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 skyrocketed. 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