create an income and a job for one family.

So, if you want to help rural America, we have to transfer the property from one generation to another, and I do not know how you are going to do that if you do not do it by increasing the exemption and encouraging people to sell their property.

People suggest what we are doing in this reconciliation bill on farm policy is wrong.

The fact is that the President's budget is not good for agriculture because it does not achieve balance in the next 7 years.

The Food and Agriculture Policy Research Institute ran some numbers on the impact of a balanced budget on farm income. They estimate that by the year 2002, under a balanced budget scenario, farmers will save $2.3 billion per year due to expected reductions in interest rates. It is important to note that farming is a very capital-intensive industry and benefits greatly from low interest rates.

Furthermore, FAPRI's preliminary numbers indicate that farmers' cash flow will increase $300 million per year due to the increased economic activity resulting from the balanced budget.

So the net positive impact on farm income from a balanced budget will be $2.6 billion per year. This gain will be lost if we adopt the President's budget numbers.

Mr. President, another vital point that my Democratic colleagues fail to mention is that their doomsday numbers on agriculture assume that the cuts will be made to the program as it is currently structured. They would want you to believe that the Republicans are taking $13.4 billion out of farmer's pockets.

This assumption reveals a lack of understanding about how farm programs work and a failure to recognize the important reforms contained in this bill. The next farm bill will significantly reduce the regulatory burden on farmers, allow farmers to plant for the marketplace, and continue to aggressively promote new markets and new uses for agriculture commodities.

Specifically, farmers will no longer be required to idle productive land because of a mandate from Washington. Furthermore, farmers will have the flexibility to produce whatever commodity they chose in response to market signals. These reform measures, along with reducing the regulatory burden and finding new markets for our products, will lead to an increase in farm income in the future.

It is true that Government payments to farmers will be reduced. But the future of U.S. agriculture must rest on the ability of farmers to earn income from the marketplace. The reforms to the farm programs contained in this budget reconciliation package achieve this goal and will allow our farmers to flourish.

So I urge you to vote against this motion. I yield the floor and yield the remainder of my time.

The PRESIDING OFFICER (Mr. CRAIG). Who yields time?

Mr. COVERDELL. Mr. President, I yield 5 minutes to the Senator from Wyoming.

The PRESIDING OFFICER. The Senator from Wyoming.

Mr. THOMAS. Mr. President, we have moved away again a little bit and have gone into posturing this afternoon, I guess not unusually. There has been a good deal of misinformation floating around this budget and its effect on rural areas with respect to health care. Contrary to what we have heard, there are several provisions designed to recruit providers and to ensure that 24-hour emergency care is available, which we have not had in my State, even though the Senator from Montana has had some in his.

It is interesting, also, that several of the provisions talked about here my friends on the other side of the aisle supported last year when they were in the Clinton health care plan—reducing the updates for inpatient hospital services, section 4101. The Republican plan does not apply 2 percent reductions to all hospitals like the Clinton health care plan did. Rather, it receives the 1 percent reduction.

The copayment for health care services—this is a fee we have heard a great deal about—somehow it was not as devastating last year when it was in Clinton health care plan, section 4134.

But, happily, there are a number of provisions that are most helpful. One is the limited services hospitals. Frankly, there are going to be a continuing number of these in rural areas. With hospitals that are built relatively close together, you simply cannot support the hospital as a coservice hospital because there is not enough utilization. And we have had some experience with this. Under this bill, they can be reorganized and downsized into emergency rooms, or stabilizing facilities, and be reimbursed by HCFA—that is a very important change—so that you will have the facility in the town that cannot afford to have a full-blown hospital.

Medicare-dependent hospitals. The Clinton 1993 budget let this program expire, but the Republican plan reinstates it. The purpose is to assist high Medicare patient loads in Iowa, Wisconsin, Kansas, and other Midwest States. But it also has the extension of the sole community hospital. The Republican plan plans to extend these special payments to hospitals that have 50 beds or less and are 35 miles or more away from the nearest hospital. Wyoming, Montana, Idaho, and other Rocky Mountain States receive the most money.

Medicare HMO payments. It intends to put these on an equal footing and to put some parity in these payments. These HMO payments in Medicare were based on the fee-for-service history. In one instance, in Bronx County in New York, the payment was $678 a month as opposed to South Dakota where it was $177. We need to find some equity in that. This program does that.

Medicare bonus payments, payments to primary care physicians to help hold primary care providers in rural areas, a 10- to 20-percent increase there if they practice in health care professional shortage areas.

These are the things that are in this bill to help rural health areas. Specifically, we have been working on it for several years with our rural health caucus, both in the House and in the Senate.

Telemedicine grants. We are going to find that we can save a great deal of money and provide better services by using telemedicine. There are some grants here that allow for that to be developed as well as to develop systems within rural States to deliver services.

So, Mr. President, contrary to what we have been hearing for the last few minutes, there are some substantial rural health additions to assist in delivering rural health services.

I urge the defeat of this amendment. I yield the floor.

The PRESIDING OFFICER. Who yields time?

Mr. BAUCUS addressed the Chair.

The PRESIDING OFFICER. The Senator from Montana.

Mr. BAUCUS. Mr. President, I yield now to our distinguished leader in agriculture, a strong spokesman in our country for agriculture. I yield 2½ minutes and to the Senator from Iowa.

The PRESIDING OFFICER. The Senator from Iowa.

Mr. BAUCUS. I yield the remaining time.

Mr. HARKIN. Mr. President, I thank the Senator for yielding.

Mr. President, in times past, when rural America was hit with droughts or floods, we brought disaster bills to the floor of the Congress. These bills were to ease the suffering of rural communities in hard times and to help stop disasters.

Yesterday morning we were handed this, a brand new 2,000-page disaster bill. But this bill does not cure a disaster in rural America; it provokes one. This is a disaster bill for agriculture. We were supposed to have a farm bill this year with a full debate on a sound food and agriculture policy for the Nation. Instead, agriculture has now been slipped into these 2,000 pages—I bet no one has really read the darned thing—and we have had no opportunity for real debate or amendments.

Once again, agriculture is being forced to take unfair and unreasonable cuts amounting to 25 percent over the next 7 years —even though agriculture has already been reduced significantly and commodity programs amount to about one-half of 1 percent of the budget. One-half of 1 percent, but commodity programs take a 25 percent cut over the next 7 years. Tell me if that is fair.

This is a disaster bill for rural health care. We all know that access to quality, affordable health care in rural communities has been a serious problem for years—especially for seniors. This disaster bill, with its drastic Medicare cuts, makes it even worse in rural America.

This is a disaster bill for America's farm families, who are already having a tough time making ends meet. Net farm income in real dollar terms will be at its lowest level this year since 1986, in the depths of the farm crisis. This disaster bill makes it worse by lowering farm income another $9 billion, according to USDA estimates.

The PRESIDING OFFICER. The Senator's time has expired.

The majority controls 15 minutes 30 seconds.

Who yields time?

Mr. DOMENICI addressed the Chair.

The PRESIDING OFFICER. The Senator from New Mexico.

Mr. DOMENICI. Mr. President, I think we are in the process of trying to work out a unanimous-consent agreement that will start us voting. So I am going to suggest the absence of a quorum.

Mr. HARKIN. May I finish my statement? May I have enough time to finish my statement?

Mr. DOMENICI. How long does the Senator wish to speak?

Mr. HARKIN. For a minute and a half. I was on a roll, and I did not want to stop.

Mr. DOMENICI. Of course; 2 minutes. Can the Senator pick up the roll?

Mr. HARKIN. I will pick up the roll.

The PRESIDING OFFICER. The Senator from Iowa is yielded 2 minutes.

Mr. HARKIN. I thank the chairman for yielding me an additional amount of time because I did want to make another point—that this 2,000-page bill really destroys our basic commodity programs that we have had to put a safety net under our farm families. It puts a hard cap on deficiency payment rates, doubles the percentage of unpaid base acreage and decimates USDA's ability to respond to price-depressing surpluses.

What if commodity prices and farm income fall as they did in the 1980s? Under this disaster bill, if corn prices fall to $2 a bushel an Iowa farmer with a 350-acre corn base—which is a modest size—would lose over $10,000 of income protection compared to the current farm bill. And, if corn prices fell to $1.80 a bushel, which is not out of the question, that farmer would lose over $17,000 in income protection compared to what we have now in the law.

Also, this is a disaster bill for hungry kids. The nutrition cuts in this bill are excessive and unsupportable. It is unconscionable that this bill is cutting our commitment to school lunches, school breakfasts, summer meals, and the special milk program.

Mr. President, these drastic cuts to rural America are driven by ideology and not by common sense. They are unfair, unreasonable, and unconscionable.

Enough is enough. Rural America is already paying its fair share for deficit reduction. So this amendment offered by the Senator from Montana is to send this disaster bill back to the Finance Committee with instructions to pare back the upper income tax windfalls, and to reduce the assault on rural America.

It is time, Mr. President, to put common sense ahead of ideology and to put the interests of rural communities over the interests of a privileged few.

The PRESIDING OFFICER. The Senator's time has expired.

Mr. COVERDELL. Mr. President, our side yields back its time, and 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. DOLE. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

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

UNANIMOUS-CONSENT AGREEMENT

Mr. DOLE. I have been informed by Senator DASCHLE, the Democratic leader, that they will limit their amendments that they will offer after all time has expired, and with that commitment I now ask unanimous consent that all first-degree amendments pending to motions to recommit and all pending second-degree amendments be withdrawn.

The PRESIDING OFFICER. Is there objection? Without objection, it is so ordered.

Mr. DOLE. This will leave the following issues that need to be disposed of by rollcall votes that have been debated yesterday and up to this point today: The Rockefeller motion concerning Medicare, followed by the Abraham amendment concerning Medicare fraud, and the Bradley motion concerning EITC; the Graham, of Florida, motion concerning Medicaid; Kennedy amendment concerning education; Bumpers motion concerning deficit reduction; Baucus motion concerning rural restoration.

Therefore, I ask unanimous consent that all votes in this sequence after the first vote be limited to 10 minutes in length, with 2 minutes for explanation between each vote to be equally divided in the usual form.

The PRESIDING OFFICER. Is there objection? Without objection, it is so ordered.

Mr. DOLE. I further ask that Senator KASSEBAUM or her designee now be recognized to offer a first-degree amendment concerning education and the time be limited to 10 minutes equally divided in the usual form, with no amendments in order to the amendment, and the vote occur immediately following the vote on or in relation to the Kennedy amendment in the voting sequence.

The PRESIDING OFFICER. Is there objection? Without objection, it is so ordered.

Mr. DOLE. I further ask unanimous consent that the next 10 Republican amendments and the next 10 Democratic amendments be limited to 10 minutes equally divided in the usual form, with no amendments in order to any of the next 20 amendments offered.

The PRESIDING OFFICER. Is there objection? Without objection, it is so ordered.

Mr. DOLE. Let me explain to our colleague where we go after the voting sequence that will occur after 10 minutes of debate by Senator KASSEBAUM or her designee. Republicans will be entitled to offer the next three amendments in a row as a result of a previous agreement. Then each side will alternate until the remaining amendments, limited to 10 minutes each, have been debated.

The Senate will then begin voting on those debated amendments, and then begin voting on all amendments Members are going to offer which would have no debate time. We would just offer it. There will be a little explanation. It will be the majority leader's intention to keep the Senate in until approximately midnight tonight and resume the voting sequence until concluded on Friday.

We could vary a little bit either way this evening depending on how much progress we make. And I have discussed this with the Democratic leader. It is our hope that we could finish voting and have final passage by midafternoon tomorrow. That will depend, of course, on whether Members on the other side feel compelled to continue to offer amendment after amendment after amendment when all time has expired. But that will be determined later. And I thank the Democratic leader for his cooperation.

I will be happy to yield to the Senator from South Dakota.

The PRESIDING OFFICER. The minority leader.

Mr. DASCHLE. I thank the majority leader for that explanation, and that is in keeping with our agreement. We have three tiers of amendments. We have just completed our work on the first tier, for which now there will be votes, without second-degree amendments.

Once those votes have been completed, we will go to the second tier, for which there will be debate of up to 10 minutes on either side. I should say 10 minutes total for 10 amendments on the Democratic side and 10 amendments on the Republican side.

That will then expire all of the time. We will then go to the third tier of amendments for which there will be no time, and we will encourage Senators to write the purpose of their amendments clearly enough to allow the clerk to read the purpose and give us the opportunity then to vote.

We would also expect that on occasion the managers might find the need to explain a particular amendment. But there would be no time for discussion of that third tier set of amendments.

I think this is a very good agreement. It is what we had hoped to achieve now for some time. I appreciate the cooperation of all of our colleagues on both sides of the aisle. I think this will allow us to accommodate our work and accommodate many of the priorities we have been talking about now for several hours.

Mr. DOLE. Mr. President, I just say to my colleagues this would not be a good day to be absent. Neither will tomorrow be a good day to be absent. I assume there will be anywhere from 40 to 60 votes between now and tomorrow afternoon.

Mr. BAUCUS addressed the Chair.

The PRESIDING OFFICER. The Senator from Montana.

Mr. BAUCUS. May I inquire of the majority leader when the vote on the Bumpers deficit reduction amendment and Baucus rural restoration amendments will occur. I was a little bit confused as I listened to the leader read the list and then say the Kassebaum amendment would come up after the Kennedy amendment. There was an ambiguous point as to when the vote on the Bumpers amendment and vote on the Baucus amendment would occur.

Mr. DOLE. They will occur after the Kassebaum amendment or her designee. So it will be KASSEBAUM or her designee, then BUMPERS, then BAUCUS.

Mr. BAUCUS. And then the other second-tier amendments?

Mr. DOLE. Then second-tier amendments. And then third-tier amendments, which we hope will find a way to the wastebasket.

Mr. DASCHLE. Mr. President, just one clarification, I ask the majority leader. I would expect that we will vote en bloc on the second tier. I wonder if it would not be appropriate to have a minute, 30 seconds on a side, just to remind everybody what that series of second-tier votes are prior to the time we vote. We may have done that. I do not have the agreement in front of me. We are going to do that on the first tier with 2 minutes on a side. We vote on the second tier and have 30 seconds on a side just to be sure people understand.

Mr. DOLE. I so amend my request.

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

Mr. DOLE. One minute equally divided.

The PRESIDING OFFICER. One minute equally divided.

Mr. DOLE. Divided very quickly.

Mr. DASCHLE. That is right.

Mr. DOMENICI. Could I ask a question?

The PRESIDING OFFICER. The Senator from New Mexico.

Mr. DOMENICI. We have agreed to this, have we not?

The PRESIDING OFFICER. Yes.

Mr. DOMENICI. Could I ask, yesterday, when the Abraham amendment was being discussed on fraud and abuse, we heard a comment from your side that it would be accepted. If that is still the case, we can just save a little bit of time. We are up against time constraints. I wonder if that is still the case.

Mr. DASCHLE. I would want to consult with our ranking member. It is my understanding we would be able to accept it, but let me confirm that after consultation.

Mr. DOMENICI. In any event, we are not precluding that and if the Senator could find that out, we would save a little bit of time.

Mr. President, I am informed that the other side ought not work too hard on that request. It may be that we do not want you to say yes to our request.

Mr. DASCHLE. Mr. President, I would ask that the quorum call not be taken from either side as it relates to the time available on the bill, and I suggest the absence of a quorum.

The PRESIDING OFFICER. The quorum call at this time will not be charged.

Mr. DOMENICI. It would not be because a vote is pending in any event. We are just following the rules?

The PRESIDING OFFICER. The Senator from New Mexico is correct.

The absence of a quorum has been noted. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. DASCHLE. Mr. President, I ask unanimous consent that the quorum call be dispensed with.

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

Mr. DASCHLE. I yield 3 minutes to the distinguished Senator from Hawaii off the bill.

The PRESIDING OFFICER. The Senator from Hawaii has been yielded 3 minutes.

Mr. AKAKA. Mr. President, I rise to express my deep concern about the provisions in the reconciliation bill relating to Medicare and Medicaid. In my judgment, the proposals are a danger to the health of millions of Americans. House and Senate Republicans have called for a reduction of roughly $450 billion in health care expenditures over the next 7 years.

They argue that they are merely reducing program growth, not cutting Medicare. But the facts tell us a different story. We have very good estimates of what it will cost to fund the Medicare program over the next 7 years. The fact is that more people will become eligible and we will continue to have health care inflation.

The Republican proposal would cut Medicare below both the medical inflation rate and the private sector rate by cutting $270 billion, for tax breaks, from what is needed to fund the Medicare program. We are not just scaling back Medicare, we are eroding its foundation.

Medicare experts estimate that keeping part A solvent through the year 2006 requires $89 billion in cuts, not the $270 billion called for under the GOP proposal. Those who want to cut Medicare argue that cuts are necessary to get us to a balanced budget in 7 years. That puzzles me.

If the objective of this bill is to balance the budget, why are we simultaneously considering a plan to cut taxes by $245 billion over the same period? Clearly, the vast majority of the cuts are not needed to keep Medicare solvent, but are needed to pay for new tax breaks.

I am deeply concerned about the size of the Medicare and Medicaid cuts, and the fact that the savings will be diverted to provide tax breaks for the wealthy. But my foremost concern is the impact these proposals will have on the poor, elderly, and the disabled who will be drastically hurt.

Under the Republican proposal, Medicare premiums and deductibles will increase, and the quality and availability of care will be seriously compromised. Seventy-five and eighty-five percent of Medicare beneficiaries have incomes under $25,000, and the increase in out-of-pocket costs could make Medicare coverage unaffordable for many. Furthermore, the portion of cuts that do not fall on beneficiaries directly will be borne by the providers who deliver Medicare services. These cuts will be shifted to the rest of the population in the form of higher medical bills and higher health insurance costs.

I would also like to discuss briefly the provisions of the bill pertaining to the Medicaid Program. In addition to cutting $182 billion in Medicaid over 7 years, the proposal before us replaces the current Medicaid Program with a block grant capped at fixed dollar amounts each year. The bill would offer only minimal coverage and benefits, eliminate all Federal Standards for providers and delivery systems, and abolish the Federal standards set for nursing homes and institutions caring for the mentally retarded.

In 1987, national standards for nursing home care were established with broad bipartisan support. These standards were designed to protect nursing home patients because of the horrendous treatment many were receiving and because State regulations were inadequate. Yet the Republican plan to cut Medicaid by $182 billion contains a provision repealing the national standards for nursing homes, even though these standards have improved care substantially.

Mr. President, we all agree that we must balance the Federal budget. However, we must do it the right way. We must ensure a basic safety net and make adequate investments for the future. I question the priorities set forth in this legislation. This bill does not safeguard health care for our Nation's elderly, poor, or disabled; it does not ensure proper care of vulnerable people in nursing homes; and it certainly does not make adequate investments in our future.

Mr. President, I sincerely hope that we recognize the tremendous benefits these programs have made in our society and urge that we continue the fight for dignity and security for our Nation's most vulnerable as we work to balance the Federal budget.

I yield the floor.

Mr. LEAHY. Mr. President, this budget bill is a raw deal for Vermont. It makes deep and unnecessary cuts in Medicaid, Medicare, student loans, and dairy programs that will devastate our economy for years to come. And it will raises taxes on 63 percent of working Vermont families. This is the wrong way to try to balance the budget.

This bill cuts Medicaid by $182 billion over the next 7 years and turns this vital program into a block grant to the States. Over the next 7 years, these cuts will reduce Federal Medicaid payments to Vermont by $205 million. This plan defaults on our guarantee that seniors would receive health care assistance when they need it the most.

Vermont's acceptance of this enormous responsibility would leave the State hundreds of millions of dollars short of funds to provide necessary health care over the next 7 years.

The plan also eliminates requirements for nursing homes to provide proper health standards, a loophole that will be seized by some to lower the quality of care and life in these institutions.

It is not an easy decision to place a parent or a spouse in a nursing home, but often it is the only alternative to ensure that they get proper care. And it will be even more difficult if the Republican plan prevails.

The bill cuts Medicare by $270 billion over the next 7 years. It will cut payment rates to providers and hospitals, make seniors pay higher premiums and increase deductibles. Vermont will lose $356 million in Medicare payments over the next 7 years, losing $88 million in 2002 alone.

In Vermont, 73 percent of our elderly population have incomes of less than $15,000. And 1 dollar of every 5 dollars of that fixed income is spent on health care. Yet Republicans are cutting Medicare and Medicaid to finance tax cuts that will mostly benefit Americans making over $100,000 a year—less than 3 percent of Vermonters make that kind of money.

Republicans have the gall to tell us that these massive cuts are supposed to ''preserve, protect and strengthen Medicare.'' I think William Wells of Rutland, Vermont, who recently wrote to me, had the right response to this claim.

With true Vermont common sense, Mr. Wells wrote: I have heard politicians say ''they want to save Medicare.'' Their way of saving Medicare is like a hunter 'saving' a moose by shooting it and having it mounted by a taxidermist. It is still there but no longer functional.

Let us be honest with the American people. Congress can balance the Medicare budget and keep the system solvent—but the cuts must be gradual and spread over a longer period of time.

For 30 years, Medicare and Medicaid have contributed greatly to the decline in poverty and improved the health of seniors in America. We are now asked to turn our backs on the elderly and distribute the ''savings'' among our wealthiest citizens.

Mr. President, I will oppose any plan that attempts to dismantle the health care delivery system that has served our Nation's seniors so well.

This bill also makes short-sighted cuts in education. It cuts student loan programs by $10 billion over the next 7 years. Students will be hit with 70 percent of these cuts—increasing the costs to the 20,000 Vermonters receiving higher education and their families by at least $5,800 over the life of a student loan. Because of rising tuition costs, Congress should be working to make education more affordable—not less.

These additional financial burdens will discourage many students to continue their education after high school. The Contract With America has sealed the fate of the next generation of Americans. They may never have the chance of post-high-school training or a college education—the key to a better paying job.

This bill also makes deep cuts in our dairy program. The Senate plan scraps the price support system for butter and nonfat milk and sharply limits the price supports for cheese. Under the bill, the average Vermont dairy farm will lose more than $7,000 a year in revenue. These dairy cuts will deal another blow to Vermont's dwindling family farms.

At a time when many working Vermonters are struggling to make ends meet, the Senate Republican budget would hike Federal taxes on low- and moderate-income families by cutting $43 billion from the earned income tax credit—a program that rewards work and compensates for low-wages.

This Federal tax increase will also raise State taxes in seven states, including Vermont, that have a State earned income tax credit tied to the federal credit. As a result, 27,000 Vermont working families earning less than $30,000 a year—about 63 percent of Vermont taxpayers—will be forced to pay higher taxes. This is a double whammy on working families.

Mr. President, this budget bill is a raw deal for Vermont. It will leave my home State in an economy crisis for years to come. And I will urge the President to veto it.

Mr. HATFIELD. Mr. President, the Balanced Budget Reconciliation Act of 1995 is proof that this Congress is willing to make the difficult decisions that are needed to balance our Federal budget. That there is agreement between Congress and the executive branch, between Republicans and Democrats, and between the House of Representatives and the Senate, of the need to balance the budget at a date certain is a victory in and of itself. While we may not all agree on how to accomplish that feat, we are at least all proceeding toward a common goal.

This legislation continues the effort that is already underway in the Appropriations Committee to balance the budget. To date the Appropriations Committee has reduced Federal spending by $24 billion. My colleagues who have worked to put this legislation together know full well that reducing spending is not an easy task. However, given the size of the national debt, all members know that we must act now and make those tough choices.

The prime example that we are ready to make tough choices is proven in this bill's attempt to reign in the exponential growth in entitlement spending. Earlier this year I stated on this floor that I was sobered by the demise of the Bipartisan Commission on Entitlements and Tax Reform. The Commission was unable to agree on a specific set of recommendations on how to address the issue of continued entitlement growth. I am very happy that the taboo of reforming entitlements may finally be gone. Entitlement spending will continue to grow from 49 percent of the Federal budget in 1995 to 59 percent of the total budget in 2002. Based on these numbers it is clear the entitlement beast has not been slain, but at least the Balanced Budget Reconciliation Act of 1995 takes us in the right direction on the entitlement issue.

Like many Members in this chamber, I have some disagreements with the spending decisions in this legislation ad drafted. One of those areas of disagreement relates to the $11 billion reduction in education spending over 7 years. Some members have argued that this cut is small in comparison to total spending in this area, or that the impact is painless on a per person basis. What these arguments fail to consider is the critical role education plays in the success of the Nation's children, the success of this Nation's industries, and the success of this Nation's standing in the world community. Education is an investment in the future. The Senate would be shortsighted to cut this investment short. I plan to work with my colleagues to ensure that this provision can be fixed before the Senate finishes its work on this legislation.

I am also concerned that this legislation deals a blow to States that have been innovative in addressing the rise in health care costs. The State of Oregon began an experiment in 1994 to expand health care coverage to more Oregonians. The Oregon Health Plan, as it is known, has increased access to basic health care to more than 120,000 low-income Oregonians. This has been accomplished by making rational choices about the effectiveness of health care services and making the delivery system more efficient. Already Oregon has seen significant results. Our costs per beneficiary are 10 percent less than the national average; hospital charity care has decreased by 30 percent; emergency room visits are down by over 5 percent; and our welfare caseloads have decreased by 8 percent in the past year. Unfortunately the legislation before the Senate would inadvertently penalize Oregon for being innovative in its delivery of medical services. I am working with the leadership to ensure that this type of creativity and effective governing is not penalized.

There are a number of tough choices in this legislation and the authors should be commended for their work. However, given the fact that 15 percent of the current budget is spent to pay interest on the debt, these tough choices need to be made. We have before us a proposal that will do the job. While I would like to see some reordering of priorities in the legislation, I am looking forward to working with my colleagues to assure that a balanced budget becomes a reality.

PENSION REVERSIONS

Mr. BINGAMAN. Mr. President, I rise today in opposition to a provision in the budget reconciliation legislation before us that could put at risk the pensions of hard-working Americans. Specifically, I refer to the provision allowing corporations to take money out of funds deemed overfunded by the IRS for deductibility purposes, and use that money for other employee benefits, without paying an excise tax. Of course, because money transferred in this manner is fungible, the money could actually be used for almost any purpose.

The principal problem with this provision is that pensions funds considered overfunded by IRS for tax policy consideration are not overfunded on an actuarial termination basis. As I understand it, this means that while the plans have enough money to meet their current ongoing obligations, if for some reason the plan terminated, the people who had paid into that plan would have no guarantee that the plan could provide the pension benefits that they earned over the years. In such a case, the U.S. taxpayer, through the Pension Benefit Guarantee Corporation [PBGC], would be forced to step in and pay the benefits.

Mr. President, we know that workers are concerned about their ability to retire with a decent standard of living. We also know that our Nation is suffering from a lack of savings and capital for economic expansion, and that institutional investors like pension funds are the single largest investors in capital. It therefore makes absolutely no sense to me to provide an incentive to decrease pension security, savings, and available capital through provisions like the one included in the budget reconciliation legislation before us.

I think we should be doing more to promote sound pension plans, and expand coverage for American workers. This provision seems to me to be doing just the opposite: putting existing plans at greater risk without expanding coverage. In the time since this and a similar House provision have come to the public's attention, numerous pension experts, including the American Academy of Actuaries and the PBGC, have expressed concern about the effect this provision could have on pension fund soundness. I have also heard from constituents expressing similar concerns. For all of these reasons, I urge my colleagues to strike this provision.

Mr. BOND. Mr. President, in many respects this is an amazing debate we are having today, a debate I was not sure I would ever see—should we, or should we not, pass a bill which will get our budget into balance over the next 7 years.

It is historic. It is bold. It is unprecedented. And judging by the reaction, it is real.

Unfortunately, $5 trillion in debt has piled up waiting for this day, so even with this action, we are still passing on a huge debt to our children and their children.

When I first got to Washington, after coming from State government where we had to balance the budget every year, I was amazed at the cavalier attitude taken by so many about budget crisis.

It did not take me long to learn that walking away from budget problems had become so ingrained that success was defined as holding the deficit to only $200 billion—meaning we only added $1 trillion to the debt every 5 years.

Unfortunately, that is where President Clinton remains today. While we are willing to put before the public the real questions—when do we stop adding to the debt? When do we get serious about slowing the growth of runaway programs? When will Congress be willing to actually say No to a special interest, or a pet program and say ''Sorry, I'm worried about adding to my kid's debt.''

No one said it would be easy—but with the leadership of Senator DOMENICI, and the willingness of Members to stand up and vote for action instead of just talking a good game—this Senate will soon take that step.

Make no mistake, the step is a big one, as for the first time in 25 years Congress has the opportunity to pass a budget which will get us to a surplus—rather than just keep adding to our debt.

The budget before us is tough. It sets priorities. It recognizes that government cannot do it all. And it makes the statement that the time has come for leaders of today to start paying attention to the financial and economic devastation thy are creating for tomorrow's generations.

We have heard many speeches about the need to cut spending, reduce the deficit, and get our Nation's books into balance. Everyone who looks at our nearly $5 trillion debt recognizes the need to do something so that we don't keep piling on that debt for our children and grandchildren.

Over the next few days the American people will have a rare opportunity to see exactly what the political leadership's visions for our country's future are.

Too often Congress legislates for the present, ignoring the costs for the future. Political expediency replaces thoughtful debate, and at the end of the day it is with shock and dismay that the public finally realizes what has occurred—and recognizes what additional debt they or their children will be forced to pay.

It takes a long time to build up a $5 trillion debt. And even starting today it will take 7 years to get us to a balance, meaning that we won't even begin paying off a dime of debt until 2002.

Some would like us to put off the tough choices for a little longer. Others have abandoned finding a solution to the real budget crisis we are facing in their zeal to make political points. And still others claim to be on board with the concept of balancing the budget—they just don't like our approach.

But as I have said before—talk is cheap. If you say you want to balance the budget, let's see your plan.

If you say you understand Medicare is going broke, and must be fixed, let's see your plan.

Unfortunately, what we have seen and heard so far is much heat—and no light.

Medicare is one of the best examples. Medicare today is paying out in claims more than it is collecting in premiums. It is only because of the interest earned on the trust fund's surplus that Medicare is not insolvent right at this moment.

This means that as I speak, for every dollar a senior is paying in, more than a dollar in claims is being paid out. So why is everyone not saying stop, something has to be done?

Next year even including the interest earned on the trust fund's won't be enough to pay out all the claims. Thus next year Medicare will be insolvent, and it will be forced to start eating into its rainy day fund—the money which has been built up in order to be available for the baby boomers who start to retire in the next decade.

And then if nothing is done, by the year 2002 the surplus will be gone and the entire program will be bankrupt and will be forced to shut down.

So again I ask, why is the President not saying we must do something to fix this drastic problem—not just delay it again like has been done so often before—but actually fix it?

Why are my colleagues in the Democratic party not saying let us get to work on this problem?

Instead they want to paper over the problems in Medicare, only fiddling around the edges, while making no effort to make fundamental changes in the program as we realize must be done. We want to make savings by giving seniors a real choice—they offer a 2-year bandaid to get them beyond the next election.

So what does our bill do? It takes on the task of reforming and overhauling Medicare—both to protect it for today's seniors, as well as preserve it for tomorrow's. It also expands choices, and bring the program of the 1960's into the health care system of the 1990's. And it gives us 25 years of additional solvency—versus the 25 months of the Democrats' plan.

How much clearer can the choice be? A thoughtful long-term solution—or a get-me-through one more election BandAid.

Mr. President this debate is much bigger than Medicare. It is much bigger than Medicaid, agriculture, civil service retirement, or welfare. It is about what financial legacy we want to leave to our next generations.

It is about whether people believe that $5 trillion in debt is enough, and whether we in Congress have the courage to hit the spending brakes.

I hope we do. And hope that the President will find the courage to do the same.

Finally, I would like to express my opposition to the amendment that the senior senator from Arizona has indicated he plans to offer.

That amendment would, allegedly, eliminate 12 pork programs—a goal I would support if it delivered on that promise. Unfortunately, however, the amendment would target several programs which are critical to our international competitiveness and our ability to create high-paying export jobs. Let me quickly touch on just a few examples:

First, the amendment would require the Export Import Bank to raise loan fees which would have the impact of making Exim financing uncompetitive vis-a-vis other countries' export finance agencies. That means U.S. companies will lose deals and U.S. workers will lose jobs.

Second, it would reimpose recoupment fees on commercial sales of military equipment overseas. The Bush administration eliminated this fee because it was making U.S. export uncompetitive and costing jobs. It makes no sense to reimpose it.

Third, it would cancel NASA's subsonic and supersonic research programs. These programs are aimed at ensuring U.S. aerospace companies retain their technological edge into the 21st century. If it becomes technically possible, it will be economically viable to build only one supersonic airplane. I want that plane to be built by Boeing or McDonnell Douglas, not by Airbus.

CAPITAL GAINS—FAIRNESS

Mr. HATCH. Mr. President, we need to consider some very important facts concerning the fairness of the capital gains tax rate reduction in the reconciliation bill before us.

We have heard some statements here on the Senate floor over the past few days by some of our colleagues who believe that a broad-based capital gains tax rate reduction somehow favors the rich at the expense of middle- and lower-income taxpayers. I want to set the record straight on this issue.

WHO PAYS CAPITAL GAINS TAXES?

First, Mr. President, let us start by examining who pays capital gains taxes in this country.

The fact of the matter is that most of the tax returns reporting capital gains come from taxpayers in the lower- and middle-income categories.

Since there are varying views as to where the middle-income category begins and ends, I have prepared two pie charts contained within chart 1 to illustrate who these taxpayers are.

The pie on the left shows that, on average, from 1985 to 1992, 62 percent of all returns reporting capital gains came from those reporting $50,000 or less of adjusted gross income [AGI]. I repeat, 62 percent. This amounted to more than 5½ million taxpayers per year.

The pie on the right, Mr. President, shows the same information for taxpayers with higher incomes, but still within what most would consider as the middle-income category.

As you can see, 79 percent of all returns reporting capital gains came from those reporting $75,000 or less of AGI. On average, this was over 7 million taxpayers per year.

Capital gains realization is hardly the exclusive domain of the rich.

Actually, these figures dramatically understate the number of people in the lower- and middle-income categories who will benefit from the capital gains deduction.

It is estimated that about 44 percent of all people reporting capital gains recognize such gains in only 1 out of 5 years, on average.

In 1986 alone, of the 7.6 million returns reporting capital gains, 3.1 million of these taxpayers reported no capital gains in the previous year.

THE "OCCASIONAL RECOGNITION PHENOMENON"

Since many taxpayers do not have capital gains each year, it is obvious that there are millions more of lower- and middle-income taxpayers than this chart indicates who will benefit from a lower capital gains tax rate.

This occasional recognition phenomenon also illustrates why the numbers cited for the rich are consistently overstated by capital gains tax cut opponents.

By only looking at 1-year segments, capital gains tax cut opponents erroneously conclude that once a taxpayer experiences an unusually large capital gains recognition in a particular year, he or she will stay in the rich category forever. Such is simply not the case.

Take, for example, a typical farming couple in Cache County, UT, who has struggled over the years to make ends meet and finally decides to sell the farm and move to the warmer climate of southern Utah.

Even though this couple may never have reported more than $30,000 of farming income in any given year, in that 1 year of sale they will be lumped in with the rich because they reported a $250,000 of gain on the sale of their farm.

To conclude that this couple is rich because they realized a large capital gain in only 1 year of their life is ridiculous. Yet, this is exactly the basis for many of the statistics given by my friends on the other side of this issue.

One study looked at those reporting over $200,000 of income per year from 1981 to 1984. Taking just single-year snapshots of the realizations, such taxpayers accounted for almost 40 percent of all capital gains reported.

However, when the entire 4-year period was considered as a whole and the occasional nature of recognitions was taken into account, their proportional share dropped to just 22 percent.

Thus, the more years that are included in the comparison, the smaller the share of gains going to the so-called rich.

Let me repeat, Mr. President, studies that show lower- and middle-income taxpayers who receive an occasional larger capital gain as being rich are misleading.

OPPONENTS IGNORE BENEFIT TO LOWER- AND MIDDLE-CLASS TAXPAYERS

Now, I am the first to admit that some who are truly wealthy will benefit from a lower capital gains tax rate, and rightly so, as I will discuss in a few moments.

However, the impact of the benefits of a capital gains tax cut to the wealthy are greatly overstated, while the positive benefits to lower- and middle-income taxpayers are mostly ignored by those who oppose this change.

For example, a Treasury Department study estimates that nearly half of the dollar value of all capital gains are reported by taxpayers reporting wage and salary income of $50,000 or less.

Moreover, the same study estimates that three-fourths of all tax returns with capital gains are filed by taxpayers with wage and salary income of less than $50,000. Yet, to listen to capital gains tax opponents, one could conclude that only the rich would be affected by a lower rate.

Mr. President, to get a better feel for how many lower- and middle-income taxpayers will actually benefit from the capital gains deduction in this bill, consider the following.

It is estimated that about 12 million lower- and middle-income workers participate in some sort of stock equity plans with their employers—12 million.

Moreover, many millions of Americans own investments in stocks, bonds, and mutual funds. In fact, as of September 1994, there were 93.6 million mutual fund accounts in America. It is interesting to note that 52 percent of the 30.2 million families owning mutual funds report incomes of $50,000 or below and that 80 percent of those families report incomes of $75,000 or below. This is middle America. This is the teacher who married the police officer planning for their future.

In addition, millions of people in the lower- and middle-income categories own homes and rental properties that could be subject to capital gains taxes upon sale. This bill will benefit all of these taxpayers.

CAPITAL GAINS TAX RATE DIFFERENTIALS

Mr. President, it is well known that in 1986, Congress raised the capital gains tax rates on the rich, from a 20-percent top rate to a 28-percent top rate. What is lesser known, however, is that we raised capital gains taxes on middle-income taxpayers as well.

For example, a family of four earning the median income saw a 50-percent increase in their capital gains tax rate. A family of four earning twice the median income—and these would be the upper middle class rather than the rich—saw a 47 percent increase in their capital gains tax rate.

In 1990, Congress once again created a differential between the top tax rate on capital gains income and the top tax rate for ordinary income.

By putting in a new 31 percent bracket, but keeping the top rate on capital gains income at 28 percent, we once again began to favor capital gains income—for some.

The differential was further increased in 1993 when Congress created the 36 and 39.6 percent tax brackets and again capped the capital gains tax rate at 28 percent. The result is that taxpayers in the highest brackets currently enjoy a lower rate on capital gains, but those in the 15 percent and 28 percent brackets do not.

As you can see from chart 2, Mr. President, this bill remedies this situation by giving those in the lowest tax brackets the largest percentage reductions in their effective capital gains tax rates.

Note that the wealthiest Americans will get only a 25-percent decrease in their effective capital gains tax rates, while those in the lowest tax brackets will enjoy a full 50-percent reduction.

Not only will large investors receive incentives to create jobs, but this relief will now be enjoyed by smaller investors as well.

It is high time that lower- and middle-income families get some meaningful capital gains tax relief. For the first time in years, lower-income taxpayers will enjoy single digit rates of taxation on their capital gains.

INFLATION

One of the best reasons for a cut in the capital gains tax rate is that a sizeable portion of all capital gains reported are caused by inflation. In fact, economists estimate that on average, about half of all capital gains are inflationary in nature.

Mr. President, I have never heard anyone try to argue that taxing inflationary gains is fair—either for the rich or for anyone else. There is simply nothing fair about having to pay tax on inflationary gains.

In fact, a tax on inflationary capital gains is not a tax on income at all or even on the increase in the real value of the asset. It is purely a tax on capital, very much like the property tax, but assessed only when the property is sold.

This bill helps to ameliorate inflationary gains by providing a 50-percent capital gains deduction. In most cases, this should effectively nullify the tax on the inflation element. This is fair tax treatment—for everyone.

TAX DISTRIBUTION

Many of my colleagues on the other side of the aisle have expressed concern that the dollar amounts of a capital gains tax cut will go disproportionately to those in the highest tax brackets. Let me make three points about this, Mr. President.

First, despite the continual rantings and ravings by liberals about tax breaks for the rich, our tax system has gotten more and more progressive over the past years, as illustrated by chart 3.

Note that in 1993, the top 1 percent of all taxpayers paid almost 29 percent of all income taxes while the bottom 50 percent of all taxpayers paid less that 5 percent.

Since 1980, our income tax system has gotten much more progressive. If capital gains tax cut opponents think our system is so drastically unfair, I want to ask them a question: If these percentages do not satisfy you, what percentages will?

Second, many millions of American families currently pay no Federal income taxes at all. It makes little sense to talk about these people in terms of tax relief. A hundred percent of zero is still zero.

By definition, it is impossible to give income tax relief to those who pay no income taxes in the first place. If we want to talk about taking from higher-income taxpayers and giving to lower-income taxpayers, let us call it what it really is—welfare.

Third, opponents of capital gains tax relief must assume that wealthier taxpayers who realize capital gains take the money and bury it in the back yard or stuff it into a mattress.

Opponents ignore the fact that this money is almost always immediately put back into the economy, where it goes to work creating jobs and adding to investment capital available for business creation or expansion. The ultimate fairness of the cut in the capital gains tax is that economic and job opportunities will be enhanced for all Americans because of this bill.

In conclusion, Mr. President, for the reasons cited in chart 4, I firmly believe that the capital gains tax cut provisions in this bill are fair. They are fair for all American families because all American families will derive a great deal of benefit from them.

I sincerely hope that my colleagues will take the time to consider the points I have made and vote in favor of this much-needed reform to our tax law.

The bottom line, as I see it, is that our current capital gains tax rates are an effective tax on initiative, investment, and planning ahead—all things that we say we should encourage people to do.

It is time for our tax policy to reflect our national values.

Mr. President, I ask unanimous consent that the two tables referred to in my statement be printed in the RECORD.

There being no objection, the tables were ordered to be printed in the RECORD, as follows:

Chart No. 1—Who reports capital gains?

	Percent
AGI >$50,000, 3.4 million people	38
AGI of $50,000 or less, 5.5 million people	62
2.9 million people, AGI >$75,000	21
AGI of $75,000 or less, 7 million people	79

Source: Treasury Department.

CHART NO. 2—WHO ENJOYS THE GREATEST TAX RATE REDUCTION?

[In percent]

Income tax brackets:	39.6	36	31	28	15
Current capital gains tax rate	28	28	28	28	15
Effective rate under this bill:	21	18	15.5	14	7.5
Percentage Reduction:	25	36	45	50	50

* Assumes the Alternative Minimum tax applies.

CHART NO 4.—Why Is the Capital Gains Deduction Fair?

It gives the largest percentage decrease to those in the lower tax brackets.

Most of the returns filed showing capital gains come from lower- and middle income taxpayes.

It reverses the 1986 capital gains tax increase on the middle-class.

It reduces, if not eliminates, the cruel and unjustifiable tax on inflationary gains.

It stimulates the economy to create more jobs and opportunity for those on the lower rungs of the economic ladder.

PMA VICTORY

Mr. PRESSLER. Mr. President, I rise today to declare victory for rural community and small city electric ratepayers. I am pleased that both the House and the Senate budget reconciliation bills do not contain any language requiring a sale of the Southeastern, Southwestern or Western Power Marketing Administrations—collectively known as the PMAs. As I have stated on this floor many times before, this is a critical issue to my fellow South Dakotans.

As my colleagues know, during Senate consideration of the Budget Resolution earlier this year, my colleague from Montana, Senator BAUCUS, and I offered an amendment that expressed the Senate's opposition to the sale of the Southwestern, Southeastern and Western Area Power Administrations. The Senate voted overwhelmingly against a motion to table that amendment.

The balanced budget reconciliation bill now before us reflects the wishes of the Senate. The PMAs represent a government program that works. They provide affordable power to rural communities and small cities and still manage to turn a profit for the Federal Government.

As I have said again and again, sale of the PMAs would have a devastating effect on South Dakota citizens in rural communities and small cities—and on people across the country.

Public power serves many functions in South Dakota. As a sparsely populated State, utilities are faced with the challenge of how to get affordable electricity for those who live in small cities and rural communities where there are less than two people per mile of transmission line. Public power provides the solution.

Public power, purchased through the Western Area Power Administration, known as WAPA, costs South Dakotans an average of 2.5 cents less than the market rate. This lower cost is essential to encourage economic development in small cities and towns. It allows revenue to be reinvested in additional transmission lines, and better service. The availability of hydropower from the Missouri River to rural cooperatives and municipalities has helped to stabilize power rates. With 7,758 miles of transmission lines in the Pick-Sloan region, WAPA can serve 133,100 South Dakotans—without charging them an arm and a leg.

Public power has brought more than electricity to South Dakota. For example, Missouri Basin Municipal Power Agency, based in Sioux Falls, has embarked on a program offering incentives for planting trees. The goal is to plant at least one tree for each 112,500 meters in the Agency's membership territory.

Public power also brings new jobs to the communities it serves. In part due to the low cost of power from East River Electric, there are now three injection molding plants based in Madison, SD.

East River Electric also is involved in other economic development activities. It provides classes to help the community attract new businesses, and offers grants for feasibility studies associated with economic development projects. South Dakota clearly has benefitted from the work of Jeff Nelson, the general manager of the East River Electric Power Cooperative.

Public power is a South Dakota success story. It is a source of innovation, development, and community pride. I am sure the same is true in other small cities and rural communities across America. That is why I fought against proposals to sell WAPA and two other power marketing administrations. The proposal to sell the PMAs was a budgetary smoke-and-mirrors effort to disguise a backdoor tax on rural and small city Americans.

In fact, a PMA sale would force South Dakotans—and public power consumers everywhere—to cover for the rest of America. Why? Because the sale of the PMAs could result in rate increases totaling more than $47 million.

Some argued that the sale of the PMAs would generate revenue for the Federal Government. Would it? Let us look at the facts.

PMAs still owe almost $15 billion in principal. Also, more than $9 billion in interest already has been paid to the Federal Government. By selling the PMAs, the government would forfeit future interest earning on the outstanding loans.

In fact, the Congressional Budget Office [CBO] recently released its scoring of a House proposal to sell the Southeastern Power Administration [SEPA]. The proposal, approved by the House Transportation and Natural Resources Committees, limited the sale only to actual power generation and the right to market the power.

CBO scored the House proposal to sell SEPA at zero—showing that the sale would cause no gain or loss to the Treasury. In other words, CBO certified what I have said all along—that a PMA sale would not generate net revenue.

In addition, CBO estimated that the proposal to sell SEPA would cause rates to increase up to 75 percent in some areas. CBO noted that the supposed rate ''cap'' included in the House proposal would do nothing to protect 95 percent of the rural electric cooperatives or municipal utilities that buy power from SEPA from significant rate increases. This proves what South Dakotans have known all along—selling the PMAs would rob rural ratepayers and destroy a vital community resource.

Mr. President, I am pleased that with strong bipartisan support, we fought successfully to prove the worth of public power. We demonstrated how necessary it is to the lives of rural and small city Americans. I am proud of the people of South Dakota who have stated their message loud and clear—through thousands of postcards, letters, and phone calls. South Dakotans such as Ron Holsteen, Bob Martin, and Jeff Nelson have been leaders in their opposition to the proposed PMA sale and I again congratulate them and commend their hard work. They and their counterparts are the true heroes in this victorious battle.

Public power is a solid investment for the Nation. Public power is one of the great success stories of South Dakota. There is no question: For now, we have won the war for the continued existence of public power. This is a victory for all Americans who reside in small cities and rural communities.

The PRESIDING OFFICER. Who yields time?

Would the Senator from New Mexico suggest the absence of a quorum?

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

The PRESIDING OFFICER. I thank the Senator.

The absence of a quorum has been suggested. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. DOMENICI. 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. DOMENICI. Mr. President, I yield 2 minutes to Senator KYL off the bill.

The PRESIDING OFFICER. The Senator from Arizona.

Mr. KYL. Thank you, Mr. President. If there is a single vote on which the American people will judge the success or the failure of this Congress, if there is a single vote this session that will change the course of American history, it will be the vote on the Balanced Budget Reconciliation Act, which is before us today.

This single vote will determine whether we finally face up to the grim reality of a national debt that is $4.9 trillion and growing daily, a debt that now amounts to $18,500 for every man, woman and child in this country, or whether we continue the spending spree that we have been on for the last 20 years at the expense of our children and grandchildren.

This single vote is more important than the votes on the balanced budget amendment and the line-item veto. Those are the tools that will help us balance the budget and keep it there. This bill actually balances the budget.

This single vote will determine whether we keep the promises we made to the American people last fall that we would balance the budget and provide badly needed tax relief or whether it is business as usual: Promises out the door as soon as it is time to make the final decisions, the difficult decisions.

I believe that this Congress, the new majority and the American people who sent us here last year believe that it is different. We have spoken, we have worked, we have voted for the fiscal restraint for years but never had the votes in the Congress to prevail. This time is different. We finally have the chance and the numbers to prove what we say is what we mean: That Government is too big, that it costs too much, that it intrudes too far into the lives of our people and that, finally, we are willing to do something about it.

Mr. President, this is the most crucial vote that we will cast, and I am assuming that the majority of this body will support this Balanced Budget Reconciliation Act and put this country on the right course for the next century.

I believe this Congress—the new majority that the American people sent here last year—is different. We have spoken, we have worked, we have voted for fiscal restraint for years, but have never had the votes in Congress to prevail. This time is different. We finally have the chance, and the numbers, to prove that we mean what we say—that government is too big, it costs too much, and it intrudes too far into the lives of our people—and that we are willing to do something about it.

Former Education Secretary Bill Bennett probably said it best in testimony before the Budget Committee earlier this year. He said:

> We have created a nanny state that takes too much from us in order to do too much for us. This has created inefficiency, sapped individual responsibility, and intruded on personal liberty.

Mr. President, it is time to change course.

Fourteen years ago, President Reagan embarked on a similar mission to curb Federal spending, cut taxes, and reduce regulation. He succeeded in cutting taxes—and that launched the longest peacetime economic expansion in our Nation's history. And, I will talk about that a little more later.

Yes, deficits soared. But that was not because of the tax cuts. It was because the majority in Congress at the time did not have the courage or the will to limit Federal spending.

In the budget we have before us, spending growth is limited to about 3 percent a year. Had Congress been able to exercise the same restraint beginning in fiscal year 1982—the first year President Reagan had full control of the budget—the budget would not only have balanced in fiscal year 1989, there would actually have been a $73.5 billion surplus. Instead, Congress let spending grow by about twice that rate. Spending skyrocketed from $745.8 billion in fiscal year 1982 to $1.1 trillion by fiscal year 1989.

So even as revenues grew dramatically—from $617.8 billion in fiscal year 1982 to $990.7 billion in fiscal year 1989—the deficit soared because spending grew faster. A 60.4-percent increase in revenues was not enough for the spendthrift majority in Congress.

To my colleagues who say this is no time for a tax cut, let me tell you that the middle-class tax cut in our budget does not come at the expense of a balanced budget, but as a result of one. It is the dividend that the American people receive from the downsizing of government: the $200 million reduction in the congressional budget; the phasing out of the Commerce Department; welfare reform; and the consolidation and elimination of other programs to name a few.

In fact, the Congressional Budget Office has certified that our budget meets its deficit reduction target; will help the economy; and, as a result, will produce a $170 billion economic dividend. We can and should return this dividend to the people. The $170 billion, combined with $21 billion from the repeal of corporate welfare, and billions of dollars in other savings—none of which comes from Medicare—allows us to pay for the tax cut and balance the budget. That is certified by the CBO, the agency President Clinton praised as the most accurate forecaster of budget numbers.

My colleagues, taxes are a problem, but it is not because they are too low; they are too high. Go out and talk to people in your States. Listen to them. The typical family now pays over 40 percent of its income in Federal, State, and local taxes. That is more than it spends on food, clothing, and shelter combined. Americans are working more than 3 hours of every 8-hour workday just to pay taxes to various levels of government.

Back in 1948, the typical family paid only about 3 percent of its income to the Federal Government in taxes. The budget balanced that year. In fact, the entire Federal budget amounted to only $29.8 billion—about what we will pay this year for 43 days' worth of interest on the national debt.

Mr. President, the American people are not undertaxed. They are overtaxed. They need relief. When politicians say we cannot afford a tax cut now, it is because they do not want to give up the money that is available for them—for the politicians—to spend. Well, what about hard-working families? What about what they can afford?

These are people struggling every day to get the kids to school, go to work, and pay their bills. To the family with two kids earning $20,000 a year, a $500 per child tax credit means a lot.

The Heritage Foundation recently estimated that 344,152 taxpayers in Arizona—more than 28 million taxpayers nationwide—are eligible for the $500 per child tax credit. Heritage estimated that 47,552 taxpayers in Arizona—3.5 million nationwide—would see their entire income tax liability eliminated as a result of the $500 per child tax credit. Those taxpayers are not wealthy, yet they are the ones who benefit most significantly from the Senate tax cuts.

In fact, 83 percent of the tax reductions in this bill will go to those with annual incomes under $100,000, and 70 percent will go to those with incomes under $75,000.

The bill includes a capital gains tax cut. A recent study by the Cato Institute found that the capital gains cut will benefit poor and working-class Americans most. The study found that the tax reduction would unlock hundreds of billions of dollars in unrealized capital gains, thus promoting investment in new technologies and entrepreneurial ventures. It would ''expand economic opportunities for working-class Americans by encouraging capital formation, new business creation, and investment in capital-starved areas, particularly inner cities, and lead to the creation of more than half a million new jobs and increase wages by the year 2000.''

People across America are frustrated. They are struggling day in and day out to make ends meet, while they watch the Federal Government squander their hard-earned tax dollars on everything from farm subsidies to pork-barrel highway projects, helium reserves, and welfare for lobbyists. President Clinton even wants us to pay ''volunteers'' to do their work—pay ''volunteers'' in the AmeriCorps program more than the average American earns in a year.

People in homes across the country are struggling with an oppressive tax burden while Congress and the President argue about who is rich, and about how much ''we'' can afford to give up in tax revenue. My colleagues, it is the American people—not government—that needs help, and this bill takes a small, but meaningful, step in that direction.

This bill is not radical or draconian. In fact, the tax cuts will total $245 billion over 7 years—just 2 percent of the total amount that the Federal Government will collect over that period. It is modest, and if the American people knew we were having such a battle over just 2 percent, they would be stunned.

Throughout the debate over the next few days, we will hear a lot about tax cuts for the rich. Whenever politicians start to object to tax bills because they do not tax the ''rich'' enough, or they provide too much relief for the ''rich,'' middle America better hold onto its wallet. As I pointed out before, more than 70 percent of the benefit of this cut goes to those with annual incomes of less than $75,000, so we are not talking about the super rich at all.

Remember in 1990 when Congress was supposedly going to soak the rich with a luxury tax on expensive cars, boats, jewelry, and furs? Well, it was not the rich who ultimately got soaked. The sale of yachts fell by 73 percent, and boatyards died. Sales of Cadillacs declined 17 percent. The rich simply avoided the tax by not buying the yacht or the Cadillac, and it was the guy on the line who ultimately paid the luxury tax—paid with his job. Congress had to repeal it.

In 1993, President Clinton called on the American people to pay higher taxes—he called it making a ''contribution'' to the Government. But it was the average woman on her way to work who found that she had to pay a higher price for gasoline to get there. It was the senior citizen making as little as $34,000 per year who found out he was among the ''rich'' President Clinton had in mind; he ended up paying higher taxes on his Social Security.

Now President Clinton says he made a mistake in 1993—that he raised taxes too much. I agree that he made a mistake, but if I recall correctly, he sent up a budget asking for $359 billion in new taxes—$100 billion more than he eventually got. It turned out that there was no support in Congress for a tax increase of that magnitude, even among members of his own party. He ultimately had to settle for a tax increase of ''only'' $258 billion—still the largest in history.

Yes, President Clinton did raise taxes too much, and we have the chance in this bill to undo some of the damage. Not only have people been taxed too much, but they have lost jobs as well. A constituent of mine, Tom Ford from Tucson, AZ, contacted me recently about what the Clinton tax increase has done to him.

Mr. Ford makes a living as a special effects specialist for the motion picture industry. He lost one job on a film called ''China Spur,'' which was to have starred Willie Nelson, Ernest Borgnine, and Heather Locklear. The film was canceled when the Clinton tax increase took effect because the investor found he did not have enough money to take a risk on the film.

Tom Ford worked on another movie, ''Waiting to Exhale,'' with Whitney Houston. Again, taxes hurt the little guy. The project went forward, but corners were cut. Salary and hours were reduced. Whitney Houston got her full asking price, and paid all her taxes, as did Gregory Hines and Angela Bassett who also starred in the film. But the guys behind the scene—people like Mr. Ford—were forced to work for less. It was they who bore the brunt of the tighter budget that resulted from higher taxes.

What does that mean? Wealthier taxpayers like Whitney Houston do not get hurt. She has a great deal of talent, and will continue to command a good wage no matter what taxes are levied. But others are not so fortunate. When Mr. Ford does not work, or works fewer hours or for less money, he cannot buy the extra equipment he needs for filmmaking. And this, in turn, means someone who produces the equipment is also put out of a job. He cannot buy the new pick-up truck he needs for his business. The Ford dealer in Tucson loses a sale, and the factory worker in Detroit sees her job threatened because sales fall off.

Mr. Ford pointed out the irony in a letter to me. He said, ''the only good thing is that with a lower income brought on by higher taxes, I am now paying less in taxes to the government.'' But that is not what is supposed to happen according to the big taxers.

If you listen to the other side in this debate, you will hear that higher tax rates are supposed to bring in more revenue for the Government. But that is not what Tom Ford's experience demonstrates. High tax rates cost jobs and ultimately reduce revenues that might otherwise accrue to the federal Treasury.

That is the experience of the 1980's. Tax revenues increased from $517 billion in fiscal year 1980 to $1.03 trillion by fiscal year 1990. They nearly doubled. And that is despite the fact that the top income tax rate fell from 70 percent to 28 percent. The share of total Federal income taxes paid by the top 10 percent of taxpayers, ranked by adjusted gross income, rose from just under 50 percent in 1980 to more than 57 percent by 1988. During a period in which their marginal rate fell by 60 percent, the wealthy paid almost 19 percent more in dollar terms in Federal taxes. That is because the tax base expanded as people worked more, invested more, and took money out of tax shelters and put it into taxable investments instead.

Just as the local department store does not lose money when it holds a weekend sale—volume more than makes up for a reduction in price—the government does not lose revenue when it reduces tax rates. Just the opposite occurs. With businesses expanding, more people working, and more investments being made, tax revenues will increase.

The opposite occurs when tax rates are increased. People change their behavior to avoid the higher tax. After the tax increases of 1990 and 1993, income tax collections actually declined from 8.6 percent of gross domestic product [GDP] to 8.2 percent of GDP in 1994.

Even if you disregard the dynamic effect of the tax cuts proposed in the budget before us today, tax revenues are projected to increase substantially. They will increase from $1.35 trillion in fiscal year 1995 to $1.85 trillion in fiscal year 2002. That is $500 billion—half a trillion—more money than we are collecting today.

Mr. President, how much is enough? Can the Government not get by with an extra 35 percent worth of revenue—an extra half-a-trillion dollars—to spend? How much more is needed?

Now there is a lot of talk about the spending cuts in this package; that they are too deep or that one group or another is being singled out. The fact is, most programs are not being cut at all. Medicare spending, for example, will rise from $178 billion this year to $274 billion 7 years from now. In other words, we will be spending 50 percent more in 7 years than we spend today. The average Medicare benefit will go from about $4,800 per person today to $6,700 in the year 2002. That is not a cut. Let us be honest. It is not a cut.

Student loan volume will grow from $24 billion in 1995 to $36 billion in 2002—another 50-percent increase. Be honest: a 50-percent increase is not a cut.

It is the logic that defines a spending increase as a cut that has gotten us into this predicament. It is like giving someone a 50-percent raise and having that person quit because he thinks his employer cut his salary. Let us be honest. An increase is not a cut.

Let us make no mistake about what these deficits mean. When mom, dad, grandma, and grandpa want more from the government than they are willing to pay for in taxes today—that is a budget deficit—we are all handing the bill, dollar for dollar—plus interest—to our sons and daughters, and their children yet to come.

Most people agree that the Federal Government should maintain a social safety net to provide individuals with the hand up that they need to escape hard financial times. No one here is proposing that we eliminate that helping hand. But, we have got to find a way to provide a safety net without leaving future generations with a legacy of debt and despair.

My grandson was born just 5 months ago and already owns a share of the national debt that is $18,500 and rising. He can expect to pay $187,000 in taxes during his lifetime just to pay the increase on the national debt. What will be left of his income to care for his children? How will the Government care for the needy of tomorrow when every dollar of individual income tax revenue is devoted to interest on the national debt?

Mr. President, a balanced Federal budget offers hope. Yes, it will require that Congress prioritize spending so that the most important programs are not jeopardized. And wasteful programs will have to be eliminated. Some of the luxuries will have to be postponed to another day. A balanced budget will require heavy lifting, but it offers hope and opportunity.

The Congressional Budget Office predicts that a balanced budget would facilitate a reduction in long-term real interest rates of between 1 and 2 percent. That means that more Americans will have the chance to live the American dream—to own their own home. A 2-percent reduction on a typical 30-year $80,000 mortgage would save homeowners $107 a month. That is $1,284 a year, or over $38,000 over the life of the mortgage.

A 2-percent reduction in interest rates on a typical $15,000 car loan would save buyers $676.

The savings would accrue on student loans, and credit cards, and loans to businesses that want to expand and create new jobs. Reducing interest rates is probably one of the most important things we can do to help people across this country.

This bill includes incentives to help people buy insurance coverage for long-term health care, and to save in medical savings accounts. It includes a tax credit for adoption expenses, and estate tax reform so that families are not forced to sell their small businesses just to pay estate taxes to the Government.

This budget represents a break from business as usual. We are finally making the tough choices the American people sent us here to make. We are keeping our promises—for a change.

Will some people be unhappy with the bill? Of course. It is always easier to hand out money other people earned than it is to say ''no.'' Will some say they have been singled out? Of course. But if you look at the myriad of interests that say they have been singled out, you see that no one has been singled out at all.

This is a historic debate, the most important vote many of us will ever cast. Let us not miss this opportunity or another one might not arise until it is too late for our country. Vote for the Balanced Budget Reconciliation Act.

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

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mrs. HUTCHISON. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded and that I be allowed to speak for 2 minutes as in morning business, not to take away from the time on either side.

Mr. DOMENICI addressed the Chair.

The PRESIDING OFFICER. The Senator from New Mexico.

Mr. DOMENICI. Mr. President, just so everyone will understand, we cannot be doing this because we are very, very close on getting to the amendments we have agreed to. In this instance, for 2 additional minutes, I will not object, just so Senators on our side know we are not going to be able to do any more of this until we get on the amendment. At this time, I will not object.

The PRESIDING OFFICER. Without objection, the order for the quorum call is rescinded. The Senator from Texas is recognized as in morning business.

ATROCITIES IN BOSNIA

Mrs. HUTCHISON. Thank you, Mr. President, and I thank the Senator from New Mexico.

I want to talk for 2 minutes about the atrocities that we believe may be going on right now in Bosnia. I have submitted a sense-of-the-Senate resolution so that the Senate can speak out against these atrocities and ask the Bosnian Serb leadership to stop forthwith anything that might be going on that is a crime in the area of Banja Luka.

We saw in the Washington Post this morning and in the New York Times last week what now appears to be mass murders in Srebrenica by the Serbs in July. The problem, Mr. President, is this may be going on right now around Banja Luka. I want the U.S. Senate to speak forcefully, asking the Serb leadership, if they are going to try to sit down at a peace table, that the least they can do is allow our Assistant Secretary of State John Shattuck, people from the United Nations, people from the Red Cross into the Banja Luka area to certify that there are not mass murders going on right now to account for the men who have been rounded up in factories, in stadiums and, if they are still alive, to let them go back to their families and, if there are crimes being committed, to stop them forthwith.

I think it is time that we as a Senate, on a bipartisan basis, speak loudly and clearly.

My sense-of-the-Senate resolution has been filed as an amendment. It is HUTCHISON, MCCAIN, LIEBERMAN, STEVENS, LEVIN and THOMAS, and many cosponsors are coming from both sides of the aisle.

Mr. President, we must speak and the Serb leadership must stand up and say these atrocities have stopped.

Thank you, Mr. President, and I thank the manager of the bill for letting me speak on this very important subject. If we can stop one murder right now, it will be worth it.

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

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

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

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

N O T I C E

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 FRIDAY, OCTOBER 27, 1995

Mr. GRAMS. Mr. President, I ask unanimous consent that when the Senate completes its business today, it stand in recess until the hour of 9:15 a.m., Friday, October 27, 1995; that following the prayer, the Journal of the proceedings be deemed approved to date, the time for the two leaders be reserved for their use later in the day, the Senate then immediately resume consideration of the reconciliation bill.

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

PROGRAM

Mr. GRAMS. Mr. President, for the information of all Senators, the Senate will resume the bill at 9:15 a.m. tomorrow and will begin a very lengthy series of stacked rollcall votes in order to complete action on the budget reconciliation bill.

All Members should be reminded that the stacked votes will be shortened; therefore, Members should expect to remain in or around the Chamber during tomorrow's session.

RECESS UNTIL 9:15 A.M. TOMORROW

Mr. GRAMS. Mr. President, if there be no further business to come before the Senate, I ask unanimous consent that the Senate stand in recess under the previous order.

There being no objection, the Senate, at 12:23 a.m., recessed until Friday, October 27, 1995, at 9:15 a.m.