Mr. MOYNIHAN. May I just ask in terms of who appears and asks for recognition, the first three pending amendments are, in fact, stacked?

Mr. ROTH. That is correct.

Mr. MOYNIHAN. The rest are just amendments that may be offered.

The PRESIDING OFFICER. Without objection, the amendment of the Senator from Massachusetts will follow the process.

Mr. McCAIN. Reserving the right to object, I ask a question of the Senator from Delaware. Will there be a unanimous-consent agreement propounded of some list of priority of these amendments so that the Senators will know when their amendment will be considered?

Mr. ROTH. I say to my distinguished friend from Arizona we could set such a list. I thought at the beginning we would move informally, but as time proceeds we will try to set a list.

Mr. McCAIN. Further reserving the right to object, we all know, as the day wears on, there will be increasing pressures because of the departure as articulated by my friend from Nevada last night, so it is of some interest as to which priority, after the initial amendments that were agreed to last night, will be considered.

I ask both the Democrat leader and the managers, both managers of the bill, if we could have some predictability associated with that.

I remove my objection.

Mr. COVERDELL. Mr. President, reserving the right to object, these amendments have been around for some time, and I would think there would have already been a sequence of priorities. This proposal ought not to be muscling around here.

Mr. ROTH. I say to the distinguished Senator we do have a sequence of amendments and we intend to go down the sequence of amendments from Democrat to Republican.

RESERVATION OF LEADER TIME

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

REVENUE RECONCILIATION ACT OF 1997

The PRESIDING OFFICER. Under the previous order, the Senate will now resume consideration of Senate bill 949, which the clerk will report.

The assistant legislative clerk read as follows:

A bill (S. 949) to provide revenue reconciliation pursuant to section 104(b) of the concurrent resolution on the budget for fiscal year 1998.

The Senate resumed consideration of the bill.

Pending:

Dorgan amendment No. 515, to authorize the Secretary of the Treasury to abate the accrual of interest on income tax underpayments by taxpayers located in Presidentially declared disaster areas if the Secretary extends the time for filing returns and payment of tax (and waives any penalties relating to the failure to so file or so pay) for such taxpayers.

Dorgan Amendment No. 516, to provide tax relief for taxpayers located in Presidentially declared disaster areas.

Jeffords amendment No. 522, to provide for a trust fund for District of Columbia school renovations.

Domenici-Lautenberg amendment No. 537, to implement the enforcement provisions of the Bipartisan Budget Agreement, enforce the Balanced Budget Act of 1997, extend the Budget Enforcement Act of 1990 through fiscal year 2002, and make technical and conforming changes to the Congressional Budget and Impoundment Control Act of 1974 and the Balanced Budget and Emergency Deficit Control Act of 1985.

Biden amendment No. 539 (to amendment No. 537), to provide for the transfer of funds from the general fund to the Violent Crime Reduction Trust Fund.

Nickles modified amendment No. 551, to provide for an increase in deduction for health insurance costs of self-employed individuals, and to modify rules for allocating interest expense to tax-exempt interest.

Gramm amendment No. 552, to allow families to decide for themselves how best to use their child tax credit.

Kerry amendment No. 554, to allow payroll taxes to be included in the calculation of tax liability for receiving the children's tax credit.

AMENDMENT NO. 551, AS MODIFIED

The PRESIDING OFFICER. The pending business is the Nickles amendment No. 551, with 2 minutes equally divided for debate.

Mr. NICKLES. Mr. President, on behalf of myself, Senator HAGEL, Senator ABRAHAM, Senator DOMENICI, and others, the amendment that we proposed last night we have modified. We did receive some requests from Senators to delete the provision that dealt with corporate deductibility of tax exempts. That was not a major portion of the amendment. We did delete that.

I might mention I think it is a good provision. It is a provision that is in the House bill, so it will be in conference.

Mr. President, this amendment accelerates self-employed deductibility for insurance. It allows self-employed individuals to be able to deduct a greater proportion of their health insurance needs. It increases it. For example, in 1997, current law is 40 percent; it increases it to 50 percent. In 1999 it increases it to 60 percent. And so on.

Mr. President, I ask for the yeas and nays on the amendment.

The PRESIDING OFFICER. Is there a sufficient second?

There is a sufficient second.

The yeas and nays were ordered.

Mr. KERREY. I am not in opposition, but with the 2-percent provision stricken, I ask unanimous consent to be added as a cosponsor to this amendment.

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

Mr. NICKLES. I also ask unanimous consent that Senator THURMOND be added as a cosponsor.

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

The question is on agreeing to the amendment.

The yeas and nays have been ordered.

The clerk will call the roll.

The assistant legislative clerk called the roll.

Mr. NICKLES. I announce that the Senator from Kansas [Mr. ROBERTS] is necessarily absent.

Mr. FORD. I announce that the Senator from Illinois [Ms. MOSELEY-BRAUN] is necessarily absent.

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

The result was announced—yeas 98, nays 0, as follows:

[Rollcall Vote No. 138 Leg.]

YEAS—98

Abraham	Faircloth	Lieberman
Akaka	Feingold	Lott
Allard	Feinstein	Lugar
Ashcroft	Ford	Mack
Baucus	Frist	McCain
Bennett	Glenn	McConnell
Biden	Gorton	Mikulski
Bingaman	Graham	Moynihan
Bond	Gramm	Murkowski
Boxer	Grams	Murray
Breaux	Grassley	Nickles
Brownback	Gregg	Reed
Bryan	Hagel	Reid
Bumpers	Harkin	Robb
Burns	Hatch	Rockefeller
Byrd	Helms	Roth
Campbell	Hollings	Santorum
Chafee	Hutchinson	Sarbanes
Cleland	Hutchison	Sessions
Coats	Inhofe	Shelby
Cochran	Inouye	Smith (NH)
Collins	Jeffords	Smith (OR)
Conrad	Johnson	Snowe
Coverdell	Kempthorne	Specter
Craig	Kennedy	Stevens
D'Amato	Kerrey	Thomas
Daschle	Kerry	Thompson
DeWine	Kohl	Thurmond
Dodd	Kyl	Torricelli
Domenici	Landrieu	Warner
Dorgan	Lautenberg	Wellstone
Durbin	Leahy	Wyden
Enzi	Levin	

NOT VOTING—2

Moseley-Braun	Roberts

The amendment (No. 551), as modified, was agreed to.

Mr. ROTH. Mr. President, I move to reconsider the vote by which the amendment was agreed to.

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

The motion to lay on the table was agreed to.

Mr. LOTT addressed the Chair.

The PRESIDING OFFICER. The majority leader.

Mr. LOTT. Mr. President, I ask unanimous consent that the remaining votes in sequence be limited to 10 minutes in length.

The PRESIDING OFFICER. Is there objection?

Mr. REID. Mr. President, reserving the right to object, is this going to be a real 10 minutes?

Mr. LOTT. Mr. President, I can respond to that question. I was just fixing to say that the 10 minutes be strictly enforced. Please don't leave the Chamber. We just had a couple of Senators that didn't make that vote because it had been beyond the normal time. When the 10 minutes is up we are going to turn it in.

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

Mr. ROTH. Mr. President, I have a further unanimous consent.

Mr. President, I am asking unanimous consent that following the previously ordered stacked vote that the remainder of the sequence be in an alternating fashion with the two managers determining the order.

The PRESIDING OFFICER. Is there objection?

Without objection, it is so ordered.

Mr. ROTH. Mr. President, I ask unanimous consent that following the disposition of the Kerry amendment No. 554 that Senator DOMENICI be recognized to offer an amendment No. 537, to be followed by the amendments in the following order: Biden-Gramm, Gramm, Bumpers, Craig, Brownback, Frist, Abraham, and Byrd.

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

AMENDMENT NO. 552

Mr. ROTH. Mr. President, what is the order of business before us?

The PRESIDING OFFICER. The pending amendment is the Gramm of Texas amendment No. 552.

Mr. ROTH. I yield the floor.

The PRESIDING OFFICER. The debate is limited to 2 minutes equally divided.

The Senator from Texas.

Mr. GRAMM. Mr. President, from the very beginning of this tax debate we have talked about a $500 tax credit per child. And the logic has been to let working families decide how to spend their money on their children. Then suddenly out of the Finance Committee on a very close vote has come a provision that says we are going to give you a $500 tax credit but you get it only if you use it the way we determine you should use it, which is to have an educational IRA. I think educational IRAs are wonderful, if you can afford them. But the whole purpose of the $500 tax credit was to let working families decide.

I know the Senate is full of brilliant people, and we think we can decide things for families better than they can. But that violates the agreement we had with the American people on this bill. We hear every time an issue is debated that this violates the commitment to the Congress, or it violates the commitment to the President. This provision violates the commitment to the American people, and all of us talk about a $500 tax credit. We talk about parents choosing. Let's let them choose.

Mr. ROTH addressed the Chair.

The PRESIDING OFFICER. There is 1 minute to the opposition.

Mr. ROTH. Mr. President, I strongly oppose this amendment.

We had two goals in this legislation: To provide tax relief to the family, to provide assistance for higher education to the families, and this carefully crafted compromise does exactly that.

I yield what time is remaining to the Senator from Louisiana.

The PRESIDING OFFICER. The Senator from Louisiana.

Mr. BREAUX. The problem of bringing up the amendment is there is no requirement that the tax credit be used for the child. This is a per-child tax credit. We think there should be at least some encouragement that it be used for the child.

Mr. KERREY. Mr. President, this provision would change American families with children, and it will generate more wealth. It is good for American families. We have been talking about it. In addition to the child tax credit, there are a number of us—Republicans and Democrats—talking about ways to make this tax credit a vehicle for generating wealth for the last few years. It is a good provision.

I hope my colleagues will vote against the motion to strike.

The PRESIDING OFFICER. The time has expired.

Mr. ROTH. I ask for the yeas and nays.

The PRESIDING OFFICER. Is there a sufficient second?

There is a sufficient second.

The yeas and nays were ordered.

The PRESIDING OFFICER. The question is on agreeing to the amendment of the Senator from Texas. On this question, the yeas and nays have been ordered, and the clerk will call the roll.

The legislative clerk called the roll.

The result was announced—yeas 46, nays 54, as follows:

[Rollcall Vote No. 139 Leg.]

YEAS—46

Abraham	Enzi	Murkowski
Akaka	Faircloth	Nickles
Allard	Frist	Roberts
Ashcroft	Gramm	Santorum
Bond	Grams	Sessions
Brownback	Hagel	Shelby
Burns	Helms	Smith (NH)
Campbell	Hutchinson	Smith (OR)
Coats	Hutchison	Snowe
Collins	Inhofe	Thomas
Conrad	Johnson	Thompson
Coverdell	Kempthorne	Thurmond
D'Amato	Kyl	Warner
DeWine	Lugar	Wellstone
Domenici	McCain	
Dorgan	McConnell	

NAYS—54

Baucus	Ford	Levin
Bennett	Glenn	Lieberman
Biden	Gorton	Lott
Bingaman	Graham	Mack
Boxer	Grassley	Mikulski
Breaux	Gregg	Moseley-Braun
Bryan	Harkin	Moynihan
Bumpers	Hatch	Murray
Byrd	Hollings	Reed
Chafee	Inouye	Reid
Cleland	Jeffords	Robb
Cochran	Kennedy	Rockefeller
Craig	Kerrey	Roth
Daschle	Kerry	Sarbanes
Dodd	Kohl	Specter
Durbin	Landrieu	Stevens
Feingold	Lautenberg	Torricelli
Feinstein	Leahy	Wyden

The amendment (No. 552) was rejected.

Mr. ROTH. Mr. President, I move to reconsider the vote.

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

The motion to lay on the table was agreed to.

The PRESIDING OFFICER. May we have order, please.

Mr. ROTH. Mr. President, what is the pending order?

Mr. MOYNIHAN. Mr. President, we must have order.

The PRESIDING OFFICER. We will not proceed until there is order in the Chamber.

AMENDMENT NO. 554

The PRESIDING OFFICER. The pending question is on the Kerry of Massachusetts amendment No. 554.

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

Mr. KERRY. Mr. President, may we have order.

The PRESIDING OFFICER. Two minutes equally divided. The Senator from Massachusetts.

Mr. KERRY. May we have order, Mr. President.

The PRESIDING OFFICER. May we have order, please.

Mr. KERRY. Mr. President, we just heard the Senator from Texas talk about getting a child tax credit for children. Under the child tax credit as it is written in the Finance Committee bill, 99 percent of the children eligible in the lowest 20 percent of income will not get it; 86 percent of the children in the next quintile will not get it. This is because, as we all know, most people in America pay their taxes by the payroll tax.

What I do in my amendment is take the Contract With America provision that was supported by Senator GRAMM, Senator LOTT, and Senator COATS and apply a refundable tax credit so that we expand by 7 million the number of children who will be given a tax credit. If we really want the working people of America to get this credit, it is appropriate that a working family that is earning $22,000 with two parents and two children be able to get the credit. Under the current legislation, they would not get the credit.

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

Mr. KERRY. Only by the Contract With America provision can we expand the number of children.

The PRESIDING OFFICER. One minute in opposition. The Senator from Oklahoma.

Mr. NICKLES. Mr. President, I urge any colleagues to vote no on the Kerry amendment. This is really an amendment to make the credit refundable. Another way of saying that, this is a way for the Federal Government to spend more money. Costed out, the outlays will increase in this bill under this amendment by $22 billion over 5 years, by $47 billion over 10 years.

I might mention, refundable credits are one of the most fraudulent in government. The EITC program has exploded. It has an error rate of over 25 percent. This is an amendment to redistribute wealth, and it denies tax credits for families that have incomes above $60,000. I urge my colleagues to vote no on this amendment.

Mr. DOMENICI. Mr. President, I rise to make a point of order against the

amendment. It would increase outlays by $22 billion over 5 years, $47 billion over 10 years and it thus violates section 302(b) of the Budget Act.

Mr. KERRY addressed the Chair.

The PRESIDING OFFICER. The Senator from Massachusetts.

Mr. KERRY. Mr. President, this is revenue neutral, and I move to waive the Budget Act to accept a revenue neutral amendment.

The PRESIDING OFFICER. Does the Senator ask for the yeas and nays?

Mr. ROTH. Yeas and nays.

Mr. KERRY. I ask for the yeas and nays.

The PRESIDING OFFICER. Is there a sufficient second? There is a sufficient second.

The PRESIDING OFFICER. The yeas and nays were ordered.

There are 2 minutes equally divided on this vote.

The Senator from Massachusetts.

Mr. KERRY. Mr. President, let me just say to my colleagues this does not cost one penny additional because we change the phase-in. It is $100,000 plus that you extended to the people in the Finance Committee. I put the phaseout at $65,000 to $70,000, and we phase in the children by age. So there is no impact on the budget. It is revenue neutral.

Mr. NICKLES addressed the Chair.

The PRESIDING OFFICER. May we have order, please.

Mr. KERRY. And it extends it to 7 million additional children. You cannot say you are covering working children in America if a working family is not able to take advantage of the credits.

The PRESIDING OFFICER. The time has expired.

Mr. NICKLES addressed the Chair.

The PRESIDING OFFICER. If we can all have order, please.

The Senator from Oklahoma has 1 minute.

Mr. NICKLES. Mr. President, I am advised by the Senator from New Mexico that the low-income family with two children under the EITC Program, if they have incomes of about $14,000, receive a refundable tax credit of $3,680, a lot more than their total tax liability. The Senator from Massachusetts wants to add to that and increase outlays by $22 billion.

Mr. DOMENICI addressed the Chair.

The PRESIDING OFFICER. The Senator from New Mexico.

Mr. DOMENICI. Mr. President, there is a budget point of order, neutrality or no neutrality. The expenditures in this amendment exceed the expenditures that are allocated under the budget resolution, and the Budget Act says you cannot spend more than is allocated to the committee, regardless of whether it is neutral or not.

Mr. BYRD. Mr. President, may we have order in the Chamber.

VOTE ON MOTION TO WAIVE THE BUDGET ACT

The PRESIDING OFFICER. The Senate will be in order. The question is on agreeing to the motion to waive the point of order. The yeas and nays have been ordered. The clerk will call the roll.

The assistant legislative clerk called the roll.

Mr. FORD. I announce that the Senator from Illinois [Mr. DURBIN] is necessarily absent.

The PRESIDING OFFICER. Are there any other Senators in the Chamber who desire to vote?

The yeas and nays resulted—yeas 39, nays 60, as follows:

[Rollcall Vote No. 140 Leg.]

YEAS—39

Akaka	Feingold	Lautenberg
Biden	Feinstein	Leahy
Bingaman	Ford	Levin
Boxer	Glenn	Mikulski
Breaux	Harkin	Murray
Bumpers	Hollings	Reed
Cleland	Inouye	Reid
Coats	Jeffords	Robb
Collins	Johnson	Sarbanes
Conrad	Kennedy	Specter
Daschle	Kerry	Torricelli
Dodd	Kohl	Wellstone
Dorgan	Landrieu	Wyden

NAYS—60

Abraham	Frist	McCain
Allard	Gorton	McConnell
Ashcroft	Graham	Moseley-Braun
Baucus	Gramm	Moynihan
Bennett	Grams	Murkowski
Bond	Grassley	Nickles
Brownback	Gregg	Roberts
Bryan	Hagel	Rockefeller
Burns	Hatch	Roth
Byrd	Helms	Santorum
Campbell	Hutchinson	Sessions
Chafee	Hutchison	Shelby
Cochran	Inhofe	Smith (NH)
Coverdell	Kempthorne	Smith (OR)
Craig	Kerrey	Snowe
D'Amato	Kyl	Stevens
DeWine	Lieberman	Thomas
Domenici	Lott	Thompson
Enzi	Lugar	Thurmond
Faircloth	Mack	Warner

NOT VOTING—1

Durbin

The PRESIDING OFFICER. On this vote the nays are 60, the ayes are 39. Three-fifths of the Senators duly chosen and sworn not voting in the affirmative, the motion is rejected. The point of order is sustained and the amendment falls.

Mr. ROTH. Mr. President, I move to reconsider the vote.

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

The motion to lay on the table was agreed to.

AMENDMENT NO. 537

The PRESIDING OFFICER. The question now is on the Domenici amendment No. 537, to which the pending business is the second-degree amendment, No. 539.

The Senator from New Mexico.

AMENDMENT NO. 539 TO AMENDMENT NO. 537

Mr. DOMENICI. I do not see Senator BIDEN on the floor but I do see Senator GRAMM. Do you object if I modify my amendment to include your Biden-Gramm amendment, so when we vote on mine we would be taking yours with us?

Mr. GRAMM. Why don't we put it on my amendment?

Mr. DOMENICI. I will object. Do you object?

Mr. GRAMM. No, being a sweet, wonderful person, I will not object.

Mr. DOMENICI. Being that everyone in the Chamber would want it to happen, he agrees.

The PRESIDING OFFICER. Is there objection? Hearing none, it is so ordered.

The amendment (No. 539) was agreed to.

AMENDMENT NO. 537, AS AMENDED

The PRESIDING OFFICER. There will be 2 minutes equally divided.

Mr. DOMENICI. Mr. President, I am the proponent of the waiver at this point, so I get 1 minute for the waiver.

All we have done here is taken current law, with reference to points of order and the processes that we have to enforce budgets, the pay-go, and what we put in is the 5-year caps which we did on the last 5-year budget. We only did 2 years on the defense wall instead of 5. That exists today.

Mr. MOYNIHAN. Mr. President, we must have order.

The PRESIDING OFFICER (Ms. COLLINS). The Senate will be in order.

Mr. DOMENICI. So, in order to enforce the agreement that we are claiming is a balanced budget, we must adopt this amendment or it is unenforceable, in terms of the appropriated accounts.

Mr. MOYNIHAN. Madam President, might I just take a moment to observe that, with no uproar, we are about to do something rather important. In this vote on budget procedures we are going to legislate a change in the inflation index used to update official calculations of baseline spending.

Under section 257 of the Balanced Budget and Emergency Deficit Control Act of 1985 (Gramm-Rudman-Hollings), required inflation adjustments are made using a ''fixed-weight index'' produced by the Commerce Department's Bureau of Economic Analysis. Section 1559(a)(3), of the changes in budget enforcement procedures now before us, require that in the future the adjustments should be based on the ''domestic product chain-type price index''—also produced by the Bureau of Economic Analysis. Given the improvements in index number theory, this is a perfectly appropriate change.

Might I also just remind my colleagues that the Department of Labor's Bureau of Labor Statistics compiles two other indexes used by the Government—CPI–U which is used to adjust provisions of the Tax Code and CPI–W which is used to adjust benefits such as Social Security.

For the record I note that none of these indexes give the same estimate of inflation.

Here are the numbers for 1996:

[In percent]

CPI–U	3.0
CPI–W	2.9
Fixed Weight Price Index	2.3
Chain Weight Price Index	2.1

Today's vote on budget procedures should be recalled when we return—as we must—to the issue of producing an accurate cost of living index for the purpose of automatic indexation of

Government programs. No one is referring to today's legislative actions as ''politicizing'' the calculation of budget updates. We are just getting the numbers right.

And no one should refer to legislating a correction in automatic indexation formulas as a ''political'' fix.

The PRESIDING OFFICER. The Senator from Delaware.

Mr. BIDEN. Madam President, I ask unanimous consent that Senators HATCH and GREGG be added as cosponsors to the amendment.

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

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

The PRESIDING OFFICER. Is there a sufficient second?

There is a sufficient second.

The yeas and nays were ordered.

The PRESIDING OFFICER. The Senator from Texas.

Mr. GRAMM. Madam President, I would like the 1 minute on the Biden-Gramm second-degree amendment.

The PRESIDING OFFICER. The 1 minute has expired.

Mr. GRAMM. But we have a second-degree amendment that was added to the Domenici amendment by unanimous consent. We would like it.

The PRESIDING OFFICER. The amendment has been accepted. All time has expired.

Mr. DOMENICI. I ask consent that he gets 1 minute. It is fair.

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

The Senate will be in order.

Mr. GRAMM. Let me take 30 seconds and allow Senator BIDEN to have the other 30 seconds. Our colleagues will remember that we set up a violent crime trust fund to guarantee adequate funding for law enforcement, and for our antidrug effort. That provision was set to expire and all we are doing in this amendment is simply extending that trust fund. This is a mightily important matter. I am confident no one is going to oppose it. I simply wanted to make note of what we are doing. I yield the remainder of the time.

Mr. BIDEN. Madam President, there is nothing to add. This is simply extending the extent, the life of this agreement—the existence of the trust fund.

VOTE ON AMENDMENT NO. 537, AS AMENDED

The PRESIDING OFFICER. All time has expired. The question is on agreeing to the amendment. The yeas and nays have been ordered.

The clerk will call the roll.

The legislative clerk called the roll.

The PRESIDING OFFICER. Are there any other Senators in the Chamber who desire to vote?

The result was announced, yeas 98, nays 2, as follows:

[Rollcall Vote No. 141 Leg.]

YEAS—98

Abraham	Allard	Baucus
Akaka	Ashcroft	Bennett
Biden	Glenn	Mack
Bingaman	Gorton	McCain
Bond	Graham	McConnell
Boxer	Gramm	Mikulski
Breaux	Grams	Moseley-Braun
Brownback	Grassley	Moynihan
Bryan	Gregg	Murkowski
Burns	Hagel	Murray
Byrd	Harkin	Nickles
Campbell	Hatch	Reed
Chafee	Helms	Reid
Cleland	Hollings	Robb
Coats	Hutchinson	Roberts
Cochran	Hutchison	Rockefeller
Collins	Inhofe	Roth
Conrad	Inouye	Santorum
Coverdell	Jeffords	Sarbanes
Craig	Johnson	Sessions
D'Amato	Kempthorne	Shelby
Daschle	Kennedy	Smith (NH)
DeWine	Kerrey	Smith (OR)
Dodd	Kerry	Snowe
Domenici	Kohl	Specter
Dorgan	Kyl	Stevens
Durbin	Landrieu	Thomas
Enzi	Lautenberg	Thompson
Faircloth	Leahy	Thurmond
Feingold	Levin	Torricelli
Feinstein	Lieberman	Warner
Ford	Lott	Wyden
Frist	Lugar	

NAYS—2

Bumpers	Wellstone

The amendment (No. 537), as amended, was agreed to.

Mr. MOYNIHAN. Madam President, I move to reconsider the vote by which the amendment was agreed to.

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

The motion to lay on the table was agreed to.

Mr. DOMENICI addressed the Chair.

The PRESIDING OFFICER. The Senator from New Mexico.

Mr. DOMENICI. Madam President, what actually happened on that vote, the Parliamentarian misunderstood and he had us vote up or down on this amendment, and I had asked that it be a waiver of the Budget Act. In light of the fact we have—how many votes?

The PRESIDING OFFICER. Ninety-eight yeas.

Mr. DOMENICI. I would like to clear the amendment and make sure we have waived the Budget Act for this amendment so it is no longer possible to raise a point of order against it.

So I move to waive the Budget Act for consideration of this amendment to this bill and any conference report that returns with it in.

VOTE ON MOTION TO WAIVE THE BUDGET ACT

The PRESIDING OFFICER. The question is on agreeing to the motion to waive the Budget Act with respect to amendment No. 539, as amended.

The motion was agreed to.

Mr. MOYNIHAN. Madam President, I move to reconsider the vote by which the motion was agreed to.

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

The motion to lay on the table was agreed to.

Mr. ROTH. The next amendment is Senator GRAMM's.

The PRESIDING OFFICER. The Senator from Texas is recognized.

AMENDMENT NO. 566

(Purpose: To guarantee a balanced Federal budget and expand tax relief options)

Mr. GRAMM. Madam President, let me remind everybody that in the budget that we are enforcing here, we had $7 billion of net deficit reduction as compared to current policy. Ninety-seven percent of deficit reduction was simply assumed. That deficit reduction and policy changes has now fallen to $1 billion because we are short on spectrum.

Everything we are doing in balancing the budget is based on assumptions. The only enforcement mechanism we now have is on discretionary spending, and the first act in considering this budget was waiving that discretionary spending cap in the last budget.

My amendment sets out the deficit reduction targets that we have committed to and enforces them with an across-the-board cut if we refuse to meet them. Also, my provision says that in paying for a tax cut, you can pay for it by cutting entitlements, by raising other taxes or by lowering the discretionary spending caps. So it gives us the option in the future, if we ever do another tax cut, to not have to cut Medicare in order to pay for tax cuts, so that if we want to reduce discretionary spending and put a spending cap in place, we can do it.

This budget has a lot of assumptions in it. We need as strong as possible an enforcement. If you want strong enforcement, vote for this amendment.

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

Mr. LAUTENBERG addressed the Chair.

The PRESIDING OFFICER. The Senator from New Jersey.

Mr. LAUTENBERG. Madam President, I oppose the Gramm amendment. The amendment would radically change current budget rules by allowing temporary, unspecified cuts in discretionary programs to pay for permanent tax cuts. That would violate the bipartisan budget agreement and could explode the deficit in the future.

This amendment also brings back the discredited Gramm-Rudman system of automatic across-the-board cuts, the system that led to a proliferation of gimmicks and rosy scenarios, and we didn't significantly reduce the deficit until we got rid of it.

Madam President, fool me once, shame on you; fool me twice, shame on us. I yield the remainder of my time to my colleague from New Mexico.

The PRESIDING OFFICER. The Senator from New Mexico.

Mr. DOMENICI. Madam President, Gramm-Rudman-Hollings didn't work before, and it won't work the next time. The Senator from Texas would like to put back into effect Gramm-Rudman-Hollings automatic sequesters if you miss your targets. As a Senator, I personally don't believe you ought to offset appropriated accounts, to cut them to put in permanent tax cuts. I think that deserves far more consideration than 30 seconds on the floor of the Senate.

Mr. LAUTENBERG. Madam President, I raise a point of order that the pending amendment is extraneous and violates section 313(b)(1)(A) of the Congressional Budget Act.

The PRESIDING OFFICER. If the Senator will withhold, the clerk will first report the amendment.

The bill clerk read as follows:

The Senator from Texas [Mr. GRAMM] proposes an amendment numbered 566.

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

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

The amendment is as follows:

At the appropriate place, add the following:

SEC. . GUARANTEED BALANCED BUDGET.

(a) MAXIMUM DEFICIT AMOUNT.—Section 253 of the Balanced Budget and Emergency Deficit Control Act of 1985 is amended—

(1) in subsection (b), in the last sentence by striking the period and inserting ''and $10,000,000,000 for fiscal years 1998 and thereafter.''; and

(2) by striking subsections (g) and (h) and inserting the following:

''(g) MAXIMUM DEFICIT AMOUNT.—In this section—

''(1) Notwithstanding any provision of this or the term 'deficit' shall have the same meaning as the term 'deficit' in section 3(6) of the Congressional Budget and Impoundment Control Act of 1974 as on the day before the date of enactment of the Budget Enforcement Act of 1990; and

''(2) the term 'maximum deficit amount' means—

''(A) with respect to fiscal year 1998, $90,500,000,000;

''(B) with respect to fiscal year 1999, $89,500,000,000;

''(C) with respect to fiscal year 2000, $82,900,000,000;

''(D) with respect to fiscal year 2001, $53,100,000,000;

''(E) with respect to fiscal year 2002 and fiscal years thereafter, zero.''

(b) LOOK-BACK SEQUESTER.—Section 253 of the Balanced Budget and Emergency Deficit Control Act of 1985 is amended by adding at the end thereof the following new subsection:

''(h) LOOK-BACK SEQUESTER.—

''(1) IN GENERAL.—On July 1 of each fiscal year, the Director of OMB shall determine if laws effective during the current fiscal year will cause the deficit to exceed the maximum deficit amount for such fiscal year. If the limit is exceeded, there shall be a preliminary sequester of July 1 to eliminate the excess.

''(2) PERMANENT SEQUESTER.—Budget authority sequestered on July 1 pursuant to paragraph (1) shall be permanently canceled on July 15.

''(3) NO MARGIN.—The margin for determining a sequester under this subsection shall be zero.

''(4) SQUESTRATION PROCEDURES.—The provision of subsections (c), (d), and (e) of this section shall apply to a sequester under this subsection.''

(c) OFFSETTING TAX CUTS WITH CUTS IN DISCRETIONARY SPENDING.—Section 252 of the Balanced Budget and Emergency Deficit Control Act of 1985 is amended by adding at the end the following:

''(f) OFFSETS WITH DISCRETIONARY SPENDING.—For purposes of subsection (b), revenue reductions increasing the deficit may be offset by reductions in discretionary appropriated amounts reducing the deficit.''.

(d) ADJUSTMENT OF DISCRETIONARY SPENDING LEVELS FOR TAX CUTS.—Section 251(b)(2) of the Balanced Budget and Emergency Deficit Control Act of 1985 is amended by adding at the end the following:

''(I) TAX RELIEF ADJUSTMENTS.—If, for any fiscal year or years, appropriations for discretionary appropriations are reduced that Congress and the President designate in statute as offsets for tax relief, the adjustments shall be the total amount of such reductions in appropriations in discretionary accounts and the outlays flowing in all years from such reduction.''

(e) Notwithstanding, any provision of this or any other Act, section 253 of the Balanced Budget and Emergency Deficit Control Act is extended through fiscal year 2002.

The PRESIDING OFFICER. The Senator from Texas.

Mr. GRAMM. Madam President, under section 904 of the Budget Act, I move to waive the point of order against the pending amendment, and I ask for the yeas and nays.

The PRESIDING OFFICER. Is there a sufficient second?

There is a sufficient second.

The yeas and nays were ordered.

VOTE ON MOTION TO WAIVE THE BUDGET ACT

The PRESIDING OFFICER. The question is on agreeing to the motion to waive the Budget Act with respect to amendment No. 566. The yeas and nays have been ordered. The clerk will call the roll.

The legislative clerk called the roll.

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

The yeas and nays resulted—yeas 37, nays 63, as follows:

[Rollcall Vote No. 142 Leg.]

YEAS—37

Abraham	Grams	Mack
Allard	Grassley	McCain
Ashcroft	Gregg	McConnell
Bond	Hagel	Nickles
Brownback	Hatch	Santorum
Coats	Helms	Sessions
Collins	Hollings	Shelby
Coverdell	Hutchinson	Smith (NH)
Craig	Hutchison	Thomas
Enzi	Inhofe	Thompson
Faircloth	Kempthorne	Thurmond
Frist	Kyl	
Gramm	Lott	

NAYS—63

Akaka	Dorgan	Lugar
Baucus	Durbin	Mikulski
Bennett	Feingold	Moseley-Braun
Biden	Feinstein	Moynihan
Bingaman	Ford	Murkowski
Boxer	Glenn	Murray
Breaux	Gorton	Reed
Bryan	Graham	Reid
Bumpers	Harkin	Robb
Burns	Inouye	Roberts
Byrd	Jeffords	Rockefeller
Campbell	Johnson	Roth
Chafee	Kennedy	Sarbanes
Cleland	Kerrey	Smith (OR)
Cochran	Kerry	Snowe
Conrad	Kohl	Specter
D'Amato	Landrieu	Stevens
Daschle	Lautenberg	Torricelli
DeWine	Leahy	Warner
Dodd	Levin	Wellstone
Domenici	Lieberman	Wyden

The PRESIDING OFFICER. On this vote the yeas are 37, the nays are 63. Three-fifths of the Senators duly chosen and sworn not having voted in the affirmative, the motion is rejected. The point of order is sustained, and the amendment falls.

Mr. ROTH. I move to reconsider the vote.

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

The motion to lay on the table was agreed to.

The PRESIDING OFFICER. Under the previous order, the Senator from Arkansas is recognized to offer an amendment on which there will be 2 minutes of debate equally divided.

The Senator from Arkansas.

AMENDMENT NO. 568

(Purpose: To prohibit the scoring, for budget purposes, of revenues associated with the sale of certain federal lands)

Mr. BUMPERS. Madam President, I send an amendment to the desk.

The PRESIDING OFFICER. The clerk will report the amendment.

The bill clerk read as follows:

The Senator from Arkansas [Mr. BUMPERS] proposes an amendment numbered 568.

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

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

The amendment is as follows:

At the appropriate place add the following:

''(f) BUDGETARY TREATMENT OF SALES OF CERTAIN FEDERAL LANDS.—The amounts realized from the sale or lease of lands or interests in lands which are part of the National Park System, the Forest Service System or the U.S. Fish and Wildlife refuge system shall not be scored with respect to the level of budget authority, outlays, or revenues.''

Mr. BUMPERS. Madam President, this amendment will prohibit the scoring of the sale of any lands from a national park or a national wildlife refuge or Forest Service lands.

To my colleagues, I want to say, I have witnessed over the past 10 years an irresistible urge on the part of some of my colleagues to dispose of some of the national treasures of this country, even suggesting a commission to determine which lands, which national parks, we can do without and sell.

This amendment is designed to do two things. No. 1, it is designed to discourage that by making it impossible to score the proceeds from a sale of national parks, Forest Service lands, or wildlife refuges in a reconciliation bill; and, No. 2, I want to say that I think it is a terrible practice. When I was Governor, I never allowed a one-time asset to be used in the budget.

Finally, to those who would say, well, this will keep us from leasing ANWR, that is simply not true. You can lease ANWR. You can lease anything, wildlife refuge or otherwise, but you cannot use it as an asset in the reconciliation bill.

I yield back such time as I may have.

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

Mr. DOMENICI. Madam President, fellow Senators, the bipartisan budget agreement and the Domenici-Lautenberg amendment revised the asset sale scoring rule. The new rule prohibits scoring asset sales that would lead to a financial loss to the Government.

Much work has gone into this. Democrats and Republicans have worked on it. Senator BUMPERS wants to make a special exception for public lands.

Let me suggest the awesome situation that he has talked about never has happened in the U.S. Senate. We have never tried to sell national parks. We have never had any commission to sell national parks. Somebody in the House had a wild idea, and, frankly, that is never going to happen here.

As a matter of fact, this amendment, what we have already adopted, says that if there is any financial loss to the Government, you cannot count an asset sale.

I make a point of order against the Bumpers amendment. It violates section 313 of the Budget Act.

Mr. BUMPERS. Madam President, I move to waive the Budget Act for Senate consideration of my amendment.

I ask for the yeas and nays.

The PRESIDING OFFICER. Is there a sufficient second?

There is a sufficient second.

The yeas and nays were ordered.

VOTE ON MOTION TO WAIVE THE BUDGET ACT

The PRESIDING OFFICER. The question occurs on agreeing to the motion to waive the Budget Act. The yeas and nays have been ordered. The clerk will call the roll.

The bill clerk called the roll.

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

The yeas and nays resulted—yeas 48, nays 52, as follows:

[Rollcall Vote No. 143 Leg.]

YEAS—48

Akaka	Ford	Levin
Biden	Glenn	Lieberman
Bingaman	Graham	Mikulski
Boxer	Gregg	Moseley-Braun
Bryan	Harkin	Moynihan
Bumpers	Hollings	Murray
Byrd	Inouye	Reed
Chafee	Jeffords	Reid
Cleland	Johnson	Robb
Collins	Kennedy	Rockefeller
Conrad	Kerrey	Sarbanes
Daschle	Kerry	Snowe
Dodd	Kohl	Specter
Dorgan	Landrieu	Torricelli
Durbin	Lautenberg	Wellstone
Feingold	Leahy	Wyden

NAYS—52

Abraham	Faircloth	McCain
Allard	Feinstein	McConnell
Ashcroft	Frist	Murkowski
Baucus	Gorton	Nickles
Bennett	Gramm	Roberts
Bond	Grams	Roth
Breaux	Grassley	Santorum
Brownback	Hagel	Sessions
Burns	Hatch	Shelby
Campbell	Helms	Smith (NH)
Coats	Hutchinson	Smith (OR)
Cochran	Hutchison	Stevens
Coverdell	Inhofe	Thomas
Craig	Kempthorne	Thompson
D'Amato	Kyl	Thurmond
DeWine	Lott	Warner
Domenici	Lugar	
Enzi	Mack	

The PRESIDING OFFICER. On this question, the yeas are 47, the nays are 52. Three-fifths of the Senators duly chosen and sworn not having voted in the affirmative, the motion is rejected, the point of order is sustained, and the amendment falls.

Mr. ROTH. I move to reconsider the vote.

Mr. MOYNIHAN. I move to lay it on the table.

The motion to lay on the table was agreed to.

AMENDMENT NO. 569

(Purpose: To modify the pay-as-you-go requirement of the budget process to prohibit the use of tax increases to pay for mandatory spending increases)

The PRESIDING OFFICER. Under the previous order, the Senator from Idaho is recognized to offer an amendment on which there will be 2 minutes of debate equally divided.

Mr. CRAIG. Madam President, I send an amendment to the desk.

The PRESIDING OFFICER (Mr. ENZI). The clerk will report.

The legislative clerk read as follows:

The Senator from Idaho [Mr. CRAIG] proposes an amendment numbered 569.

Mr. CRAIG. I ask unanimous consent the reading of the amendment be dispensed with.

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

The amendment is as follows:

At the appropriate place insert the following:

SEC. . RESTRICTION ON THE USE OF TAX INCREASES.

(a) IN GENERAL.—In the Senate, for purposes of section 202 of House Concurrent Resolution 67 (104th Congress), it shall not be in order to consider any bill, joint resolution, amendment, motion, or conference report that provides an increase in direct spending offset by an increase in receipts.

(b) WAIVER.—This section may be waived or suspended in the Senate only by the affirmative vote of three-fifths of the Members, duly chosen and sworn.

(c) APPEALS.—Appeals in the Senate from the decisions of the Chair relating to any provision of this section shall be limited to 1 hour, to be equally divided between, and controlled by, the appellant and the manager of the concurrent resolution, bill, or joint resolution, as the case may be. An affirmative vote of three-fifths of the Members of the Senate, duly chosen and sworn, shall be required in the Senate to sustain an appeal of the ruling of the Chair on a point of order raised under this section.

(d) DETERMINATION OF BUDGET LEVELS.—For purposes of this section, the levels of direct spending and receipts for a fiscal year shall be determined on the basis of estimates made by the Committee on the Budget of the Senate.

Mr. CRAIG. Mr. President, my amendment would change the current pay-go procedures by establishing a 60-vote point of order against using tax increases to pay for new mandatory spending increases. My amendment is the first step toward reining in the uncontrolled costs of mandatory spending programs that I believe threaten our fiscal future. This budget should have gone further in entitlement reform and it should not have added more entitlement spending, but there is one reform that should be made definitely, and that is to cause no further harm.

My amendment will not affect a single current beneficiary of a single existing entitlement program. My amendment will not affect a single person who will qualify to become a beneficiary under the current requirements of any existing entitlement program. My amendment will not prevent the creation of a new entitlement program if there is a true need for the program. It simply will require that such a need be truly demonstrated.

My amendment will not prevent a tax increase that is used for deficit reduction.

What my amendment will do is put an end to the fiction that tax increases are capable of offsetting the cost of additional mandatory spending.

Mr. LAUTENBERG addressed the Chair.

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

Mr. LAUTENBERG. Mr. President, I rise to oppose the Craig amendment. The amendment would change the pay-go system and mean that we could not provide for health insurance to children by closing unnecessary tax loopholes. You heard it from the Senator directly.

This is outrageous. It would undermine our efforts to ensure that all of the 10 million children who lack health coverage in this country can have it. There are already budget rules that limit the use of savings that come from tax loopholes. This amendment would go much farther and make it tougher to invest in children's health programs. If you vote for the Craig amendment, you are voting to protect tax loopholes. If you vote against it, you are voting to help children obtain health insurance in the future.

The PRESIDING OFFICER. All time is expired.

Mr. LAUTENBERG. Mr. President, I raise a point of order that the pending amendment is extraneous and violates section 313(b)(1)(A) of the Congressional Budget Act.

Mr. CRAIG. Mr. President, under section 904 of the Budget Act, I move to waive the point of order against the pending amendment, and I ask for the yeas and nays.

The PRESIDING OFFICER. Is there a sufficient second?

There is a such second.

The yeas and nays were ordinary had.

VOTE ON MOTION TO WAIVE THE BUDGET ACT

The PRESIDING OFFICER. The question occurs on agreeing to the motion to waive the Budget Act. The yeas and nays have been ordered. The clerk will call the roll.

The assistant legislative clerk called the roll.

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

The yeas and nays resulted—yeas 42, nays 58, as follows:

[Rollcall Vote No. 144 Leg.]

YEAS—42

Abraham	Faircloth	Inhofe
Allard	Frist	Kempthorne
Ashcroft	Gramm	Kyl
Bennett	Grams	Lott
Brownback	Grassley	Mack
Campbell	Gregg	McCain
Coats	Hagel	McConnell
Coverdell	Hatch	Murkowski
Craig	Helms	Nickles
D'Amato	Hutchinson	Roberts
Enzi	Hutchison	Roth

Santorum	Smith (NH)	Thompson
Sessions	Stevens	Thurmond
Shelby	Thomas	Warner

NAYS—58

Akaka	Dorgan	Levin
Baucus	Durbin	Lieberman
Biden	Feingold	Lugar
Bingaman	Feinstein	Mikulski
Bond	Ford	Moseley-Braun
Boxer	Glenn	Moynihan
Breaux	Gorton	Murray
Bryan	Graham	Reed
Bumpers	Harkin	Reid
Burns	Hollings	Robb
Byrd	Inouye	Rockefeller
Chafee	Jeffords	Sarbanes
Cleland	Johnson	Smith (OR)
Cochran	Kennedy	Snowe
Collins	Kerrey	Specter
Conrad	Kerry	Torricelli
Daschle	Kohl	Wellstone
DeWine	Landrieu	Wyden
Dodd	Lautenberg	
Domenici	Leahy	

The PRESIDING OFFICER. On this vote, the yeas are 42, the nays are 58. Three-fifths of the Senators duly chosen and sworn not having voted in the affirmative, the motion is rejected.

The point of order is sustained, and the amendment fails.

Mr. ROTH. Mr. President, I move to reconsider the vote by which the motion was rejected.

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

The motion to lay on the table was agreed to.

AMENDMENT NO. 570

(Purpose: To establish procedures to ensure a balanced Federal budget by fiscal year 2002)

The PRESIDING OFFICER. Under the previous order, the Senator from Kansas is recognized to offer an amendment on which there are 2 minutes of debate equally divided.

Mr. BROWNBACK. Mr. President, I have an amendment at the desk in the second-degree.

The PRESIDING OFFICER. The clerk will report.

The legislative clerk read as follows:

The Senator from Kansas [Mr. BROWNBACK], for himself, Mr. KOHL, and Mr. MCCAIN, proposes an amendment numbered 570.

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

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

The amendment is as follows:

At the end of the bill, add the following:

TITLE —BUDGET CONTROL

SEC. 01. SHORT TITLE; PURPOSE.

(a) SHORT TITLE.—This title may be cited as the ''Bipartisan Budget Enforcement Act of 1997''.

(b) PURPOSE.—The purpose of this title is—

(1) to ensure a balanced Federal budget by fiscal year 2002;

(2) to ensure that the Bipartisan Budget Agreement is implemented; and

(3) to create a mechanism to monitor total costs of direct spending programs, and, in the event that actual or projected costs exceed targeted levels, to require the President and Congress to address adjustments in direct spending.

SEC.—02. ESTABLISHMENT OF DIRECT SPENDING TARGETS.

(a) IN GENERAL.—The initial direct spending targets for each of fiscal years 1998 through 2002 shall equal total outlays for all direct spending except net interest as determined by the Director of the Office of Management and Budget (hereinafter referred to in this title as the ''Director'') under subsection (b).

(b) INITIAL REPORT BY DIRECTOR.—

(1) IN GENERAL.—Not later than 30 days after the date of enactment of this title, the Director shall submit a report to Congress setting forth projected direct spending targets for each of fiscal years 1998 through 2002.

(2) PROJECTIONS AND ASSUMPTIONS.—The Director's projections shall be based on legislation enacted as of 5 days before the report is submitted under paragraph (1). The Director shall use the same economic and technical assumption used in preparing the concurrent resolution on the budget for fiscal year 1998 (H.Con.Res. 84).

SEC.—03. ANNUAL REVIEW OF DIRECT SPENDING AND RECEIPTS BY PRESIDENT.

As part of each budget submitted under section 1105(a) of title 31, United States Code, the President shall provide an annual review of direct spending and receipts, which shall include—

(1) information on total outlays for programs covered by the direct spending targets, including actual outlays for the prior fiscal year and projected outlays for the current fiscal year and the 5 succeeding fiscal years; and

(2) information on the major categories of Federal receipts, including a comparison between the levels of those receipts and the levels projected as of the date of enactment of this title.

SEC.—04. SPECIAL DIRECT SPENDING MESSAGE BY PRESIDENT.

(a) TRIGGER.—If the information submitted by the President under section——03 indicates—

(1) that actual outlays for direct spending in the prior fiscal year exceeded the applicable direct spending target; or

(2) that outlays for direct spending for the current or budget year are projected to exceed the applicable direct spending targets,

the President shall include in his budget a special direct spending message meeting the requirements of subsection (b).

(b) CONTENTS.—

(1) INCLUSIONS.—The special direct spending message shall include—

(A) an analysis of the variance in direct spending over the direct spending targets; and

(B) the President's recommendations for addressing the direct spending overages, if any, in the prior, current, or budget year.

(2) ADDITIONAL MATTERS.—The President's recommendations may consist of any of the following:

(A) Proposed legislative changes to recoup or eliminate the overage for the prior, current, and budget years in the current year, the budget year, and the 4 outyears.

(B) Proposed legislative changes to recoup or eliminate part of the overage for the prior, current, and budget year in the current year, the budget year, and the 4 outyears, accompanied by a finding by the President that, because of economic conditions or for other specified reasons, only some of the overage should be recouped or eliminated by outlay reductions or revenue increases, or both.

(C) A proposal to make no legislative changes to recoup or eliminate any overage, accompanied by a finding by the President that, because of economic conditions or for other specified reasons, no legislative changes are warranted.

(c) PROPOSED SPECIAL DIRECT SPENDING RESOLUTION.—If the President recommends reductions consistent with subsection (b)(2)(A) or (B), the special direct spending message shall include the text of a special direct spending resolution implementing the President's recommendations through reconciliation directives instructing the appropriate committees of the House of Representatives and Senate to determine and recommend changes in laws within their jurisdictions. If the President recommends no reductions pursuant to (b)(2)(C), the special direct spending message shall include the text of a special resolution concurring in the President's recommendation of no legislative action.

SEC. . REQUIRED RESPONSE BY CONGRESS.

(a) IN GENERAL.—It shall not be in order in the House of Representatives or the Senate to consider a concurrent resolution on the budget unless that concurrent resolution fully addresses the entirety of any overage contained in the applicable report of the President under section ____04 through reconciliation directives.

(b) WAIVER AND SUSPENSION.—This section may be waived or suspended in the Senate only by the affirmative vote of three-fifths of the Members, duly chosen and sworn. This section shall be subject to the provisions of section 258 of the Balanced Budget and Emergency Deficit Control Act of 1985.

(c) APPEALS.—Appeals in the Senate from the decisions of the Chair relating to any provision of this section shall be limited to 1 hour, to be equally divided between, and controlled by, the appellant and the manager of the bill or joint resolution, as the case may be. An affirmative vote of three-fifths of the Members of the Senate, duly chosen and sworn, shall be required in the Senate to sustain an appeal of the ruling of the Chair on a point of order raised under this section.

SEC. 06. RELATIONSHIP TO BALANCED BUDGET AND EMERGENCY DEFICIT CONTROL ACT.

Reductions in outlays or increases in receipts resulting from legislation reported pursuant to section ____05 shall not be taken into account for purposes of any budget enforcement procedures under the Balanced Budget and Emergency Deficit Control Act of 1985.

SEC. 07. ESTIMATING MARGIN.

For any fiscal year for which the overage is less than one-half of 1 percent of the direct spending target for that year, the procedures set forth in sections ____04 and ____05 shall not apply.

SEC. 08. EFFECTIVE DATE.

This title shall apply to direct spending targets for fiscal years 1998 through 2002 and shall expire at the end of fiscal year 2002.

Mr. BROWNBACK. Mr. President, Senator KOHL and I have offered this amendment. It is a very, very simple amendment. It just says if we are going to break the spending caps on this bill, on this budget agreement that we've told the American people is going to balance the budget, if we're going to break the spending limits on it, we have to vote on it. And we have to vote and pass that by a 60-vote margin. That's it.

The President has to say how he is going to get us to a balanced budget. If we're going to break that cap, he has to say how he is going to get us to a balanced budget; if we're going to break that spending cap, he has to say where we're going to make the spending cuts, and we have to vote if we are going to break it.

I think this is the least we can do for the American people. It says, ''Folks,

we meant it when we said we were going to balance the budget. We meant it when we said we're going to balance it by the year 2002.'' And if we are going to break it, we've got to break it by a 60-vote margin.

I yield the remainder of my time to Senator KOHL.

Mr. KOHL. Thank you.

Mr. President, I also am a supporter of this amendment. What it simply says is that we are going to do what we set out to do, which is to balance the budget, and, if we go over it in any year, then we are going to have to decide how we are going to reduce that spending to be sure we stay on target to get the budget balanced over the next several years. That is all this does. It is not a sequester. Nobody should fear that. But it is simply an enforcement mechanism which is necessary.

Mr. LAUTENBERG. Mr. President, this amendment is a fast-track ticket to deep cuts in Medicare and Medicaid. It would essentially create a cap for these and other essential mandatory programs like the Medicare and Medicaid.

Mr. President, we ought not punish the people who are on Medicaid or Medicare just because these programs grow faster than a particular rate. Sometimes growth in these programs could be good.

For example, the first reconciliation bill includes money to recruit 3 million uninsured Medicaid-eligible children to sign up for the program. If this happens, obviously Medicaid spending is going to increase. But the question is, What do we want to do? Do we want to take care of those kids or don't we? This would not be a good reason to cut the program. This is a dangerous gimmick. We can balance the budget without it. Furthermore, we ought not accept an amendment that could force quick, drastic cuts in Medicare and Medicaid.

I urge my colleagues to oppose this amendment to protect Medicare and Medicaid.

Mr. President, I raise a point of order that the pending amendment is extraneous and violates section 313(b)(1)(A) of the Congressional Budget Act.

Mr. BROWNBACK. Mr. President, I make a motion to waive the Budget Act with respect to my amendment, and I ask for the yeas and nays.

The PRESIDING OFFICER. Is there a sufficient second question?

There is a sufficient second.

The yeas and nays were ordered.

VOTE ON MOTION TO WAIVE THE BUDGET ACT

The PRESIDING OFFICER. The question occurs on the motion to waive the Budget Act. The yeas and nays have been ordered. The clerk will call the roll.

The legislative clerk called the roll.

The yeas and nays resulted— yeas 57, nays 43, as follows:

[Rollcall Vote No. 145 Leg.]

YEAS—57

Abraham	Frist	McCain
Allard	Gorton	McConnell
Ashcroft	Gramm	Murkowski
Bennett	Grams	Nickles
Bond	Grassley	Robb
Brownback	Gregg	Roberts
Burns	Hagel	Roth
Campbell	Hatch	Santorum
Chafee	Helms	Sessions
Coats	Hutchinson	Shelby
Cochran	Hutchison	Smith (NH)
Collins	Inhofe	Smith (OR)
Coverdell	Jeffords	Snowe
Craig	Kempthorne	Specter
D'Amato	Kohl	Stevens
DeWine	Kyl	Thomas
Domenici	Lott	Thompson
Enzi	Lugar	Thurmond
Faircloth	Mack	Warner

NAYS—43

Akaka	Feingold	Levin
Baucus	Feinstein	Lieberman
Biden	Ford	Mikulski
Bingaman	Glenn	Moseley-Braun
Boxer	Graham	Moynihan
Breaux	Harkin	Murray
Bryan	Hollings	Reed
Bumpers	Inouye	Reid
Byrd	Johnson	Rockefeller
Cleland	Kennedy	Sarbanes
Conrad	Kerrey	Torricelli
Daschle	Kerry	Wellstone
Dodd	Landrieu	Wyden
Dorgan	Lautenberg	
Durbin	Leahy	

The PRESIDING OFFICER. On this vote, the yeas are 57, the nays are 43. Three-fifths of the Senators duly chosen and sworn not having voted in the affirmative, the motion is not agreed to. The point of order is sustained and the amendment falls.

Mr. MOYNIHAN. Mr. President, I move to reconsider the vote.

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

The motion to lay on the table was agreed to.

AMENDMENT NO. 571

(Purpose: To establish an enforcement mechanism in the Senate to ensure a balanced budget beginning with fiscal year 2002 and to require the President to submit balanced budgets)

The PRESIDING OFFICER. Under the previous order, the Senator from Tennessee is recognized to offer an amendment on which there is 2 minutes of debate equally divided.

May we have order in the Senate so we may proceed with the business of the day.

The clerk will report the amendment.

The assistant legislative clerk read as follows:

The Senator from Tennessee [Mr. FRIST], for himself, Mr. CONRAD, Mr. ABRAHAM, and Mr. SESSIONS, proposes an amendment numbered 571.

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

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

The amendment is as follows:

At the appropriate place in the ____, add the following:

SEC. . ENFORCEMENT OF BALANCED BUDGET.

(a) IN THE SENATE.—Title III of the Congressional Budget Act of 1974 is amended by adding at the end the following:

''ENFORCEMENT OF BALANCED BUDGET IN THE SENATE

''SEC. 315. (a) POINT OF ORDER.—It shall not be in order in the Senate to consider any resolution or bill (or amendment, motion, or conference report on such resolution or bill) that provides or would cause a deficit (as determined for purposes of the Bipartisan Budget Agreement of May 16, 1997) for fiscal year 2002 or any fiscal year thereafter.

''(b) WAIVER AND SUSPENSION.—This section may be waived or suspended in the Senate only by the affirmative vote of three-fifths of the Members, duly chosen and sworn. This section shall be subject to the provisions of section 258 of the Balanced Budget and Emergency Deficit Control Act of 1985.

''(c) APPEALS.—Appeals in the Senate from the decisions of the Chair relating to any provision of this section shall be limited to 1 hour, to be equally divided between, and controlled by, the appellant and the manager of the bill or joint resolution, as the case may be. An affirmative vote of three-fifths of the Members of the Senate, duly chosen and sworn, shall be required in the Senate to sustain an appeal of the ruling of the Chair on a point of order raised under this section.

''(d) DETERMINATION OF BUDGET LEVELS.—For purposes of this section, the levels of new budget authority, outlays, and revenues for a fiscal year shall be determined on the basis of estimates made by the Committee on the Budget of the Senate.''.

(b) PRESIDENT'S BUDGET.—Section 1105(f) of title 31, United States Code, is amended by adding at the end the following: ''The budget shall also be prepared in a manner that does not cause a deficit for fiscal year 2002 or any fiscal year thereafter.''.

Mr. FRIST. Mr. President, this amendment, submitted on behalf of Senators CONRAD, SESSIONS, ABRAHAM, and myself evolves from a simple principle, that is, once we balance the budget, which we will do by 2002, let us keep it in balance thereafter. The amendment has two key provisions. No. 1, establishes a 60-vote point of order against any bill or resolution that will increase the deficit in the year 2002 or any year thereafter, and, No. 2, requires the President to submit a balanced budget every year in 2002 and thereafter.

The amendment does provide exceptions in the event of war or recession. The amendment is consistent with the bipartisan balanced budget agreement.

I reserve the remainder of my time.

Mr. LAUTENBERG addressed the Chair.

The PRESIDING OFFICER. The Senator from New Jersey.

Mr. LAUTENBERG. I am strongly opposed to this amendment. It creates a 60-vote point of order against any budget resolution that shows a unified deficit after the year 2002. We are all committed to protecting against the rising deficit. This amendment, however, means that next year even a modest change in CBO's long-term economic forecast could trigger the need for deep and hurtful cuts. It would be outrageous to cut Medicare or Social Security just because CBO changes its guess about what the economy will look like in 5 years. CBO cannot even predict what the deficit is going to look like in the next 5 months, never mind 5 years. Their recent record is absolutely abysmal. This amendment

also requires that Social Security surpluses be used in calculating the deficit and could make it impossible to use those surpluses in the future to pay for Social Security benefits of retiring baby boomers.

The PRESIDING OFFICER. The Senator's time has expired

Mr. LAUTENBERG. I urge my colleagues to oppose this dangerous and radical amendment and I raise a point of order——

The PRESIDING OFFICER. The point of order cannot be raised until the Senator's time has been used up.

The Senator from Tennessee.

Mr. FRIST. Mr. President, I yield to Senator DOMENICI.

The PRESIDING OFFICER. The Senator from New Mexico.

Mr. DOMENICI. I think this is a very good idea. As a matter of fact, if you look carefully at the agreement we entered into with the White House, it clearly says we are not supposed to do anything that takes the budget out of balance in the year 2002 and beyond. I think perhaps the Senator is just helping us try to enforce that agreement.

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

Mr. LAUTENBERG. I now, Mr. President, raise the point of order that the amendment violates section 313(b)(1)(A) of the Congressional Budget Act.

Mr. FRIST. I move to waive the Budget Act with respect to my amendment. I ask for the yeas and nays.

The PRESIDING OFFICER. Is there a sufficient second? There is a sufficient second.

The yeas and nays were ordered.

VOTE ON MOTION TO WAIVE THE BUDGET ACT

The PRESIDING OFFICER. The question is on agreeing to the motion to waive the Budget Act. The yeas and nays have been ordered. The clerk will call the roll.

The yeas and nays resulted—yeas 59, nays 41, as follows:

[Rollcall Vote No. 146 Leg.]

YEAS—59

Abraham	Feingold	McCain
Allard	Frist	McConnell
Ashcroft	Gorton	Murkowski
Bennett	Gramm	Nickles
Bond	Grams	Robb
Brownback	Grassley	Roberts
Burns	Gregg	Roth
Campbell	Hagel	Santorum
Chafee	Hatch	Sessions
Coats	Helms	Shelby
Cochran	Hutchinson	Smith (NH)
Collins	Hutchison	Smith (OR)
Conrad	Inhofe	Snowe
Coverdell	Jeffords	Specter
Craig	Kempthorne	Stevens
D'Amato	Kohl	Thomas
DeWine	Kyl	Thompson
Domenici	Lott	Thurmond
Enzi	Lugar	Warner
Faircloth	Mack	

NAYS—41

Akaka	Byrd	Glenn
Baucus	Cleland	Graham
Biden	Daschle	Harkin
Bingaman	Dodd	Hollings
Boxer	Dorgan	Inouye
Breaux	Durbin	Johnson
Bryan	Feinstein	Kennedy
Bumpers	Ford	Kerrey
Kerry	Mikulski	Rockefeller
Landrieu	Moseley-Braun	Sarbanes
Lautenberg	Moynihan	Torricelli
Leahy	Murray	Wellstone
Levin	Reed	Wyden
Lieberman	Reid	

The PRESIDING OFFICER. On this vote the yeas are 59, the nays are 41. Three-fifths of the Senators duly chosen and sworn not having voted in the affirmative, the motion is rejected. The point of order is sustained, and the amendment falls.

Mr. LAUTENBERG. Mr. President, I move to reconsider the vote.

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

The motion to lay on the table was agreed to.

AMENDMENT NO. 538

(Purpose: To ensure that future revenue windfalls to the federal Treasury are reserved for tax or deficit reduction—not additional spending)

The PRESIDING OFFICER. Under the previous order, the Senator from Michigan is recognized to offer an amendment on which there is 2 minutes of debate, equally divided. We need to have order in the Senate. The Senate will please come to order.

Mr. ABRAHAM. Mr. President, I call up my amendment No. 538.

The OFFICER. The clerk will report.

The legislative clerk read as follows:

The Senator from Michigan [Mr. ABRAHAM], for himself, Mr. BROWNBACK, Mr. KYL, Mr. SESSIONS, Mr. ENZI, Mr. INHOFE, and Mr. GRAMS, proposes an amendment numbered 538.

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

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

The amendment is as follows:

SEC. . ECONOMIC GROWTH PROTECTION.

Section 252 of the Balanced Budget and Emergency Deficit Control Act of 1985 (2 U.S.C. 902) is amended by adding at the end the following:

''(f) ECONOMIC GROWTH PROTECTION.—

''(1) ESTIMATE.—OMB shall, for any amount by which revenues for a budget year and any out-years through fiscal year 2002 exceed the revenue target absent growth, estimate the excess and include such estimate as a separate entry in the report prepared pursuant to subsection (d) at the same time as the OMB sequestration preview report is issued.

''(2) INCLUSION IN SCORECARD.—OMB shall include the amount of any change in revenues determined pursuant to paragraph (1) as a deficit decrease under this part in the estimates and reports required by subsection (b) of section 254 unless such amount is offset by legislation enacted in compliance with paragraph (3).

''(3) USE OF ADJUSTMENT.—An amount not to exceed the amount of deficit decrease determined under paragraph (2) may be offset by legislation decreasing revenues.

''(4) REVENUE TARGET ABSENT GROWTH.—For purposes of this subsection, the revenue target absent growth is—

''(A) for fiscal year 1998, $1,601,800,000,000;

''(B) for fiscal year 1999, $1,664,200,000,000;

''(C) for fiscal year 2000, $1,728,100,000,000;

''(D) for fiscal year 2001, $1,805,100,000,000; and

''(E) for fiscal year 2002, $1,890,400,000,000.''

SEC. . CONGRESSIONAL PAY-AS-YOU-GO

Legislation decreasing revenues in compliance with section 252(f)(3) of the Balanced Budget and Emergency Deficit Control Act of 1985, as added by section , shall be considered to be in order for purposes of section 202 of House Concurrent Resolution 67 (104th Congress).

Mr. ABRAHAM. This amendment is offered on behalf of myself, Senator BROWNBACK, Senator ENZI, Senator INHOFE, Senator GRAMS, and Senator SESSIONS.

At this time our Nation's tax rate is the highest percentage of the national income it has ever been in history. As we all know in this Chamber, our national debt is too high. Recently it was discovered by the Congressional Budget Office that they had underestimated the revenues coming into our system by some $225 billion, and we promptly spent a very substantial amount of those dollars on new Federal programs.

This amendment is very simple. It says if the revenues which are received by the Treasury in the next 5 years exceed those that are projected, we ought to have a lockbox and those dollars ought to either be spent on tax cuts or on reducing the deficit, and not new Federal spending.

Mr. President, a coalition of taxpayer groups including the National Taxpayer's Union, the National Tax Limitation Committee, Empower America, Americans for Hope, Growth and Opportunity, and others have endorsed my bill to require that any tax revenue windfall be used for tax cuts or deficit reduction, not new government spending. I ask unanimous consent that a statement by Al Cors, Jr., of the National Taxpayer's Union be entered in the RECORD immediately following my remarks:

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

NATIONAL TAXPAYERS UNION,
Alexandria, VA, June 27, 1997.

Any amendment that would dedicate ''windfall'' revenue to new spending, rather than to additional tax relief and/or deficit reduction, will be scored heavily as an antitaxpayer amendment on our annual NTU Rating of Congress.

AL CORS, Jr.,
Director, Government Relations,
National Taxpayers Union.

——

THE NATIONAL
TAX-LIMITATION COMMITTEE,
Washington, DC, June 25, 1997.

PRO-TAXPAYER GROUPS URGE CONGRESS TO ACT NOW ON FUTURE TAX CUTS

WASHINGTON, DC.—The National Tax-Limitation Committee joined by Empower America, National Taxpayers Union, Americans for Hope, Growth, and Opportunity, Citizens for a Sound Economy, and Citizens for Budget Reform sent a letter to Congress urging action in the budget legislation to reserve future revenue windfalls for tax cuts for all Americans. The text of the letter follows:

You have a great opportunity to act right now to secure the first down-payment on further tax relief for the American people. You can do this simply by enacting a firm rule during budget reconciliation that sets aside, or ''sequesters'', any revenues above the FY 1998 budget resolution projections for further tax relief for all Americans. While some of these ''windfall'' revenues might possibly be

applied to faster deficit reduction, it is vitally important that the bulk of them go directly to taxpayers, and never get within the grasp of the big-government spending machine.

There are a lot of good ideas floating around on how to do this, but the key is to look out for the interests of the taxpayer first, last, and always. We have plenty of time to think about the best ways to provide for future debt repayment, additional tax cuts, and major tax reform in the next millenium. But our immediate and urgent goal must be to unambiguously lock in any ''bonus'' revenues to help the hard-pressed taxpayer.

We are concerned that some proposals being considered merely put the taxpayer a distant third, delay their effects for many years, and create a built-in bias towards higher taxes, not lower (such as requiring revenue growth to outstrip spending growth on a year-to-year basis). The last thing the Federal government needs is yet another incentive to raise taxes. Furthermore attempting to build up special trust funds within the government rather than provide tax relief merely gives those ''trust'' accounts protected status in the fiscal policy debate—not sound fiscal policy, and certainly not pro-taxpayer.

The pending tax bill represents an honorable and diligent effort to give taxpayers a first installment of tax relief, and start moving right now to ratchet down the percent of family income consumed by taxes. We know that this budget process has been a difficult one, and we want to work with you as it continues to unfold, particularly in what promises to be a very tough ''end-game'' negotiation. We want the best possible deal for the American taxpayer, and we want to ensure that this is a true ''taxpayer relief act''. Seizing this unique opportunity to point the way to future tax relief is one of the best possible ways to do that.

Jack Kemp, Empower America; Lewis K. Uhler, National Tax Limitation Committee; David Keating, National Taxpayers Union; Steve Forbes, Americans for Hope, Growth, and Opportunity; Matt Kibbe, Citizens for a Sound Economy; Harrison Fox, Citizens for Budget Reform.

Mr. ABRAHAM. I yield to the Senator from Minnesota to comment further on this legislation.

Mr. GRAMS. Mr. President, I rise to strongly support the amendment offered by Senator ABRAHAM. After all, if the revenues do increase, it is going to come because of the hard work of the American people. While spending levels on Federal programs have already been set, it only makes sense, if the revenues increase, they should go either to tax relief to those hard-working American families or to deficit reduction. They should not go to enlarge the size of Government. The era of big Government is far from over. This amendment would help protect future taxpayers.

Mr. ABRAHAM. Mr. President, I ask unanimous consent that my op-ed article in today's Journal of Commerce on the economic growth dividend protection amendment be printed at this point in the RECORD.

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

[From the Journal of Commerce, June 27, 1997]

AMERICA NEEDS A TAX CUT

(By Spencer Abraham)

It is always easier to spend other people's money than to give it back, and that's the lesson of the budget agreement between Congress and the Clinton administration. It is also the major obstacle confronting those of us who advocate reducing the record tax burden shouldered by American taxpayers.

After four months of negotiations, and literally just hours before a self-imposed deadline, the Congressional Budget Office provided budget negotiators with a gift of sorts. It found that the federal deficit in 1997 would be much less than previously reported. Instead of $112 billion, the deficit would be closer to $67 billion. Moreover, the CBO suggested that this $45 billion windfall would extend over the next five years, reducing the total deficit by $245 billion.

This ''windfall'' is a mixed blessing. The economy's continued strong performance means more jobs and opportunities for Americans—as well as additional revenues to the government. But it brought renewed administration demands for even higher levels of spending in 1998 and beyond. Apparently, all sorts of spending issues that had previously been closed were reopened following the CBO's surprise announcement.

One issue that remained closed, however, was that of tax cuts. While spending for numerous programs was increased following the CBO's announcement, the net tax cut remained fixed at $85 billion. The result was a budget plan that would increase federal spending by 17 percent over the next five years, yet reduce tax collections by less than 1 percent of the total tax burden over that time.

Along with a number of my colleagues, I have proposed legislation to improve this deal. It would reserve any unexpected increase in tax revenues for tax cuts and/or deficit reduction. To the extent tax revenues under this budget agreement exceed projections by the Joint Committee on Taxation, those revenues should go to the people, not additional government spending.

This is not an idle suggestion. For years, tax cut advocates like me have argued that federal revenue estimates ignore the dynamic effects that pro-growth tax reforms have on the economy and the budget. Incentives for economic growth and job creation—such as reduced capital gains taxes and increased allowable IRAs—will bring higher economic growth over the next five years and increase, not decrease, revenues to the federal treasury.

History is on our side in this debate. For example, between 1978 and 1985, while the top marginal rate on capital gains was cut almost in half—from 35% to 20%—total annual federal receipts from the tax almost tripled. They rose from $9.1 billion to $26.5 billion annually. Conversely, when Congress raised the capital gains rate in 1986, revenues from that tax actually fell.

Economists across the board predict that cutting the capital gains rate will bring a revenue windfall for the Treasury. Economic expert Larry Kudlow predicts that another broad capital gains tax cut could produce a $90 billion tax dividend next year, assuming only 15% of investors realize their stock market gains from three years ago. These windfalls should be given back to the taxpayers.

As John F. Kennedy noted, ''It is a paradoxical truth that tax rates are too high today and tax revenues are too low, and the soundest way to raise the revenues in the long run is to cut taxes now.''

Why do Americans need a tax cut? The President's own economists report that the tax burden on Americans is the highest ever—31.7%. According to the National Taxpayer Union, the average American family now pays almost 40% of its income in state, local and federal taxes. And while we address the tax burden in a small, incremental way with this budget resolution. I believe we need to tilt the playing field away from more spending and toward more tax reduction.

How does this proposal work? First, it locks the expected revenue estimates into law. Then it requires the Office of Management and Budget to compare its new revenue estimates each year to those included in the agreement. If the budget agreement estimates are accurate, nothing happens. But if the progrowth tax cuts we adopt later this year result in higher than expected revenues, those revenues are reserved for tax cut legislation—legislation which is exempt from all the budget points of order and other obstacles that currently stand between American families and tax cuts. If Congress chooses not to reduce revenues, then the windfall is reserved for deficit reduction.

The Senate gave this proposal its preliminary approval on May 23 by voting for my Sense of the Senate amendment to the budget. We should now put into effect the rules that will help make tax cuts a reality.

The budget agreement takes a small, $85 billion step down the long road toward reducing the tax burden on American families. This cut should be just the beginning.

The PRESIDING OFFICER. The Senator from New Jersey.

Mr. LAUTENBERG. Mr. President, this amendment says that if revenues exceed current projections, all the savings can only be plowed into more tax breaks; if you have a surplus, back into the tax breaks, not defense, not education, only more tax breaks. Even if the deficit were actually going up due to increased spending, we would still be able to use all unexpected revenues only for more tax breaks.

That is fiscally irresponsible. It removes power and flexibility from the congressional majority and it is terrible policy. I urge my colleagues to oppose the amendment.

Mr. President, I raise a point of order that the pending amendment is extraneous and violates section 313(b)(1)(A) of the Congressional Budget Act.

Mr. ABRAHAM. Mr. President, I move to waive the Budget Act with respect to this amendment.

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

The PRESIDING OFFICER. Is there a sufficient second?

There is a sufficient second.

The yeas and nays were ordered.

VOTE ON MOTION TO WAIVE THE BUDGET ACT

The PRESIDING OFFICER. The question occurs on agreeing to the motion to waive.

The yeas and nays have been ordered.

The clerk will call the roll.

The legislative clerk called the roll.

The yeas and nays resulted, yeas 53, nays 47, as follows:

[Rollcall Vote No. 147 Leg.]

YEAS—53

Abraham	Brownback	Collins
Allard	Burns	Coverdell
Ashcroft	Campbell	Craig
Bennett	Coats	D'Amato
Bond	Cochran	DeWine

Domenici
Enzi
Faircloth
Frist
Gramm
Grams
Grassley
Gregg
Hagel
Hatch
Helms
Hutchinson
Hutchison
Inhofe
Jeffords
Kempthorne
Kyl
Lott
Lugar
Mack
McCain
McConnell
Murkowski
Nickles
Roberts
Roth
Santorum
Sessions
Shelby
Smith (NH)
Smith (OR)
Snowe
Specter
Stevens
Thomas
Thompson
Thurmond
Warner

NAYS—47

Akaka
Baucus
Biden
Bingaman
Boxer
Breaux
Bryan
Bumpers
Byrd
Chafee
Cleland
Conrad
Daschle
Dodd
Dorgan
Durbin
Feingold
Feinstein
Ford
Glenn
Gorton
Graham
Harkin
Hollings
Inouye
Johnson
Kennedy
Kerrey
Kerry
Kohl
Landrieu
Lautenberg
Leahy
Levin
Lieberman
Mikulski
Moseley-Braun
Moynihan
Murray
Reed
Reid
Robb
Rockefeller
Sarbanes
Torricelli
Wellstone
Wyden

The PRESIDING OFFICER. On this vote, the yeas are 53, the nays are 47. Three-fifths of the Senators duly chosen and sworn not having voted in the affirmative, the motion is rejected. The point of order is sustained, and the amendment falls.

Mr. ROTH. Mr. President, I move to reconsider the vote by which the motion was rejected.

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

The motion to lay on the table was agreed to.

AMENDMENT NO. 572

(Purpose: To extend the number of hours for debate on a reconciliation bill and make other improvements)

The PRESIDING OFFICER. Under the previous order, the Senator from West Virginia is recognized to offer an amendment on which there is 2 minutes of debate equally divided.

The Senator from West Virginia.

Mr. BYRD. I thank the Chair. I send to the desk an amendment, and I ask that the amendment be read. I hope that Senators will pay close attention.

The PRESIDING OFFICER. The clerk will report.

The legislative clerk read as follows:

The Senator from West Virginia [Mr. BYRD] proposes an amendment numbered 572.

The amendment is as follows:

At the appropriate place, insert the following:

SEC. . DEBATE ON A RECONCILIATION BILL.

Section 310(e)(2) of the Congressional Budget Act of 1974 is amended to read as follows:

''(2) For purposes of consideration of any reconciliation bill reported under subsection (b)—

''(A) debate, and all amendments thereto and debatable motions and appeals in connection therewith, shall be limited to not more than 30 hours;

''(B) time on the bill may only be yielded back by consent and a motion to further limit debate shall be debatable with debate limited to ½ hour equally divided;

''(C) time on amendments shall be limited to 30 minutes to be equally divided in the usual form and on any second degree amendment or motion to 20 minutes to be equally divided in the usual form, except that after the 15th hour of consideration of a bill, time on all amendments or motions shall be limited to 20 minutes;

''(D) no first degree amendment may be proposed after the 15th hour of consideration of a bill unless it has been submitted to the Journal Clerk prior to the expiration of the 15th hour;

''(E) no second degree amendment may be proposed after the 20th hour of consideration of a bill unless it has been submitted to the Journal Clerk prior to the expiration of the 20th hour; and

''(F) After no more than thirty hours of consideration of the measure, the Senate shall proceed, without any further debate on any question, to vote on the final disposition thereof to the exclusion of all amendments not then actually pending before the Senate at that time and to the exclusion of all motions, except a motion to table, or to reconsider and one quorum call on demand to establish the presence of a quorum (and motions required to establish a quorum) immediately before the final vote begins.''.

The PRESIDING OFFICER. The Senator from West Virginia.

Mr. BYRD. Mr. President, the distinguished Senator from New York, Mr. MOYNIHAN, wrote a book titled ''Pandemonium.'' Milton, in ''Paradise Lost,'' designated the Palace of Satan as pandemonium. Mr. President, what we have seen going on here is pandemonium, and in light of what I have just said, Senators can draw their own conclusion as to what I mean by that word.

This is a very important amendment to the reconciliation process. It extends the overall time from 20 hours to 30 hours. It reduces the time on any amendment in the first degree to 30 minutes. It reduces the time on any second-degree amendment to 20 minutes. May I proceed for an additional 2 minutes?

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

Mr. BYRD. After the first 15 hours have expired, time on amendments in the first degree and in the second degree will be limited to 20 minutes each. The amendment provides for 30 minutes equally divided for debate on a motion to reduce the time, which can be done now without any debate. It requires unanimous consent for managers of a reconciliation measure to yield back any time. At the present time, they may yield time back without unanimous consent.

Now comes probably the most important provision in the proposal. If Senators will turn to page 19 in their rule books. I will read the language from the cloture rule:

After no more than thirty hours of consideration of the measure, motion, or other matter on which cloture has been invoked, the Senate shall proceed, without any further debate on any question, to vote on the final disposition thereof to the exclusion of all amendments not then actually pending before the Senate at that time and to the exclusion of all motions, except a motion to table. . .

Mr. DOMENICI. May we have order, Mr. President?

Mr. BYRD. Mr. President, I ask unanimous consent that I may again read what I have just read, without the time's being charged.

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

Mr. BYRD. I repeat:

After no more than thirty hours of consideration—

I am reading from the present cloture rule—

After no more than thirty hours of consideration of the measure, motion, or other matter on which cloture has been invoked, the Senate shall proceed, without any further debate on any question, to vote on the final disposition thereof—

Meaning the final disposition of the reconciliation bill—

to the exclusion of all amendments not then actually pending before the Senate at that time and to the exclusion of all motions, except a motion to table, or to reconsider and one quorum call on demand to establish the presence of a quorum (and motions required to establish a quorum) immediately before the final vote begins.

Therefore, Mr. President, we do away with this situation in which pandemonium reigns supreme and where scores of amendments remain to be acted upon after the expiration of the time on the reconciliation bill and people want to call those up—and they have a right to call them up and get a vote thereon.

This amendment encourages Senators, if they want time to debate their amendments, to call them up at the beginning of the debate, call them up early, when they will have time to explain their amendments. But when we reach that final 30th hour, under this amendment language, which is already tried and true—it is in the cloture rule—we close all debate, all voting on amendments to the reconciliation bill with the exception of any amendment in the first degree and any amendment in the second degree which may be then pending. That is it. No more of this vote-o-rama.

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

Mr. DOMENICI addressed the Chair.

The PRESIDING OFFICER. The Senator from New Mexico.

Mr. DOMENICI. Mr. President, we have been discussing this proposal with the distinguished Senator from West Virginia, ''we'' being Senator LOTT and others. And I assume Senator LOTT will speak in a moment to it however long he would like.

But I say to the Senate, and as long as Senator BYRD understands that we take this to conference with the idea that we will have to make sure—and I think he would agree—that it deserves some careful consideration.

I had one thought that came to my mind, I say to Senator BYRD, as you proposed it. I was talking to Senator GRAMM about it. I guess I am concerned that there might be a controversial amendment that is well-known that by design could be precluded from ever getting offered. And I think we ought to make sure that cannot happen. I do not know how to do

that. I do not propose that this is not a valid and good approach. But I do think that is an interesting issue. I was just speaking with Senator GRAMM a moment ago.

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

Mr. DOMENICI. I ask unanimous consent for one additional minute.

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

Mr. DOMENICI. I think there would have to be a lot of getting together of both sides of the aisle to preclude that amendment from coming up, but it might happen. So from my standpoint, I say to Senators, I think this is a dramatic improvement, provided that the Senator understands that we have to look at it carefully if it is accepted here today.

Mr. BYRD. I do understand. I hope that the Members who go to conference with the House will try to make it clear to the House that we Senators expect to decide on the amendments and the rules of the Senate.

Mr. MOYNIHAN. Yes, sir.

Mr. LOTT addressed the Chair.

The PRESIDING OFFICER. The majority leader is recognized.

Mr. LOTT. Mr. President, I yield myself leader time so I may speak briefly on this. It will be briefly.

I have been talking to Senator DASCHLE about this and working with Senator BYRD. I think we had a good start last night on how to address this problem, and it has been improved today. I think we are close to having something that would really make this process fairer and better.

I suggest that we accept this on a voice vote, and we go to conference with it and continue to make sure we have thought through every possible exigency of this change. I think it is real progress. And I suggest we accept it and take it to conference.

Mr. DASCHLE addressed the Chair.

The PRESIDING OFFICER. The minority leader.

Mr. DASCHLE. Mr. President, I will be very brief with my leader time.

I congratulate the Senator from West Virginia. No one knows the process and the rules better than he does. And he has worked with all of us in an effort to try to accommodate the concerns that we have raised over the last couple of days. He has done that. This may not be the final product, but it puts us in a position to achieve a final product.

I hope that we can take the advice and recommendation of the majority leader, pass it on a voice vote, and allow this process to continue.

Mr. McCAIN. I object.

The PRESIDING OFFICER. There is an objection.

Mr. McCAIN. I ask for the yeas and nays.

The PRESIDING OFFICER. Is there a sufficient second?

There is a sufficient second.

The yeas and nays were ordered.

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

The legislative clerk called the roll.

The result was announced—yeas 92, nays 8, as follows:

[Rollcall Vote No. 148 Leg.]

YEAS—92

Abraham	Feinstein	Lott
Akaka	Ford	Lugar
Baucus	Frist	Mack
Bennett	Glenn	McConnell
Biden	Gorton	Mikulski
Bingaman	Graham	Moseley-Braun
Bond	Grams	Moynihan
Boxer	Grassley	Murkowski
Breaux	Gregg	Murray
Bryan	Hagel	Nickles
Bumpers	Harkin	Reed
Burns	Hatch	Reid
Byrd	Helms	Robb
Campbell	Hollings	Roberts
Chafee	Hutchinson	Rockefeller
Cleland	Hutchison	Roth
Coats	Inhofe	Sarbanes
Cochran	Inouye	Sessions
Collins	Jeffords	Shelby
Conrad	Johnson	Smith (NH)
Coverdell	Kempthorne	Smith (OR)
D'Amato	Kennedy	Snowe
Daschle	Kerrey	Specter
DeWine	Kerry	Stevens
Dodd	Kohl	Thomas
Domenici	Kyl	Thompson
Dorgan	Landrieu	Thurmond
Durbin	Lautenberg	Torricelli
Enzi	Leahy	Warner
Faircloth	Levin	Wyden
Feingold	Lieberman	

NAYS—8

Allard	Craig	Santorum
Ashcroft	Gramm	Wellstone
Brownback	McCain	

The amendment (No. 572) was agreed to.

Mr. ROTH. I move to reconsider the vote.

Mr. MOYNIHAN. I move to lay it on the table.

The motion to lay on the table was agreed to.

AMENDMENT NO. 522, AS MODIFIED

(Purpose: To provide for a trust fund for District of Columbia school renovations)

Mr. ROTH. Mr. President, I ask that the Senate resume consideration of Jeffords amendment No. 522. On behalf of the Senator from Vermont, I send a modification to the desk which we are prepared to accept.

The PRESIDING OFFICER. The regular order is the recognition of the Senator from Massachusetts. Is there objection?

Mr. NICKLES. That is not correct.

Parliamentary inquiry. I think the Senator sent an amendment from the Senator from Vermont. It has not been disposed of.

Mr. ROTH. The amendment deals with the subject of D.C. schools.

The PRESIDING OFFICER. Is there objection? Without objection, it is so ordered.

The amendment (No. 522), as modified, is as follows:

On page 164, in the matter between lines 16 and 17, insert after the item relating to section 1400B the following:

''Sec. 1400C. Trust Fund for DC schools.''

On page 173, line 10, strike ''$75,000,000'' and insert ''$60,000,000''.

On page 174, strike lines 21 through 23, and insert:

''(a) EXCLUSION.—

''(1) IN GENERAL.—Gross income shall not include qualified capital gain from the sale or exchange of any DC asset held for more than 5 years.

''(2) SPECIAL 10 PERCENT RATE FOR DC ASSETS ACQUIRED IN 1998.—

''(A) IN GENERAL.—In the case of any DC asset acquired during calendar year 1998—

''(i) paragraph (1) shall not apply to any qualified capital gain from the sale or exchange of such asset, and

''(ii) the qualified capital gain described in clause (i) shall be treated as adjusted net capital gain described in section 1(h)(1)(D) for the taxable year of the sale or exchange (and the amount under section 1(h)(1)(D)(i) for such taxable year shall be increased by the amount of such gain).

''(B) SPECIAL RULE.—For purposes of subparagraph (A), any DC asset the basis of which is determined in whole or in part by reference to the basis of an asset to which subparagraph (A) applies shall be treated as a DC asset acquired during calendar year 1998.

On page 181, between lines 5 and 6, insert the following:

''SEC. 1400C. TRUST FOR DC SCHOOLS.

''(a) CREATION OF FUND.—There is established in the Treasury of the United States a trust fund to be known as the 'Trust Fund for DC Schools', consisting of such amounts as may be appropriated or credited to the Fund as provided in this section.

''(b) TRANSFER TO TRUST FUND OF AMOUNTS EQUIVALENT TO CERTAIN TAXES.—

''(1) IN GENERAL.—There are hereby appropriated to the Trust Fund for DC Schools amounts equivalent to the applicable percentage of revenues received in the Treasury from income taxes imposed by this chapter for any taxable year beginning after December 31, 1997, and before January 1, 2008, on individual taxpayers who are residents of the District of Columbia as of the last day of such taxable year.

''(2) APPLICABLE PERCENTAGE.—For purposes of paragraph (1), the term 'applicable percentage' means the percentage which the Secretary determines necessary to result in $5,000,000 being appropriated to the Trust Fund under paragraph (1) for each of the calendar years 1998 through 2007.

''(3) TRANSFER OF AMOUNTS.—The amounts appropriated by paragraph (1) shall be transferred at least monthly from the general fund of the Treasury to the Trust Fund for DC Schools on the basis of estimates made by the Secretary of the amounts referred to in such paragraph. Proper adjustments shall be made in the amounts subsequently transferred to the extent prior estimates were in excess of or less than the amounts required to be transferred.

''(c) EXPENDITURES FROM FUND.—

''(1) IN GENERAL.—Amounts in the Trust Fund for DC Schools are hereby appropriated, and shall be available without fiscal year limitation, for payment by the Secretary of debt service on qualified DC school bonds.

''(2) QUALIFIED DC SCHOOL BONDS.—The term 'qualified DC school bonds' means bonds which—

''(A) are issued after March 31, 1998, by the District of Columbia to finance the construction, rehabilitation, and repair of schools under the jurisdiction of the government of the District of Columbia, and

''(B) are certified by the District of Columbia Control Board as meeting the requirements of subparagraph (A) after giving 60 days notice of any proposed certification to the Subcommittees on the District of Columbia of the Committees on Appropriations of the House of Representatives and the Senate.

''(d) REPORT.—It shall be the duty of the Secretary to hold the Trust Fund for DC

Schools and to report to the Congress each year on the financial condition and the results of the operations of such Fund during the preceding fiscal year and on its expected condition and operations during the next fiscal year. Such report shall be printed as a House document of the session of the Congress to which the report is made.

''(e) INVESTMENT.—

''(1) IN GENERAL.—It shall be the duty of the Secretary to invest such portion of the Trust Fund for DC Schools as is not, in the Secretary's judgment, required to meet current withdrawals. Such investments may be made only in interest-bearing obligations of the United States. For such purpose, such obligations may be acquired—

''(A) on original issue at the issue price, or

''(B) by purchase of outstanding obligations at the market price.

''(2) SALE OF OBLIGATIONS.—Any obligation acquired by the Trust Fund for DC Schools may be sold by the Secretary at the market price.

''(3) INTEREST ON CERTAIN PROCEEDS.—The interest on, and the proceeds from the sale or redemption of, any obligations held in the Trust Fund for DC Schools shall be credited to and form a part of the Trust Fund for DC Schools.''

The PRESIDING OFFICER. The question is on agreeing to the amendment numbered 522.

The amendment (No. 522), as modified, was agreed to.

Mr. ROTH. I move to reconsider the vote.

Mr. MOYNIHAN. I move to lay it on the table.

The motion to lay on the table was agreed to.

AMENDMENT NO. 573

(Purpose: To increase the excise tax on cigarettes by 43 cents per pack and increase the tax on other tobacco products by a proportionate amount, and direct $12,000,000,000 of the resulting revenues be applied to the children's health initiative)

The PRESIDING OFFICER. Under the previous order, the Senator from Massachusetts is recognized to offer an amendment on which there are 2 minutes of debate equally divided.

Mr. KENNEDY. Mr. President, I call up my amendment, which is cosponsored by Senator DASCHLE.

The PRESIDING OFFICER. The clerk will report.

The legislative clerk read as follows:

The Senator from Massachusetts [Mr. KENNEDY], for himself and Mr. DASCHLE, proposes an amendment numbered 573.

Mr. KENNEDY. I ask unanimous consent that the reading of the amendment be dispensed with.

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

The amendment is as follows:

On page 337, beginning with line 14, strike all through page 339, line 15, and insert the following:

(a) CIGARETTES.—Section 5701(b) of the Internal Revenue Code of 1986 is amended—

(1) in paragraph (1), by striking ''$12 per thousand ($10 per thousand on cigarettes removed during 1991 or 1992)'' and inserting ''$33.50 per thousand'', and

(2) in paragraph (2), by striking ''$25.20 per thousand ($21 per thousand on cigarettes removed during 1991 or 1992)'' and inserting ''$70.35 per thousand''.

(b) CIGARS.—Section 5701(a) of the Internal Revenue Code of 1986 is amended—

(1) in paragraph (1), by striking ''$1.125 cents per thousand (93.75 cents per thousand on cigars removed during 1991 or 1992)'' and inserting ''$3.141 cents per thousand'', and

(2) by striking ''equal to'' and all that follows in paragraph (2) and inserting ''equal to 35.59 percent of the price for which sold but not more than $83.75 per thousand.''

(c) CIGARETTE PAPERS.—Section 5701(c) of the Internal Revenue Code of 1986 is amended by striking ''0.75 cent (0.625 cent on cigarette papers removed during 1991 or 1992)'' and inserting ''2.09 cents''.

(d) CIGARETTE TUBES.—Section 5701(d) of the Internal Revenue Code of 1986 is amended by striking ''1.5 cents (1.25 cents on cigarette tubes removed during 1991 or 1992)'' and inserting ''4.18 cents''.

(e) SMOKELESS TOBACCO.—Section 5701(e) of the Internal Revenue Code of 1986 is amended—

(1) in paragraph (1), by striking ''36 cents (30 cents on snuff removed during 1991 or 1992)'' and inserting ''$1.00'', and

(2) by striking ''12 cents (10 cents on chewing tobacco removed during 1991 or 1992)'' in paragraph (2) and inserting ''33.5 cents''.

(f) PIPE TOBACCO.—Section 5701(f) of the Internal Revenue Code of 1986 is amended by striking ''67.5 cents (56.25 cents on pipe tobacco removed during 1991 or 1992)'' and inserting ''$1.88''.

(g) IMPOSITION OF EXCISE TAX ON MANUFACTURE OR IMPORTATION OF ROLL-YOUR-OWN TOBACCO.—

(1) IN GENERAL.—Section 5701 (relating to rate of tax) is amended by redesignating subsection (g) as subsection (h) and by inserting after subsection (f) the following new subsection:

''(g) ROLL-YOUR-OWN TOBACCO.—On roll-your-own tobacco, manufactured in or imported into the United States, there shall be imposed a tax of $1.74 cents per pound (and a proportionate tax at the like rate on all fractional parts of a pound).''

On page 349, between lines 2 and 3, insert the following:

(k) APPROPRIATION OF PORTION OF RESULTING REVENUES FROM INCREASE IN TAXES ON TOBACCO PRODUCTS TO CHILDREN'S HEALTH INSURANCE INITIATIVES.—In addition to any amounts otherwise appropriated for the purpose of carrying out title XXI of the Social Security Act (relating to children's health insurance initiatives), there is appropriated from the increase in revenues resulting from the amendments made by this section $2,400,000,000 for each of the fiscal years 1998 through 2002.

Mr. KENNEDY. Mr. President, this amendment adds $12 billion to the child health insurance program. It is financed by an additional 23-cents-a-pack increase in the tobacco tax. This amount is necessary to ensure that all children not eligible for Medicare, but not able to afford private insurance, will have access the health coverage.

CBO says that the current bill, a proposal that is before the Senate, will not do the job. The administration strongly supports the amendment. So do 72 percent of the American people.

I will just take 15 seconds to read a letter from the American Academy of Pediatrics:

53,000 primary care pediatricians, pediatric medical subspecialists, pediatric surgeons and specialists dedicated to the health, safety, and well-being of infants, children, adolescents and young adults strongly support your amendment to increase the tax by 23 cents for use in financing the children's health care legislation.

I hope that with this amendment we will be able to complete the job for working families in this country that are unable to afford insurance today.

Mr. NICKLES. Mr. President, I urge my colleagues to vote no on Senator KENNEDY's amendment. I am bothered by the amendment to some extent. I heard the Senator say the administration supports the amendment. The administration agreed to $16 billion for the so-called KIDCARE Program. That was the agreement. And then to see a letter by the administration that says now they support this amendment, that is ridiculous.

The Finance Committee increased from $16 billion to $24 billion, more than I think is necessary for the program. The Finance Committee said, ''That is all we will do.'' Now we see the administration say they support this. When is a deal a deal? We can't trust this administration any more than a day. That is beyond belief.

So now we have a program. Senator KENNEDY introduced it as a $20 billion program. We are now financing it at $24 billion, 120 percent of what he originally asked for. He should say, ''Hey, we won,'' and now he comes back and says he wants another $12 billion, to make it $36 billion. The administration agreed to $16 billion. Now they are trying to make it $36 billion. Taxpayers cannot afford it.

Finally, the net tax cut, if this amendment is passed, will be 60, not 85. It will be 60.

The PRESIDING OFFICER. The Senator from New Mexico.

Mr. DOMENICI. Did you say the administration favors this?

The PRESIDING OFFICER. All time has expired.

Mr. DOMENICI. I ask for 30 seconds, and the Senator can have 30 seconds.

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

Mr. DOMENICI. Let me say to the White House, if there are too many more like this where you support amendments that you did not agree to, and you actually agreed we did not have to do, then I am sending you a signal right now I am going to conference and I don't know if Senator DOMENICI is going to be bound by that agreement.

I make a point of order that this violates the Budget Act.

Mr. KENNEDY. Mr. President, the Republican leadership has been willing to accept a tobacco tax which the Republican leadership said was going to violate the budget agreement which the President previously supported. Now the President and the Republican leadership have accepted a 20 cent tobacco tax. The only trouble with the Senator from Oklahoma's mathematics is he does not include the $14 billion that they were instructed to reduce Medicaid.

So, this is necessary, according to the Republican's own CBO. This is necessary to cover insurance. Let's turn our backs on big tobacco and put our faith in little children.

Mr. President, this amendment reduces the deficit, and I move to waive the Budget Act.

Mr. KENNEDY. I ask for the yeas and nays.

The PRESIDING OFFICER. Is there a sufficient second?

There is a sufficient second.

The yeas and nays were ordered.

VOTE ON MOTION TO WAIVE THE BUDGET ACT

The PRESIDING OFFICER. The question is on the motion to waive the Budget Act. The yeas and nays have been ordered.

The clerk will call the roll.

The bill clerk proceeded to call the roll.

The yeas and nays resulted—yeas 30, nays 70, as follows:

[Rollcall Vote No. 149 Leg.]

YEAS—30

Akaka	Feingold	Levin
Biden	Feinstein	Lieberman
Bingaman	Glenn	Mikulski
Boxer	Harkin	Murray
Bumpers	Johnson	Reed
Cleland	Kennedy	Reid
Daschle	Kerry	Sarbanes
Dodd	Kohl	Torricelli
Dorgan	Lautenberg	Wellstone
Durbin	Leahy	Wyden

NAYS—70

Abraham	Ford	McCain
Allard	Frist	McConnell
Ashcroft	Gorton	Moseley-Braun
Baucus	Graham	Moynihan
Bennett	Gramm	Murkowski
Bond	Grams	Nickles
Breaux	Grassley	Robb
Brownback	Gregg	Roberts
Bryan	Hagel	Rockefeller
Burns	Hatch	Roth
Byrd	Helms	Santorum
Campbell	Hollings	Sessions
Chafee	Hutchinson	Shelby
Coats	Hutchison	Smith (NH)
Cochran	Inhofe	Smith (OR)
Collins	Inouye	Snowe
Conrad	Jeffords	Specter
Coverdell	Kempthorne	Stevens
Craig	Kerrey	Thomas
D'Amato	Kyl	Thompson
DeWine	Landrieu	Thurmond
Domenici	Lott	Warner
Enzi	Lugar	
Faircloth	Mack	

The PRESIDING OFFICER. On this vote, the yeas are 30, the nays are 70. Three-fifths of the Senators duly chosen and sworn not having voted in the affirmative, the motion is rejected. The point of order is sustained, and the amendment falls.

Mr. ROTH. Mr. President, I move to reconsider the vote.

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

The motion to lay on the table was agreed to.

The PRESIDING OFFICER. The amendment violates section 302(f) of the Budget Act by causing the Finance Committee to exceed its outlay allocation. The point of order is sustained.

Mr. COVERDELL addressed the Chair.

Mr. ROTH. Senator COVERDELL is next in the line of amendments.

The PRESIDING OFFICER. Under the previous order, the Senator from Georgia is recognized to offer an amendment on which there are 2 minutes of debate equally divided.

AMENDMENT NO. 574

(Purpose: To allow tax-free expenditures from an education individual retirement account for elementary and secondary school expenses and to adjust the modifications to the minimum tax)

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

The PRESIDING OFFICER. The clerk will report.

The assistant legislative clerk read as follows:

The Senator from Georgia [Mr. COVERDELL], for himself, Mr. ABRAHAM, Mr. COATS, Mr. CRAIG, Mr. SANTORUM, and Mr. ASHCROFT, proposes an amendment numbered 574.

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

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

The amendment is as follows:

On page 19, between lines 14 and 15, insert:

''(D) ADJUSTMENT.—The Secretary shall reduce the dollar amounts otherwise in effect under this paragraph for any calendar year to the extent necessary to increase Federal revenues by the amount the Secretary estimates Federal revenues will be reduced by reason of allowing distributions from education individual retirement accounts under section 530 to be used for qualified elementary and secondary education expenses described in section 530(b)(2)(A)(ii).''

On page 64, beginning with line 8, strike all through page 67, line 15, and insert:

''(1) EDUCATION INDIVIDUAL RETIREMENT ACCOUNT.—The term 'education individual retirement account' means a trust created or organized in the United States exclusively for the purpose of paying the qualified education expenses of the account holder, but only if the written governing instrument creating the trust meets the following requirements:

''(A) No contribution will be accepted—

''(i) unless it is in cash,

''(ii) after the date on which the account holder attains age 18, or

''(iii) except in the case of rollover contributions, if such contribution would result in aggregate contributions for the taxable year exceeding the sum of—

''(I) $2,000, plus

''(II) the amount of the credit allowable under section 25A for the taxable year for 1 qualifying child.

''(B) The trustee is a bank (as defined in section 408(n)) or another person who demonstrates to the satisfaction of the Secretary that the manner in which that person will administer the trust will be consistent with the requirements of this section.

''(C) No part of the trust assets will be invested in life insurance contracts.

''(D) The assets of the trust shall not be commingled with other property except in a common trust fund or common investment fund.

''(E) Upon the death of the account holder, any balance in the account will be distributed as required under section 529(b)(8) (as if such account were a qualified tuition program).

''(F) The account becomes an IRA Plus as of the date the account holder attains age 30 (and meets all requirements for an IRA Plus on and after such date), unless the account holder elects to have sections 529(b)(8) apply as of such date (as if such account were a qualified tuition program).

''(2) QUALIFIED EDUCATION EXPENSES.—

''(A) IN GENERAL.—The term 'qualified education expenses' means—

''(i) qualified higher education expenses (as defined in section 529(e)(3), and

''(ii) in the case of taxable years beginning after December 31, 2000, qualified elementary and secondary education expenses (as defined in paragraph (5)).

''(B) QUALIFIED TUITION PROGRAMS.—Such term shall include amounts paid or incurred to purchase tuition credits or certificates, or to make contributions to an account, under a qualified tuition program (as defined in section 529(b)) for the benefit of the account holder.

''(3) ELIGIBLE EDUCATIONAL INSTITUTION.—The term 'eligible education institution' has the meaning given such term by section 529(e)(5).

''(4) ACCOUNT HOLDER.—The term 'account holder' means the individual for whose benefit the education individual retirement account is established.

''(5) QUALIFIED ELEMENTARY AND SECONDARY EDUCATION EXPENSES.—

''(A) IN GENERAL.—The term 'qualified elementary and secondary education expenses' means tuition, fees, tutoring, special needs services, books, supplies, equipment, transportation, and supplementary expenses required for the enrollment or attendance at a public, private, or sectarian school of any dependent of the taxpayer with respect to whom the taxpayer is allowed a deduction under section 151.

''(B) SPECIAL RULE FOR HOMESCHOOLING.—Such term shall include expenses described in subparagraph (A) required for education provided for homeschooling if the requirements of any applicable State or local law are met with respect to such education.

''(C) SCHOOL.—The term 'school' means any school which provides elementary education or secondary education (through grade 12), as determined under State law.

''(c) TAX TREATMENT OF DISTRIBUTIONS.—

''(1) IN GENERAL.—Any amount paid or distributed shall be includable in gross income to the extent required by section 529(c)(3) (determined as if such account were a qualified tuition program and as if qualified higher education expenses include qualified education expenses).

''(2) SPECIAL RULES FOR APPLYING ESTATE AND GIFT TAXES WITH RESPECT TO ACCOUNT.—Rules similar to the rules of paragraphs (2), (4), and (5) of section 529(c) shall apply for purposes of this section.

''(3) ADDITIONAL TAX FOR DISTRIBUTIONS NOT USED FOR EDUCATIONAL EXPENSES.—

''(A) IN GENERAL.—The tax imposed by section 529(f) shall apply to payments and distributions from an education individual retirement account in the same manner as such tax applies to qualified tuition programs (as defined in section 529), except that section 529(f) shall be applied by reference to qualified education expenses.

Mr. COVERDELL. Mr. President, I wonder if we could bring the Senate to order.

The PRESIDING OFFICER. The Senate will please come to order.

The Senator from Georgia.

Mr. COVERDELL. Mr. President, the bill currently provides an education IRA for college expenses only. But, of course, not every child goes to college. Every child does, however, attend elementary and secondary school.

This amendment expands the education IRA to allow parents to use it for any education expenses, including tuition from kindergarten through high school. I am pleased to be joined on this amendment by Senators ABRAHAM, COATS, CRAIG, SANTORUM, and ASHCROFT.

Mr. President, it is important to help parents cope with the cost of college, but that is not where the crisis is. The crisis in our schools is in elementary and secondary schools that are riddled with drugs and violence. Let's do something to help those parents, too.

I reserve the remainder of my time.

The PRESIDING OFFICER. Who yields time on the opposite side?

Mr. COVERDELL. Mr. President, I ask for the yeas and nays.

The PRESIDING OFFICER. Is there a sufficient second?

There is a sufficient second.

The yeas and nays were ordered.

The PRESIDING OFFICER. Is all time yielded back?

Mr. DASCHLE. Mr. President, this is tantamount to providing vouchers for private education. That is in essence what this amendment does. For that reason, we oppose it.

Mr. COVERDELL. Mr. President, how much of my time remains?

The PRESIDING OFFICER. The Senator has 13 seconds.

Mr. COVERDELL. Mr. President, this is their own money. This involves no tax money. This belongs to the taxpayer. They ought to be able to use it wherever they decide.

The PRESIDING OFFICER. The question is on agreeing to the amendment.

The clerk will call the roll.

The assistant legislative clerk called the roll.

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

The result was announced—yeas 59, nays 41, as follows:

[Rollcall Vote No. 150 Leg.]

YEAS—59

Abraham	Gorton	Mack
Allard	Gramm	McCain
Ashcroft	Grams	McConnell
Bennett	Grassley	Murkowski
Biden	Gregg	Nickles
Bond	Hagel	Roberts
Breaux	Harkin	Roth
Brownback	Hatch	Santorum
Burns	Helms	Sessions
Campbell	Hutchinson	Shelby
Coats	Hutchison	Smith (NH)
Cochran	Inhofe	Smith (OR)
Coverdell	Kempthorne	Specter
Craig	Kohl	Stevens
D'Amato	Kyl	Thomas
DeWine	Landrieu	Thompson
Domenici	Leahy	Thurmond
Enzi	Lieberman	Torricelli
Faircloth	Lott	Warner
Frist	Lugar	

NAYS—41

Akaka	Durbin	Levin
Baucus	Feingold	Mikulski
Bingaman	Feinstein	Moseley-Braun
Boxer	Ford	Moynihan
Bryan	Glenn	Murray
Bumpers	Graham	Reed
Byrd	Hollings	Reid
Chafee	Inouye	Robb
Cleland	Jeffords	Rockefeller
Collins	Johnson	Sarbanes
Conrad	Kennedy	Snowe
Daschle	Kerrey	Wellstone
Dodd	Kerry	Wyden
Dorgan	Lautenberg	

The amendment (No. 574) was agreed to.

CHANGE OF VOTE

Mr. BOND. Mr. President, on rollcall No. 150, on which I voted ''no,'' it was my intention to vote ''aye.'' Since it will in no way change the outcome of the vote, I ask unanimous consent that I be recorded as an ''aye.''

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

Mr. ROTH. Mr. President, I move to reconsider the vote by which the amendment was agreed to.

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

The motion to lay on the table was agreed to.

Mr. BINGAMAN addressed the Chair.

The PRESIDING OFFICER. The Senator from New Mexico.

AMENDMENT NO. 541

Mr. BINGAMAN. Mr. President, I call up amendment No. 541 which is at the desk.

The PRESIDING OFFICER. The clerk will report.

The legislative clerk read as follows:

The Senator from New Mexico [Mr. BINGAMAN], for himself, and Mr. CONRAD, proposes an amendment numbered legislative 541.

(The amendment is printed in the RECORD of Thursday, June 26, 1997.)

Mr. BINGAMAN. Mr. President, this amendment is being offered on behalf of myself and Senator CONRAD.

Mr. President, we all understand what regular IRA's are about and how those work where a person can put up to $2,000 into an IRA. It accumulates earnings over a career, and then when you retire you go ahead and pay tax on it.

What we have in this bill is something different than a regular IRA. We have an IRA Plus. The IRA Plus differs in a very important way. What this chart shows is it essentially says if you agree to pay the tax that is due on your existing IRA up through the end of next year, the 1st of January 1998, it will give you the time that this budget agreement covers to pay all of that tax in. And then the earnings from that money in that IRA Plus account are never going to be taxed the rest of your life.

That is what the provision is. It is a back-loaded IRA which means it is specifically for people who are not eligible for the other types of IRA's. So if you have over $100,000 and you already have a retirement account, then you can have an IRA Plus. The earnings from the funds in that IRA Plus will never be taxed.

I urge the Senate to adopt our amendment.

Mr. ROTH. Mr. President, we need to do something about our savings rates. Americans are saving less now than they did than at almost any time since World War II. The universal IRA Plus is our best bet to bolster our fledgling savings rate. In fact, expanding IRA's is the only prosaving provision in the budget. The universal IRA Plus account compliments the tax deductible IRA because it offers a long-term predictable savings program for millions of families with fluctuating incomes, and who do not have employer retirement plans.

Senator BINGAMAN's chart is misleading because the taxpayer must be at least 59½ years old before withdrawals are tax free. It is particularly important for the self-employed like farmers and young families who hopefully will be successful and grow out of the tax-deductible IRA into the IRA Plus. With all these advantages, the backloaded IRA must be included in the budget bill. Fifty-one Senators have cosponsored my super-IRA legislation and agree with me.

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

Mr. ROTH. I ask for the yeas and nays.

The PRESIDING OFFICER. Is there a sufficient second? There is a sufficient second.

The yeas and nays were ordered.

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

The legislative clerk called the roll.

The result was announced—yeas 33, nays 67, as follows:

[Rollcall Vote No. 151 Leg.]

YEAS—33

Akaka	Durbin	Kerry
Bingaman	Feingold	Lautenberg
Boxer	Feinstein	Leahy
Bumpers	Ford	Levin
Byrd	Glenn	Murray
Cleland	Harkin	Reed
Collins	Hollings	Reid
Conrad	Inouye	Robb
Daschle	Jeffords	Sarbanes
Dodd	Johnson	Snowe
Dorgan	Kennedy	Wellstone

NAYS—67

Abraham	Gorton	Mikulski
Allard	Graham	Moseley-Braun
Ashcroft	Gramm	Moynihan
Baucus	Grams	Murkowski
Bennett	Grassley	Nickles
Biden	Gregg	Roberts
Bond	Hagel	Rockefeller
Breaux	Hatch	Roth
Brownback	Helms	Santorum
Bryan	Hutchinson	Sessions
Burns	Hutchison	Shelby
Campbell	Inhofe	Smith (NH)
Chafee	Kempthorne	Smith (OR)
Coats	Kerrey	Specter
Cochran	Kohl	Stevens
Coverdell	Kyl	Thomas
Craig	Landrieu	Thompson
D'Amato	Lieberman	Thurmond
DeWine	Lott	Torricelli
Domenici	Lugar	Warner
Enzi	Mack	Wyden
Faircloth	McCain	
Frist	McConnell	

The amendment (No. 541) was rejected.

Mr. ROTH. Mr. President, I move to reconsider the vote.

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

The motion to lay on the table was agreed to.

Mr. DORGAN addressed the Chair.

The PRESIDING OFFICER. If we could get attention of Senators and if conversations could be taken to the cloakroom.

The Senator from North Dakota.

AMENDMENTS NOS. 515 AND 516 WITHDRAWN

Mr. DORGAN. I ask unanimous consent to withdraw amendments Nos. 515 and 516 at the desk.

The PRESIDING OFFICER. Is there objection? Without objection, it is so ordered.

The amendments (Nos. 515 and 516) were withdrawn.

The PRESIDING OFFICER. The Senator from Delaware.

Mr. ROTH. Mr. President, I think the next one is Mr. KOHL.

The PRESIDING OFFICER. The Senator from Wisconsin will suspend until we can get the attention of the Chamber.

Mr. ROTH. It is my understanding the next one on the list is an amendment by Senator KOHL.

The PRESIDING OFFICER. The Senator from Wisconsin is recognized.

AMENDMENT NO. 575

(Purpose: To provide a credit against tax for employers who provide child care assistance for dependents of their employees)

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

The PRESIDING OFFICER (Mr. COATS). The clerk will report.

The assistant legislative clerk read as follows:

The Senator from Wisconsin [Mr. KOHL], for himself, Mr. HATCH, Mr. DASCHLE, Mr. D'AMATO, Ms. MOSELEY-BRAUN, Mr. ABRAHAM, Mr. SPECTER, Ms. SNOWE, Mrs. BOXER, Mr. DEWINE, Mrs. MURRAY, and Mr. JOHNSON, proposes an amendment numbered 575.

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

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

(The text of the amendment is printed in today's RECORD under ''Amendments Submitted.'')

Mr. KOHL. This amendment provides a tax incentive for companies that provide quality child care for the children of their employees. The amendment is cosponsored by Senators HATCH, DASCHLE, DEWINE, BOXER, D'AMATO, SPECTER, SNOWE, JOHNSON, ABRAHAM, MOSELEY-BRAUN, and MURRAY. This amendment creates a tax credit limited to 50 percent of $150,000 per company per year for 3 years for those companies that invest in quality child care on or near site. The credit is offset by authorizing the antifraud program that will keep parents who do not have custody of their children from unlawfully claiming child-related tax benefits.

We know child care is an investment that is good for children, good for business, good for States and good for our Nation. We need to involve every level of government and private communities and private businesses in building a quality child care system for our youngest that is the best in the world. This amendment is the first essential and deficit-neutral step toward that end.

I urge my colleagues to support it.

The PRESIDING OFFICER. The Senator from Delaware.

Mr. ROTH. Mr. President, while I am sympathetic to my colleague's effort to provide quality child care, I regret I must oppose his amendment. This bill already contains meaningful child care tax relief for families. This proposal would give that tax relief to employers.

For this reason I must oppose this amendment. I point out the amendment is not germane and, with all time yielded back, I make a point of order of germaneness. I therefore raise a point of order against the amendment under section 305(b)(2) of the Budget Act.

The PRESIDING OFFICER. The Senator from Wisconsin.

Mr. KOHL. I move to waive the Budget Act for my amendment.

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

The PRESIDING OFFICER. Is there a sufficient second?

There is a sufficient second.

The yeas and nays were ordered.

VOTE ON MOTION TO WAIVE THE BUDGET ACT

The PRESIDING OFFICER. The question is on agreeing to the motion. The yeas and nays are ordered. The clerk will call the roll.

The legislative clerk called the roll.

The PRESIDING OFFICER. Are there any other Senators in the Chamber who desire to vote?

The yeas and nays resulted, yeas 72, nays 28, as follows:

[Rollcall Vote No. 152 Leg.]

YEAS—72

Abraham	Feingold	Lieberman
Akaka	Feinstein	Lugar
Allard	Ford	McCain
Ashcroft	Frist	McConnell
Baucus	Glenn	Mikulski
Biden	Graham	Murray
Bingaman	Grams	Reed
Boxer	Grassley	Reid
Brownback	Gregg	Robb
Bryan	Harkin	Roberts
Bumpers	Hatch	Rockefeller
Campbell	Hollings	Santorum
Cleland	Hutchison	Sarbanes
Coats	Inouye	Smith (NH)
Collins	Jeffords	Smith (OR)
Conrad	Johnson	Snowe
Coverdell	Kempthorne	Specter
D'Amato	Kennedy	Stevens
Daschle	Kerry	Thompson
DeWine	Kohl	Thurmond
Dodd	Landrieu	Torricelli
Domenici	Lautenberg	Warner
Dorgan	Leahy	Wellstone
Durbin	Levin	Wyden

NAYS—28

Bennett	Gorton	Moseley-Braun
Bond	Gramm	Moynihan
Breaux	Hagel	Murkowski
Burns	Helms	Nickles
Byrd	Hutchinson	Roth
Chafee	Inhofe	Sessions
Cochran	Kerrey	Shelby
Craig	Kyl	Thomas
Enzi	Lott	
Faircloth	Mack	

The PRESIDING OFFICER. On this vote the yeas are 72, the nays are 28. Three-fifths of the Senators duly chosen and sworn having voted in the affirmative, the motion is agreed to.

The question is now on agreeing to the underlying amendment.

The amendment (No. 575) was agreed to.

Mr. MOYNIHAN. Mr. President, I move to reconsider the vote by which the amendment was agreed to.

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

The motion to lay on the table was agreed to.

The PRESIDING OFFICER. The Senator from Delaware.

Mr. ROTH. Mr. President, Senator JEFFORDS is next on the list to offer an amendment.

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

AMENDMENT NO. 555

(Purpose: To encourage improvements in child care services and options for meeting employment-related child care needs)

Mr. JEFFORDS. Mr. President, I have a child care amendment at the desk.

The PRESIDING OFFICER. The clerk will report.

The legislative clerk read as follows:

The Senator from Vermont [Mr. JEFFORDS], for himself, Mr. DODD, Mr. ROBERTS, Mr. JOHNSON, Mr. KOHL, Ms. SNOWE, Ms. LANDRIEU, Mr. CHAFEE, Mr. D'AMATO, Ms. COLLINS, Mr. SMITH of Oregon, Mr. CAMPBELL, Mr. KENNEDY, Mr. ENZI, Mr. ALLARD, Mr. STEVENS, Mr. GRASSLEY, Ms. MIKULSKI, Mr. KERRY, and Mr. GRAHAM, proposes an amendment numbered 555.

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

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

(The text of the amendment is printed in the June 26, 1997, edition of the RECORD.)

Mr. JEFFORDS. Mr. President, this is a natural follow-on to the previous amendment. We are all aware of the need for good child care. There are more than 12 million children who are in child care. At least 15 percent are in care that is so bad that their health and safety are threatened; 40 percent of the infants in child care are in very risky situations.

For the many parents who would change their child care if they could find and afford better, this amendment provides tax relief through the child care tax credits, and it helps business meet the child care needs of their employees through the business tax credits and deductions.

We expand choices for parents, because if you can't afford the child care you find, you don't have much choice. Representatives of the religious and for-profit child care providers worked with us on the language related to accreditation and credentialing.

I ask unanimous consent that the following Members be added as cosponsors: Senators DODD, ROBERTS, KOHL, LANDRIEU, SNOWE, JOHNSON, CHAFEE, D'AMATO, COLLINS, GORDON SMITH, CAMPBELL, KENNEDY, ENZI, ALLARD, STEVENS, GRASSLEY, MIKULSKI, KERRY, and GRAHAM.

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

Mr. JEFFORDS. I reserve the remainder of my time, if I have any left.

The PRESIDING OFFICER. The Senator's time has expired. There is 1 minute in opposition. The Senator from Indiana.

Mr. COATS. Mr. President, we all want to improve quality care for child care. We spend nearly $1 billion now

doing that. As chairman of the Children and Family Subcommittee I am committed to that. I commend Senator JEFFORDS, Senator DODD, and others for work in that area.

The reason I oppose this particular amendment is, first of all, because it is an amorphous amendment. It brings a number of things together. There is one in here we tried to work out. I think we ought to oppose it, take it back to committee, bring it through, and bring a true quality child care amendment forward.

This forces grandparents, neighbors, and family day-care providers who already comply with State child care laws to meet now an additional standard, certified by a State-recognized agency or entity to submit to additional monitoring in order to have the care that they provide qualify for this additional tax credit.

We should not provide a preference tax credit for those who provide care outside the State certification. There are mothers and neighbors and relatives who do that who provide what they think is quality care and, more important, what the mothers and parents of children think is quality care.

I yield whatever time I have left to the Senator from Oklahoma.

The PRESIDING OFFICER. All time has expired.

Mr. ROTH. Mr. President, the pending amendment is not germane to the provisions of the reconciliation measure. I, therefore, raise a point of order against the amendment under section 305(b)(2) of the Budget Act.

Mr. JEFFORDS. Mr. President, I understand this is a germaneness objection. I move to waive the Budget Act and ask for the yeas and nays.

The PRESIDING OFFICER. Is there a sufficient second?

There is a sufficient second.

The yeas and nays were ordered.

VOTE ON MOTION TO WAIVE THE BUDGET ACT

The PRESIDING OFFICER. The question is on agreeing to the motion to waive the Budget Act. The yeas and nays have been ordered. The clerk will call the roll.

Mr. FORD. I announce that the Senator from South Carolina [Mr. HOLLINGS] is necessarily absent.

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

The yeas and nays resulted—yeas 57, nays 42, as follows:

[Rollcall Vote No. 153 Leg.]

YEAS—57

Akaka	Daschle	Kennedy
Allard	Dodd	Kerrey
Baucus	Dorgan	Kerry
Biden	Durbin	Kohl
Bingaman	Enzi	Landrieu
Boxer	Feingold	Lautenberg
Breaux	Feinstein	Leahy
Bryan	Ford	Levin
Bumpers	Glenn	Lieberman
Campbell	Graham	Mack
Chafee	Harkin	Mikulski
Cleland	Hutchison	Moseley-Braun
Conrad	Inouye	Murray
Coverdell	Jeffords	Reed
D'Amato	Johnson	Reid
Robb	Smith (OR)	Torricelli
Roberts	Snowe	Warner
Rockefeller	Specter	Wellstone
Sarbanes	Stevens	Wyden

NAYS—42

Abraham	Frist	Lugar
Ashcroft	Gorton	McCain
Bennett	Gramm	McConnell
Bond	Grams	Moynihan
Brownback	Grassley	Murkowski
Burns	Gregg	Nickles
Byrd	Hagel	Roth
Coats	Hatch	Santorum
Cochran	Helms	Sessions
Collins	Hutchinson	Shelby
Craig	Inhofe	Smith (NH)
DeWine	Kempthorne	Thomas
Domenici	Kyl	Thompson
Faircloth	Lott	Thurmond

NOT VOTING—1

Hollings

The PRESIDING OFFICER. On this vote the yeas are 57, the nays are 42. Three-fifths of the Senators duly chosen and sworn not having voted in the affirmative, the motion is rejected. The point of order is sustained, and the amendment falls.

Mr. ROTH. I move to reconsider the vote.

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

The motion to lay on the table was agreed to.

Mr. TORRICELLI addressed the Chair.

The PRESIDING OFFICER (Mr. ENZI). The Chair recognizes the Senator from New Jersey.

AMENDMENT NO. 578

(Purpose: To exclude certain severance payment amounts from income and to modify the time periods for carryback and carryforward of unused credits)

Mr. TORRICELLI. Mr. President, I have an amendment, and I ask for its immediate consideration.

The PRESIDING OFFICER. The clerk will report.

The legislative clerk read as follows:

The Senator from New Jersey [Mr. TORRICELLI], for himself and Ms. LANDRIEU, proposes an amendment numbered 578.

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

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

The amendment is as follows:

On page 267, between lines 15 and 16, insert the following:

SEC. . EXCLUSION FROM INCOME OF SEVERANCE PAYMENT AMOUNTS; TIME PERIODS FOR CARRYBACK AND CARRYFORWARD OF UNUSED CREDITS.

(a) EXCLUSION FROM INCOME OF SEVERANCE PAYMENT AMOUNTS.—Part III of subchapter B of chapter 1 (relating to items specifically excluded from gross income) is amended by redesignating section 138 as section 139 and by inserting after section 137 the following new section:

"SEC. 138. SEVERANCE PAYMENTS.

"(a) IN GENERAL.—In the case of an individual, gross income shall not include any qualified severance payment.

"(b) LIMITATION.—The amount to which the exclusion under subsection (a) applies shall not exceed $2,000 with respect to any separation from employment.

"(c) QUALIFIED SEVERANCE PAYMENT.—For purposes of this section—

"(1) IN GENERAL.—The term 'qualified severance payment' means any payment received by an individual if—

"(A) such payment was paid by such individual's employer on account of such individual's separation from employment,

"(B) such separation was in connection with a reduction in the work force of the employer, and

"(C) such individual does not attain employment within 6 months of the date of such separation in which the amount of compensation is equal to or greater than 95 percent of the amount of compensation for the employment that is related to such payment.

"(2) LIMITATION.—Such term shall not include any payment received by an individual if the aggregate payments received with respect to the separation from employment exceed $125,000."

(b) TIME PERIODS FOR CARRYBACK AND CARRYFORWARD OF UNUSED CREDITS.—Section 39(a) (relating to unused credits) is amended—

(1) in paragraph (1), by striking "3" each place it appears and inserting "1" and by striking "15" each place it appears and inserting "20"; and

(2) in paragraph (2), by striking "18" each place it appears and inserting "22" and by striking "17" each place it appears and inserting "21".

(c) CLERICAL AMENDMENT.—The table of sections for part III of subchapter B of chapter 1 is amended by striking the time relating to section 138 and inserting the following new items:

"Sec. 138. Severance payments.

"Sec. 139. Cross references to other Acts."

(d) EFFECTIVE DATES.—

(1) IN GENERAL.—The amendments made by subsections (a) and (c) shall apply to taxable years beginning after December 31, 1997, and before July 1, 2002.

(2) SUBSECTION (b).—The amendments made by subsection (b) shall apply to the carryback and carryforward of credits arising in taxable years beginning after December 31, 1997.

Mr. TORRICELLI. Mr. President, as the Senate has considered tax relief for people of means to encourage them to invest in a growing economy and people of more modest means to help with their education, I offer an amendment to deal with a different group of Americans, people not of high or medium income, but people of no income.

Even in good economic times, through no fault of their own, through mergers, acquisitions, downsizing, or foreign competition, companies need to sometimes reduce their work force. And corporate America is responding responsibly by offering severance pay.

My amendment simply takes the first $3,000 of severance pay offered to any American who loses their job through downsizing and makes that $3,000 tax free. It is offset. It is responsible. It is an appropriate Government response to a corporate policy which is the right way to help Americans to adjust to start their own businesses or retirement.

I urge the adoption of the amendment.

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

There is 1 minute in opposition.

Who seeks recognition?

Mr. MOYNIHAN. Mr. President, I do not believe there is any opposition. It is an excellent proposal.

Mr. ROTH. We are ready and willing to accept it by voice vote.

Mr. TORRICELLI. Mr. President, I thank the Chairman.

The PRESIDING OFFICER. Without objection, the amendment is agreed to.

The amendment (No. 578) was agreed to.

Mr. MOYNIHAN. I move to reconsider the vote.

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

The motion to lay on the table was agreed to.

Mr. HARKIN addressed the Chair.

The PRESIDING OFFICER. The Senator from Iowa.

AMENDMENT NO. 579

(Purpose: To improve health care quality and reduce health care costs by establishing a National Fund for Health Research that would significantly expand the Nation's investment in medical research)

Mr. HARKIN. I send my amendment to the desk.

The PRESIDING OFFICER. The clerk will report.

The legislative clerk read as follows:

The Senator from Iowa [Mr. HARKIN], for himself, Mr. D'AMATO, Mr. MACK, and Mr. SPECTER, proposes an amendment numbered 579.

Mr. HARKIN. I ask unanimous consent reading of the amendment be dispensed with.

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

The amendment is as follows:

On page 1027, between lines 7 and 8, insert the following:

Subtitle N—National Fund for Health Research

SEC. 5995. SHORT TITLE.

This subtitle may be cited as the ''National Fund for Health Research Act''.

SEC. 5996. FINDINGS.

Congress makes the following findings:

(1) Nearly 4 of 5 peer reviewed research projects deemed worthy of funding by the National Institutes of Health are not funded.

(2) Less than 3 percent of the nearly one trillion dollars our Nation spends on health care is devoted to health research, while the defense industry spends 15 percent of its budget on research and development.

(3) Public opinion surveys have shown that Americans want more Federal resources put into health research and are willing to pay for it.

(4) Ample evidence exists to demonstrate that health research has improved the quality of health care in the United States. Advances such as the development of vaccines, the cure of many childhood cancers, drugs that effectively treat a host of diseases and disorders, a process to protect our Nation's blood supply from the HIV virus, progress against cardiovascular disease including heart attack and stroke, and new strategies for the early detection and treatment of diseases such as colon, breast, and prostate cancer clearly demonstrates the benefits of health research.

(5) Health research which holds the promise of prevention of intentional and unintentional injury and cure and prevention of disease and disability, is critical to holding down health care costs in the long term.

(6) Expanded medical research is also critical to holding down the long-term costs of the medicare program under title XVIII of the Social Security Act. For example, recent research has demonstrated that delaying the onset of debilitating and costly conditions like Alzheimer's disease could reduce general health care and medicare costs by billions of dollars annually.

(7) The state of our Nation's research facilities at the National Institutes of Health and at universities is deteriorating significantly. Renovation and repair of these facilities are badly needed to maintain and improve the quality of research.

(8) Because discretionary spending is likely to decline in real terms over the next 5 years, the Nation's investment in health research through the National Institutes of Health is likely to decline in real terms unless corrective legislative action is taken.

(9) A health research fund is needed to maintain our Nation's commitment to health research and to increase the percentage of approved projects which receive funding at the National Institutes of Health.

SEC. 5997. ESTABLISHMENT OF FUND.

(a) ESTABLISHMENT.—There is established in the Treasury of the United States a fund, to be known as the ''National Fund for Health Research'' (hereafter in this section referred to as the ''Fund''), consisting of such amounts as are transferred to the Fund under subsection (b), any sums specifically designated for such purpose by future acts of Congress, and any interest earned on investment of amounts in the Fund.

(b) TRANSFERS TO FUND.—

(1) IN GENERAL.—The Secretary of the Treasury shall transfer to the Fund amounts equivalent to one half the amounts for each of the fiscal years 1998 through 2002 derived for each such fiscal year under Section 311 through Section 314 of this act that exceeds the amount of Federal revenues estimated by the Joint Tax Committee as of the date of enactment of this act, to be gained from enactment of Section 311 through Section 314 for each such fiscal year.

(B) DETERMINATION BY SECRETARY.—Not later than 6 months after the end of each of the fiscal years described in subparagraph (A), the Secretary of the Treasury shall—

(i) make a determination as to the amount to be transferred to the Fund for the fiscal year involved under this subsection; and

(ii) subject to subsection (d), transfer such amount to the Fund.

(C) FUND ADMINISTERED BY HEALTH AND HUMAN SERVICES.—The Secretary of Health and Human Services shall administer funds transferred into the Fund.

(D) CAP ON TRANSFER.—Amounts transferred to the Fund under this subsection for any year in the 5-fiscal year period beginning on October 1, 1997, shall not in combination with the appropriated sum exceed an amount equal to the amount appropriated for the National Institutes of Health for fiscal year 1997 multiplied by 2.

(c) OBLIGATIONS FROM FUND.—

(1) IN GENERAL.—Subject to the provisions of paragraph (4), with respect to the amounts made available in the Fund in a fiscal year, the Secretary of Health and Human Services shall distribute—

(A) 2 percent of such amounts during any fiscal year to the Office of the Director of the National Institutes of Health to be allocated for the following activities:

(i) for carrying out the responsibilities of the Office of the Director, including the Office of Research on Women's Health and the Office of Research on Minority Health, the Office of Alternative Medicine, the Office of Rare Disease Research, the Office of Behavioral and Social Sciences Research (for use for efforts to reduce tobacco use), the Office of Dietary Supplements, and the Office for Disease Prevention; and

(ii) for construction and acquisition of equipment for or facilities of or used by the National Institutes of Health;

(B) 2 percent of such amounts for transfer to the National Center for Research Resources to carry out section 1502 of the National Institutes of Health Revitalization Act of 1993 concerning Biomedical and Behavioral Research Facilities;

(C) 1 percent of such amounts during any fiscal year for carrying out section 301 and part D of title IV of the Public Health Service Act with respect to health information communications; and

(D) the remainder of such amounts during any fiscal year to member institutes and centers, including the Office of AIDS Research, of the National Institutes of Health in the same proportion to the total amount received under this section, as the amount of annual appropriations under appropriations Acts for each member institute and Centers for the fiscal year bears to the total amount of appropriations under appropriations Acts for all member institutes and Centers of the National Institutes of Health for the fiscal year.

(2) PLANS OF ALLOCATION.—The amounts transferred under paragraph (1)(D) shall be allocated by the Director of the National Institutes of Health or the various directors of the institutes and centers, as the case may be, pursuant to allocation plans developed by the various advisory councils to such directors, after consultation with such directors.

(3) GRANTS AND CONTRACTS FULLY FUNDED IN FIRST YEAR.—With respect to any grant or contract funded by amounts distributed under paragraph (1), the full amount of the total obligation of such grant or contract shall be funded in the first year of such grant or contract, and shall remain available until expended.

(4) TRIGGER AND RELEASE OF MONIES.

(A) TRIGGER AND RELEASE.—No expenditure shall be made under paragraph (1) during any fiscal year in which the annual amount appropriated for the National Institutes of Health is less than the amount so appropriated for the prior fiscal year.

(d) REQUIRED APPROPRIATION.—No transfer may be made for a fiscal year under subsection (b) unless an appropriations Act providing for such a transfer has been enacted with respect to such fiscal year.

Mr. HARKIN. Mr. President, in this morning's paper, researchers were able to identify a gene that plays a role in Parkinson's disease. We need more funds for biomedical research.

What this amendment says, on behalf of Senators D'AMATO, SPECTER, MACK, and myself, is that we take the excess savings that will come in because of the capital gains tax cut. Half of that will go for deficit reduction; the other half will go to NIH for biomedical research.

I yield the remainder of my time first to Senator D'AMATO and then Senator SPECTER.

Mr. D'AMATO. Mr. President, a number of recent studies have demonstrated that investments in medical research can lower health care costs through the development of more cost-effective treatments. Greater funding for research will also increase our ability to combat diseases which are very costly to our Nation's health care system. We voted on May 21, 1997, 98 to 0, to double the amount of funding for NIH so we can advance our biomedical research capabilities. This impressive show of support from this body will help reduce health care costs and increase the quality of health for all of our citizens.

Voting to increase funding was easy. Now comes the hard part. Where do we get the money? We must not take money from other vital programs such as food stamps or senior citizen benefits. Can we afford to give more money for breast cancer research and take away money from programs for children? There would be no end to the debate on which is more worthy of our priorities.

There is a better way to get funds for biomedical research without cutting from other programs. I suggest that each year the Secretary of the Treasury determine whether the actual revenue impact of the capital gains provisions of this bill are more positive—more revenues gained or less lost—than levels called for in revenue scoring of this provision. If the impact is more positive, half of the revenues will be put toward deficit reduction. We could then take the other half and deposit it into a National Fund for Health Research. This fund will expand support for medical research through the National Institutes of Health [NIH].

I believe that if we acquire the money for the fund in this way we can avoid hurting other programs. Using money when there is a more positive revenue will keep us within the bounds of the balanced budget agreement. I don't believe there is a better place to put this excess money than in the research fund.

Mr. President, every one of us, the entire Senate called for an increase in funding for biomedical research. Again, I suggest that there is no better place to put the more positive revenue than in this fund. I believe that the establishment of this trust fund should be made in the same cooperative spirit that brought the entire Senate to agree to increase funding on May 21. We can then go home feeling proud that we did all we could to further advance our country's medical capabilities and in time reduce the costs of our entire health care system.

Mr. President, we voted 98 to 0 to do this. This is a matter which we can prove that we meant it. Any additional moneys will go to deficit reduction and to NIH.

Mr. SPECTER. Mr. President, the Senate voted 98 to 0 in a sense of the Senate, but turned down $1.1 billion of real money, 67 to 37.

This is a chance for those 63 Senators to redeem themselves, to redeem their promise for NIH funding.

The PRESIDING OFFICER. There is 1 minute in opposition.

Mr. ROTH. I yield to the Senator from Pennsylvania.

Mr. SANTORUM. If this amendment is adopted, there is no money for tax cuts, if that money was available from extra funds.

I do not think that is a good idea. I think it hamstrings Congress. If there is extra money, we should give it back to the people who paid it here. We should not be putting it into more Government spending.

No. 1, my understanding is that this violates the Budget Act and is subject to a point of order.

Mr. NICKLES. I make the point of order that the amendment is not relevant under the Budget Act, subject to germaneness.

Mr. HARKIN. I move to waive the point of order and ask for the yeas and nays.

The PRESIDING OFFICER. Is there a sufficient second?

There is a sufficient second.

The yeas and nays were ordered.

VOTE ON MOTION TO WAIVE THE BUDGET ACT

The PRESIDING OFFICER. The question is on agreeing to the motion to waive the Budget Act. The yeas and nays have been ordered.

The clerk will call the roll.

The bill clerk called the roll.

Mr. FORD. I announce that the Senator from South Carolina. [Mr. HOLLINGS] is necessarily absent.

The yeas and nays resulted—yeas 51, nays 48, as follows:

[Rollcall Vote No. 154 Leg.]

YEAS—51

Akaka	Glenn	McCain
Biden	Graham	Mikulski
Boxer	Grassley	Moseley-Braun
Bryan	Harkin	Moynihan
Bumpers	Hutchison	Murray
Burns	Inouye	Reed
Cleland	Jeffords	Reid
Collins	Johnson	Robb
Conrad	Kennedy	Rockefeller
D'Amato	Kerrey	Sarbanes
Daschle	Kerry	Snowe
DeWine	Kohl	Specter
Dodd	Lautenberg	Stevens
Dorgan	Leahy	Thompson
Durbin	Levin	Torricelli
Feinstein	Lieberman	Wellstone
Frist	Mack	Wyden

NAYS—48

Abraham	Domenici	Landrieu
Allard	Enzi	Lott
Ashcroft	Faircloth	Lugar
Baucus	Feingold	McConnell
Bennett	Ford	Murkowski
Bingaman	Gorton	Nickles
Bond	Gramm	Roberts
Breaux	Grams	Roth
Brownback	Gregg	Santorum
Byrd	Hagel	Sessions
Campbell	Hatch	Shelby
Chafee	Helms	Smith (NH)
Coats	Hutchinson	Smith (OR)
Cochran	Inhofe	Thomas
Coverdell	Kempthorne	Thurmond
Craig	Kyl	Warner

NOT VOTING—1

Hollings

The PRESIDING OFFICER. On this vote, the yeas are 51, the nays are 48. Three-fifths of the Senators duly chosen and sworn not having voted in the affirmative, the motion is rejected. The point of order is sustained, and the amendment falls.

Mr. ROTH. Mr. President, I move to reconsider the vote.

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

The motion to lay on the table was agreed to.

Mr. ROTH. Mr. President, Senator MOSELEY-BRAUN is the next Senator on the list to offer an amendment.

The PRESIDING OFFICER. The Senator from Illinois is recognized.

AMENDMENT NO. 581

(Purpose: To provide for a tax credit for public elementary and secondary school construction, and for other purposes)

Ms. MOSELEY-BRAUN. Mr. President, I send an amendment to the desk and ask for its immediate consideration.

The PRESIDING OFFICER. The clerk will report.

The legislative clerk read as follows:

The Senator from Illinois [Ms. MOSELEY-BRAUN], for herself, Mr. KENNEDY, and Mr. WELLSTONE, proposes an amendment numbered 581.

Ms. MOSELEY-BRAUN. Mr. President, I ask unanimous consent that reading of the amendment be dispensed with.

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

(The text of the amendment is printed in today's RECORD under ''Amendments Submitted.'')

Ms. MOSELEY-BRAUN. Mr. President, this amendment says that if our economy does better than we today expect that it will, we will devote some of that increased revenue to help rebuild our Nation's crumbling schools.

The General Accounting Office makes it very clear that we have at least 112 billion dollars' worth of unmet needs with school facilities around the country. State and local governments cannot go to the property tax to meet that 112 billion dollars' worth of need. So, I say to my colleagues, in the interest of the 14 million American children who, every day, go to schools that are unfit for human habitation and which are not suitable environments for learning, I ask support for this amendment. The funds from the tax credit would only be made available if actual revenue in the Federal Treasury exceeded CBO's annual revenue projections, and up to $1 billion above and beyond CBO revenue estimates will be deposited into a school infrastructure trust fund. It would be distributed to the States in allocable tax credits. This is a problem that will not go away. It will only get worse if we don't address it now. Thank you.

Mr. NICKLES addressed the Chair.

The PRESIDING OFFICER. The Senator from Oklahoma is recognized.

Mr. NICKLES. Mr. President, I urge my colleagues to vote no on this amendment. I understand there will be a voice vote. Mr. President, this proposal is, in essence, converting an education infrastructure grant program into a tax credit. In my opinion, that is not a good idea. The administration, while they originally proposed having the $5 billion for schools, during the negotiation they dropped that. That wasn't part of the agreed-upon package. I might also mention that the Department of Education said, ''The Department recommends that Congress rescind the 1995 appropriations for this program and provide no funding for 1996.'' That was the infrastructure program.

So, Mr. President, I urge colleagues to vote no on this amendment.

The PRESIDING OFFICER. The question is on agreeing to the amendment.

The amendment (No. 581) was rejected.

Mr. MOYNIHAN. Mr. President, I move to reconsider the vote.

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

The motion to lay on the table was agreed to.

Mr. ROTH. Mr. President, I next yield to Senator MCCAIN to offer an amendment.

AMENDMENT NO. 548

(Purpose: To strike the provision relating to the extension and modification of subsidies for alcohol fuels)

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

The PRESIDING OFFICER. The clerk will report.

The legislative clerk read as follows:

The Senator from Arizona [Mr. MCCAIN] proposes an amendment numbered 548.

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

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

The amendment is as follows:

Strike section 707 of the bill.

Mr. MCCAIN. Mr. President, I offer an amendment today to strike the language in the bill that provides an additional $3.8 billion in subsidies for the ethanol industry.

The amendment is very simple. It strikes in its entirety Section 707 of the bill, which would extend for an additional 7 years the tax credits for ethanol and methanol producers. The value of these ethanol subsidies is estimated by the Congressional Budget Office at $3.8 billion in lost revenues.

Mr. President, enough is enough. The American taxpayers have subsidized the ethanol industry, with guaranteed loans and tax credits, for more than 20 years. Since 1980, government subsidies for ethanol have totaled more than $10 billion. Section 707 of the bill, if not stricken, would give another $3.8 billion in tax breaks to ethanol producers.

Current law provides tax credits for ethanol producers which are estimated to cost the Treasury $770 million a year in lost revenue, and the Congressional Research Service estimates that loss may increase to $1 billion by the year 2000. These huge tax credits effectively increase the tax burden on other businesses and individual taxpayers.

The current tax subsidies for ethanol are scheduled to expire in the year 2000. This amendment does not change current law; it allows the existing generous subsidies to continue through the year 2000. The amendment merely ensures that the subsidies do expire and are not extended for another 7 years.

Mr. President, let me just take a moment and try to explain why we have such generous ethanol subsidies in law today. The rationale for ethanol subsidies has changed over the years, but unfortunately, ethanol has never lived up to the claims of any of its diverse proponents.

In the late 1970's, during the energy crisis, ethanol was supposed to help the U.S. lessen its reliance on oil. But ethanol use never took off, even when gasoline prices were highest and lines were longest.

Then, in the early 1980's, ethanol subsidies were used to prop up America's struggling corn farmers. Unfortunately, the usual trickle down effect of agricultural subsidies is clearly evident. Beef and dairy farmers, for example, have to pay a higher price for feed corn, which is then passed on in the form of higher prices for meat and milk. The average consumer ends up paying the cost of ethanol subsidies in the grocery store.

By the late 1980's, ethanol became the environmentally correct alternative fuel. Unfortunately, the Department of Energy has provided statistics showing that it takes more energy to produce a gallon of ethanol than the amount of energy that gallon of ethanol contains. In addition, the Congressional Research Service, the Congressional Budget Office, and the Department of Energy all acknowledge that the environmental benefits of ethanol use, at least in terms of smog reduction, are yet unproven.

In addition, ethanol is an inefficient, expensive fuel. Just look at the 3- to 5-cent-per-gallon increase in gasoline prices during the winter months in the Washington, D.C. area when ethanol is required to be added to the fuel.

Finally, let me quote Stephen Moore, of the CATO Institute, who puts it very succinctly in a recent paper:

* * * [V]irtually every independent assessment—by the U.S. Department of Agriculture, the General Accounting Office, the Congressional Budget Office, NBC News and several academic journals—has concluded that ethanol subsidies have been a costly boondoggle with almost no public benefit.

So why do we continue to subsidize the ethanol industry? I think James Bovard of the CATO Institute put it best in a 1995 policy paper:

* * * [O]ne would be hard-pressed to find another industry as artificially sustained as the ethanol industry. The economics of ethanol are such that, for the industry to survive at all, massive trade protection, tax loopholes, contrived mandates for use, and production subsidies are vitally necessary. Only by spooking the public with bogey-men such as foreign oil sheiks, toxic air pollution, and the threatened disappearance of the American farmer can attention be deflected from the real costs of the ethanol house of cards that consumes over a billion dollars annually.

Mr. President, the House Ways and Means Committee took a bold step and included in its revenue reconciliation bill a phase-out of ethanol subsidies. In the report accompanying the bill, the Committee stated:

[Ethanol tax subsidies] were assumed to be temporary measures that would allow these fuels to become economical without permanent Federal subsidies. Nearly 20 years have passed since that enactment, and neither the projected prices of oil nor the ability of ethanol to be a viable fuel without Federal subsidies has been realized. The Committee determined, therefore, that enactment of an orderly termination of this Federal subsidy program is appropriate at this time.

And what does the Senate Finance Committee say to support its decision to extend the ethanol subsidies beyond their current expiration date? Listen to this:

The Committee believes that continued assurance of tax benefits for ethanol are [sic] an important signal to encourage the use of alternative fuels.

I commend Chairman BILL ARCHER for his decision to try to phase out ethanol subsidies. The provision in the House bill would have saved almost $250 million in the next three years. Unfortunately, I understand the provision will be removed from the House bill because of opposition in the ethanol industry. I am very disappointed that the House is taking this step back from ending ethanol subsidies.

Mr. President, we should end these subsidies. We cannot afford to subsidize the ethanol industry at a time when we are struggling with the dilemma of balancing the budget while maintaining our commitments to our senior citizens, taking care of our poor and disadvantaged citizens, and ensuring a healthy and secure future for our children.

Current law terminates ethanol subsidies after the year 2000. This amendment would avoid the $3.8 billion cost of extending the ethanol subsidies. I urge my colleagues to oppose changing current law and adopt my amendment to strike Section 707 from the bill.

The PRESIDING OFFICER. Who seeks recognition?

Mr. KERREY. Mr. President, I will take 30 seconds and then yield to the Senator from Iowa. This provision has worked and is creating jobs—

Mr. MOYNIHAN. Mr. President, we must have order.

Mr. KERREY. This provision has worked. I urge my colleagues to vote against the motion to strike. It has created jobs and has been good for the environment and promoted alternative fuel in the agriculture community, and we have long-term contracts that individuals have taken out to build the plants. I hope my colleagues vote against this provision.

The PRESIDING OFFICER. The Senator from Iowa is recognized.

Mr. GRASSLEY. Mr. President, look at how wrong the argument of the Senator from Arizona is, that when a consumer doesn't pay a gasoline tax, it turns out to be a subsidy to an industry. How wrong that argument can be. This is not a subsidy to any industry. If this amendment passes, after the year 2000 the consumers of America are going to pay more gas tax on that portion of their gasoline that is ethanol. This is good for the environment and good for agriculture. It is good for jobs in the cities—195,000 jobs. It is good for energy independence and everything. It is good, good, good.

Mr. JOHNSON. Mr. President, I rise in opposition to Senator MCCAIN's amendment to the Revenue Reconciliation Act that would eliminate the tax exemption for ethanol in the year 2000.

Mr. President, I am proud to stand in opposition of this amendment. Over the past 3 years, we have been deluged with a deliberate misinformation campaign regarding the impact of the domestic ethanol industry. The partial excise tax exemption gasoline marketers receive for blending their fuel with ethanol has been disparagingly labeled corporate welfare. This label patently ignores the important public benefits that result from the production and use of fuel ethanol. I thought I would share some of the relevant facts.

Ethanol production stimulates the economy in rural America. As a result of progressive policymakers, ethanol is now produced in 53 plants in 19 States. The production of fuel ethanol results in more than 55,000 high-wage jobs, generates greater than $2.1 billion in household income, and adds more than $7.2 billion to the economy every year. Farmers will receive an additional $2.2 billion each year because of ethanol production. Moreover, nearly all new expansion in the ethanol industry has been completed by farmer-owned cooperatives. The Department of Agriculture estimates that a 100 million gallon ethanol plant will add 2,250 jobs to a community—enhancing rural development and expansion. In short, the ethanol industry is an economic engine driving investment and opportunities across rural America.

Ethanol promotes competition and reduces consumer gasoline costs. Ethanol extends gasoline supplies, provides a valuable source of octane for independent gasoline marketers, assures competition in the oxygenate market for refiners trying to meet Clean Air Act standards, and reduces consumer costs of gasoline. As noted by the Society of Independent Gasoline Marketers of America:

> The federal benefits afforded ethanol-blended fuels have been an important, pro-competitive influence on the nation's gasoline markets. By enhancing the ability of independent marketers to price-compete with their integrated oil company competitors, this program has increased independent marketers' economic viability and reduced consumers' costs of gasoline.

Recognizing the competitive benefits of fuel ethanol in the market, Citizen Action, the Nation's largest consumer organization and strong supporter of the ethanol tax incentive, recently stated:

> The use of ethanol, a domestically produced, cleaner-burning renewable fuel helps American consumers use less polluting oil and reduces dependence on costly oil imports, which are in part subsidized by huge foreign tax credits.

Ethanol improves the U.S. trade balance. Ethanol competes with MTBE, a methanol-derived oxygenate, as an octane—oxygenate—additive. Imports of MTBE have risen from just 30 million gallons in 1992 to more than 700 million gallons last year, or about 25 percent of domestic consumption. By displacing the demand for MTBE that would be necessary without ethanol, the U.S. trade imbalance is reduced by approximately $1.3 billion annually. But the trade implications of ethanol do not end there. The majority of the coproducts of ethanol production—corn gluten feed and corn gluten meal—are exported, further reducing the trade deficit by earning over $800 million annually. The net effect is a benefit to the U.S. trade imbalance of over $2 billion each year.

Ethanol helps reduce air pollution. Ethanol adds oxygen to gasoline which reduces exhaust emissions of ozone-forming VOC's and carbon monoxide. It is widely used in reformulated gasolines currently being sold in ozone nonattainment areas across the country. Because ethanol adds octane to gasoline, it also reduces the use of other highly toxic petroleum-derived octanes, such as benzene, toluene and xylene.

Ethanol enhances our national security. This Nation spends billions of dollars to protect our oil interests around the world. It is considerably less costly to defend the corn fields of the Dakotas than it is to defend foreign oil fields.

Ethanol is good for agriculture. It is good for rural America. It is good for the environment. It reduces our dependance on foreign oil. The bottom line is that the Federal tax structure for ethanol deserves our continued support. I strongly oppose this amendment.

Mr. President, I ask unanimous consent that my remarks be inserted in the appropriate place in the CONGRESSIONAL RECORD.

The PRESIDING OFFICER. The question is on agreeing to the amendment.

Mr. MCCAIN. Mr. President, I ask for the yeas and nays.

The PRESIDING OFFICER. Is there a sufficient second?

There is a sufficient second.

The yeas and nays are ordered and the clerk will call the roll.

The assistant legislative clerk called the roll.

Mr. FORD. I announce that the Senator from South Carolina [Mr. HOLLINGS] is necessarily absent.

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

The result was announced—yeas 30, nays 69, as follows:

[Rollcall Vote No. 155 Leg.]

YEAS—30

Byrd	Kennedy	Santorum
Coats	Kyl	Sessions
Collins	Lautenberg	Shelby
Coverdell	Leahy	Smith (NH)
Feingold	Lieberman	Snowe
Frist	McCain	Specter
Gorton	Murray	Stevens
Gregg	Nickles	Thompson
Hutchison	Robb	Warner
Inhofe	Rockefeller	Wyden

NAYS—69

Abraham	DeWine	Kerrey
Akaka	Dodd	Kerry
Allard	Domenici	Kohl
Ashcroft	Dorgan	Landrieu
Baucus	Durbin	Levin
Bennett	Enzi	Lott
Biden	Faircloth	Lugar
Bingaman	Feinstein	Mack
Bond	Ford	McConnell
Boxer	Glenn	Mikulski
Breaux	Graham	Moseley-Braun
Brownback	Gramm	Moynihan
Bryan	Grams	Murkowski
Bumpers	Grassley	Reed
Burns	Hagel	Reid
Campbell	Harkin	Roberts
Chafee	Hatch	Roth
Cleland	Helms	Sarbanes
Cochran	Hutchinson	Smith (OR)
Conrad	Inouye	Thomas
Craig	Jeffords	Thurmond
D'Amato	Johnson	Torricelli
Daschle	Kempthorne	Wellstone

NOT VOTING—1

Hollings

So the amendment (No. 548) was rejected.

Mr. ROTH. Mr. President, I move to reconsider the vote by which the amendment was rejected.

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

The motion to lay on the table was agreed to.

Mr. ROTH. Senator LANDRIEU is next on the list of offering amendments.

The PRESIDING OFFICER. The Senator from Louisiana is recognized.

AMENDMENT NO. 532

(Purpose: To allow taxpayers with income tax liability to take the child tax credit before the earned income tax credit, and for other purposes)

Ms. LANDRIEU. Mr. President, I have an amendment at the desk.

The PRESIDING OFFICER. The clerk will report.

The bill clerk read as follows:

The Senator from Louisiana [Ms. LANDRIEU] proposes an amendment numbered 532.

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

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

The amendment is as follows:

On page 13, beginning on line 9, strike all through page 17, line 23, and insert the following:

''(2) LIMITATION BASED ON ADJUSTED GROSS INCOME.—

''(A) IN GENERAL.—The $500 amount in subsection (a) shall be reduced (but not below zero) by $25 for each $1,000 (or fraction thereof) by which the taxpayer's modified adjusted gross income exceeds the threshold amount. For purposes of the preceding sentence, the term 'modified adjusted gross income' means adjusted gross income increased by any amount excluded from gross income under section 911, 931, or 933.

''(B) THRESHOLD AMOUNT.—For purposes of subparagraph (A), the term 'threshold amount' means—

''(i) $90,000 in the case of a joint return,

''(ii) $60,000 in the case of an individual who is not married, and

''(iii) $45,000 in the case of a married individual filing a separate return.

For purposes of this subparagraph, marital status shall be determined under section 7703.

''(c) QUALIFYING CHILD.—For purposes of this section—

''(1) IN GENERAL.—The term 'qualifying child' means any individual if—

''(A) the taxpayer is allowed a deduction under section 151 with respect to such individual for the taxable year,

''(B) such individual has not attained the age of 17 (age of 18 in the case of taxable years beginning after 2002) as of the close of the calendar year in which the taxable year of the taxpayer begins, and

''(C) such individual bears a relationship to the taxpayer described in section 32(c)(3)(B).

''(2) EXCEPTION FOR CERTAIN NONCITIZENS.—The term 'qualifying child' shall not include any individual who would not be a dependent if the first sentence of section 152(b)(3) were applied without regard to all that follows 'resident of the United States'.

''(d) TAXABLE YEAR MUST BE FULL TAXABLE YEAR.—Except in the case of a taxable year closed by reason of the death of the taxpayer, no credit shall be allowable under this section in the case of a taxable year covering a period of less than 12 months.

''(e) RECAPTURE OF CREDIT.—

''(1) IN GENERAL.—If—

''(A) during any taxable year any amount is withdrawn from a qualified tuition program or an education individual retirement account maintained for the benefit of a beneficiary and such amount is subject to tax under section 529(f) or 530(c)(3), and

''(B) the amount of the credit allowed under this section for the prior taxable year was contingent on a contribution being made to such a program or account for the benefit of such beneficiary,

the taxpayer's tax imposed by this chapter for the taxable year shall be increased by the lesser of the amount described in subparagraph (A) or the credit described in subparagraph (B).

''(2) NO CREDITS AGAINST TAX, ETC.—Any increase in tax under this subsection shall not be treated as a tax imposed by this chapter for purposes of determining—

''(A) the amount of any credit under this subpart or subpart B or D of this part, and

''(B) the amount of the minimum tax imposed by section 55.

''(f) OTHER DEFINITIONS.—For purposes of this section, the terms 'qualified tuition program' and 'education individual retirement account' have the meanings given such terms by section 529 and 530, respectively.

''(g) PHASE IN OF CREDIT.—In the case of taxable years beginning in 1997—

''(1) subsection (a)(1) shall be applied by substituting '$250' for '$500', and

''(2) subsection (c)(1)(B) shall be applied by substituting 'age of 13' for 'age of 17'.''

(b) CONFORMING AMENDMENT.—The table of sections for subpart A of part IV of subchapter A of chapter 1 is amended by inserting after the item relating to section 23 the following new item:

''Sec. 24. Child tax credit.''

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 1996.

Ms. LANDRIEU. Mr. President, I want to begin by thanking my colleagues for their great patience. It has been a long day. I thank our ranking member for his great attention to this matter.

I also want to thank Senators KERRY, JOHNSON, and DURBIN for joining me in cosponsoring this amendment.

Mr. President, this amendment would allow the $500 child tax credit that we have talked so much about in the last few days to be available to 20 million families in America that are working very hard.

Mr. President, under the current draft of the bill, these working families only get to keep about half of this credit. In my State that means 27 percent of the families in my State who are working very hard will not be able to keep the full amount of this credit.

I know this has been considered carefully. But I feel compelled to offer this amendment today. I know that in this bill we are giving tax relief to many Americans. I believe that these Americans should have the opportunity to keep the full $500 tax credit. I ask my colleagues to give favorable consideration. It is budget neutral.

Mr. MOYNIHAN. Mr. President, I would hope that there would be no opposition to this.

Mr. NICKLES addressed the Chair.

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

The Senator from Oklahoma.

Mr. NICKLES. Mr. President, much to my colleague's surprise, there is very serious opposition.

I hope we can vote this down by a voice vote.

This amendment would add outlays and increase Uncle Sam's writing of checks for the first 5 years of $9 billion and over 10 years of $19 billion. And this amendment would say that we stack these in order that people get the income education credit, the wage credit, and the tax credit that we are adding to the bill and the EIC. And on top of that, for a family with two children already gets $3,680. Uncle Sam will write the check. We would also give $1,000 on top of it.

I want to raise a point of order.

Mr. MOYNIHAN. Mr. President, I was simply going to say that this matter will surely arise in conference, and there will be support for it. The White House is very much in favor. I hope we can resolve it.

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

Mr. NICKLES. Mr. President, I raise a point of order under section 302(f) of the Budget Act that the amendment results in the Finance Committee exceeding its spending allocation under section 602 of the Budget Act.

Ms. LANDRIEU addressed the Chair.

The PRESIDING OFFICER. The Senator from Louisiana.

Ms. LANDRIEU. Mr. President, I want to make a point that this is budget neutral. Technically a point of order could be raised that this is budget neutral in the amendment that I am offering. I would like to, if I could, move to waive and ask for the yeas and nays.

The PRESIDING OFFICER. Is there a sufficient second?

There is a sufficient second.

The yeas and nays were ordered.

VOTE ON MOTION TO WAIVE THE BUDGET ACT

The PRESIDING OFFICER. The question occurs on agreeing to the motion to waive the Budget Act in relation to the Landrieu amendment No. 532. The yeas and nays have been ordered, and the clerk will call the roll.

The bill clerk called the roll.

Mr. FORD. I announce that the Senator from South Carolina [Mr. HOLLINGS] and the Senator from Hawaii [Mr. INOUYE], are necessarily absent.

The PRESIDING OFFICER. Are there any other Senators in the Chamber who desire to vote?

The yeas and nays resulted—yeas 39, nays 59, as follows:

[Rollcall Vote No. 156 Leg.]

YEAS—39

Akaka	Durbin	Levin
Biden	Feingold	Lieberman
Bingaman	Feinstein	Mikulski
Boxer	Ford	Murray
Breaux	Glenn	Reed
Bumpers	Harkin	Reid
Cleland	Johnson	Robb
Collins	Kennedy	Sarbanes
D'Amato	Kerry	Snowe
Daschle	Kohl	Specter
Dodd	Landrieu	Torricelli
Domenici	Lautenberg	Wellstone
Dorgan	Leahy	Wyden

NAYS—59

Abraham	Frist	McCain
Allard	Gorton	McConnell
Ashcroft	Graham	Moseley-Braun
Baucus	Gramm	Moynihan
Bennett	Grams	Murkowski
Bond	Grassley	Nickles
Brownback	Gregg	Roberts
Bryan	Hagel	Rockefeller
Burns	Hatch	Roth
Byrd	Helms	Santorum
Campbell	Hutchinson	Sessions
Chafee	Hutchison	Shelby
Coats	Inhofe	Smith (NH)
Cochran	Jeffords	Smith (OR)
Conrad	Kempthorne	Stevens
Coverdell	Kerrey	Thomas
Craig	Kyl	Thompson
DeWine	Lott	Thurmond
Enzi	Lugar	Warner
Faircloth	Mack	

NOT VOTING—2

Hollings	Inouye

The PRESIDING OFFICER. On this vote the yeas are 39, the nays are 59. Three-fifths of the Senators duly chosen and sworn not having voted in the affirmative, the motion is not agreed to. The point of order is sustained, and the amendment falls.

Mr. ROTH. Mr. President, I move to reconsider the vote.

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

The motion to lay on the table was agreed to.

Mr. ROTH. Senator MCCAIN is next on the list.

POINT OF ORDER—SECTION 702(D)

Mr. MCCAIN. Mr. President, I yield 30 seconds of my 1 minute to raise a point of order to the Senator from Missouri.

The PRESIDING OFFICER. The Senator from Missouri.

Mr. BOND. Mr. President, in this budget agreement some of us thought there was too much spending and not enough tax relief. We find that there are even more spending proposals and less tax relief than we thought. This point of order is directed at spending on Amtrak in addition to other things. There is $2.3 billion being spent out of the tax cut section going to Amtrak. I join my colleague from Arizona in asking that these matters be referred to the authorization for Amtrak and urge that the point of order be sustained.

Mr. MCCAIN addressed the Chair.

The PRESIDING OFFICER. The Senator from Arizona.

Mr. MCCAIN. Mr. President, as chairman of the oversight committee, I want my colleagues to be clear about what is happening. This bill takes $2.3 billion out of the tax relief promised the American people and places it into a trust fund to further subsidize Amtrak. These funds would be appropriated outside of the existing budget caps ensuring that Amtrak would not have to compete with other transportation priorities such as highways or aviation.

Mr. President, I raise the point of order that section 702(d) of the bill violates section 313(b)(1)(A) of the Budget Act, and I ask for the yeas and nays.

The PRESIDING OFFICER. There is nothing to ask for them on yet.

Mr. ROTH. Mr. President, at the completion of my remarks I yield 10 seconds to the distinguished Senator from New Mexico.

There is no truth that this has any impact on tax cuts. The important point to understand is that this point of order is to kill Amtrak.

This is very important, both to Senator MOYNIHAN and to myself. Passenger rail is extremely important to the entire country. What we have done is fully paid for. We do not ask for any special treatment. The rail fund is consistent with the budget resolution agreed to by both Chambers. It has the support of Senator DOMENICI and Senator LAUTENBERG. GAO has testified that Amtrak will not survive past 1998 without this crucial funding.

We could not wait any longer. I first wanted to say, I therefore ask for your votes to this point of order.

The PRESIDING OFFICER. The question is on the motion to waive.

Mr. DOMENICI. I was going to answer the McCain question, but he did not have one. Let me just say this is provided for in the budget resolution. The way it is handled, it is totally deficit-neutral. If the money is not used for Amtrak, we are ahead of the game. If it is used, it is totally neutral. We have done this about 10 times heretofore in budget reconciliation and budget resolutions.

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

Mr. CHAFEE. Mr. President, I strongly support the provisions within this bill establishing a Rail Trust Fund, and oppose this point of order. Let me first state my view that these provisions do not violate the spirit of the Byrd rule, which is intended to prevent unrelated authorization bills from being brought into the reconciliation process. Section 702 of this bill, which establishes an Intercity Passenger Rail Fund, is primarily tax legislation, which most certainly belongs on legislation entitled ''The Tax Fairness Bill''.

Establishment of a trust fund is a critical element in providing passenger rail with a stable, predictable source of revenue so that Amtrak can achieve financial viability and effectively serve millions of Americans.

It is certainly no secret that Amtrak is in serious financial trouble. Earlier this year, the GAO continued a regular series of warnings in testifying to the Finance Committee on the precarious financial condition of the railroad. Amtrak President Tom Downs also confirmed to us that his railroad is in difficult shape. A number of States and communities have already felt the brunt of the railroad's financial predicament as often vital rail service has been discontinued.

There are several factors contributing to Amtrak's condition, but primarily it is a result of outdated laws governing Amtrak's operation, as well as inadequate and inconsistent support from the Federal Government. Whatever the cause, I think we can all agree that Amtrak simply cannot continue to operate under the status quo.

Amtrak's financial predicament has resulted in calls to end all Federal support for intercity passenger rail—there are those who would just throw up our hands in frustration and walk away. Mr. President, I am one who does not question the need for a Federal investment in passenger rail. The absence of passenger rail would clog our highways and airports—an additional 7,500 fully-booked 757's, or hundreds of thousands of cars, would be needed between Washington, DC, and New York every year.

All major industrialized nations provide subsidies to passenger rail, usually to a greater extent than our Government's support for Amtrak. In fact, Amtrak covers more of its operating costs—an estimated 84 percent—than any other passenger railroad in the world. Nonetheless, Amtrak operates the only mode of transportation in the United States which does not have a dedicated source of funding.

So the question before the Senate today is how best to provide needed Federal support for Amtrak's critical capital investment needs. After years of congressional hearings, GAO reports and strategic plans, I and many of my colleagues have concluded that dedicating a portion of the Federal gas tax to a Rail Trust Fund is the most appropriate and reliable means of ensuring that passenger rail can continue to meet America's transportation needs. Such a solution provides passenger rail with the same type of Federal support for capital improvements that other modes of transportation have enjoyed for years.

This bill's creation of an Intercity Passenger Rail Fund financed by one-half cent of the gas tax, coupled with the needed operating reforms contained within the Amtrak authorization bill introduced by the Senator from Texas, will allow Amtrak to operate more like a business, end its reliance on Federal operating subsidies, and thus better serve America's transportation needs.

At least for the 3½ years that this Trust Fund is financed, we will start on the path to financial stability and end the annual financial roller coaster to which Amtrak is subjected. It would also avoid a catastrophic shutdown of Amtrak, which has recently been estimated to cost upwards of $5 billion dollars.

Mr. President, Amtrak has presented to Congress a responsible 6-year strategic business plan which outlines how financial viability will be restored to the railroad. Amtrak's President Tom Downs deserves our praise for the monumental efforts he has undertaken to turn things around at his company. Congress should do its part and join him by providing a relatively modest Federal investment in passenger rail. I urge my colleagues to support this motion to waive the Budget Act.

Mr. ROTH. I move this point of order be waived, both for now and for the conference.

The PRESIDING OFFICER. The question is on the motion.

Mr. ROTH. Mr. President, I ask for the yeas and nays.

The PRESIDING OFFICER. Is there a sufficient second?

There is a sufficient second.

The yeas and nays were ordered.

VOTE ON MOTION TO WAIVE THE BUDGET ACT

The PRESIDING OFFICER. The question is on the motion to waive the Budget Act. The yeas and nays have been ordered.

The clerk will call the roll.

The assistant legislative clerk called the roll.

Mr. FORD. I announce that the Senator from Hawaii [Mr. INOUYE] and the Senator from South Carolina [Mr. HOLLINGS] are necessarily absent.

The PRESIDING OFFICER. Are there any other Senators in the Chamber who desire to vote?

The yeas and nays resulted, yeas 77, nays 21, as follows:

[Rollcall Vote No. 157 Leg.]

YEAS—77

Akaka	Faircloth	Mack
Baucus	Feingold	McConnell
Bennett	Feinstein	Mikulski
Biden	Ford	Moseley-Braun
Bingaman	Graham	Moynihan
Boxer	Grassley	Murkowski
Breaux	Hagel	Murray
Bryan	Harkin	Nickles
Bumpers	Hatch	Reed
Burns	Helms	Reid
Byrd	Hutchinson	Robb
Campbell	Hutchison	Roberts
Chafee	Inhofe	Rockefeller
Cleland	Jeffords	Roth
Coats	Johnson	Santorum
Cochran	Kennedy	Sarbanes
Collins	Kerrey	Smith (OR)
Conrad	Kerry	Snowe
D'Amato	Kohl	Specter
Daschle	Landrieu	Stevens
DeWine	Lautenberg	Thomas
Dodd	Leahy	Thurmond
Domenici	Levin	Torricelli
Dorgan	Lieberman	Wellstone
Durbin	Lott	Wyden
Enzi	Lugar	

NAYS—21

Abraham	Coverdell	Gramm
Allard	Craig	Grams
Ashcroft	Frist	Gregg
Bond	Glenn	Kempthorne
Brownback	Gorton	Kyl

McCain	Shelby	Thompson
Sessions	Smith (NH)	Warner

NOT VOTING—2

Hollings	Inouye

The PRESIDING OFFICER. On this vote, the yeas are 77, the nays are 21. Three-fifths of the Senators duly chosen and sworn having voted in the affirmative, the motion is agreed to.

Mr. ROTH. Mr. President, I move to reconsider the vote by which the motion was agreed to.

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

The motion to lay on the table was agreed to.

Mr. ROTH. The next to be recognized is Senator FEINGOLD.

AMENDMENT NO. 582

(Purpose: To eliminate the percentage depletion allowance for certain minerals)

The PRESIDING OFFICER. The clerk will report the amendment.

The legislative clerk read as follows:

The Senator from Wisconsin [Mr. FEINGOLD], for himself and Mr. BUMPERS, proposes an amendment numbered 582.

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

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

The amendment is as follows:

On page 400, between lines 14 and 15, insert the following:

SEC. . CERTAIN MINERALS NOT ELIGIBLE FOR PERCENTAGE DEPLETION.

(a) IN GENERAL.—Section 613(b)(1) (relating to percentage depletion rates) is amended—

(A) in subparagraph (A), by striking ''and uranium''; and

(B) in subparagraph (B), by striking ''asbestos,'', ''lead,'', and ''mercury,''.

(b) CONFORMING AMENDMENTS.—

(1) Section 613(b)(3)(A) is amended by inserting ''other than lead, mercury, or uranium'' after ''metal mines''.

(2) Section 613(b)(4) is amended by striking ''asbestos (if paragraph (1)(B) does not apply),''.

(3) Section 613(b)(7) is amended by striking ''or'' at the end of subparagraph (B), by striking the period at the end of subparagraph (C) and inserting '', or'', and by inserting after subparagraph (C) the following:

''(D) mercury, uranium, lead, and asbestos.''

(4) Section 613(c)(4)(D) is amended by striking ''lead,'' and ''uranium,''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 1996.

The PRESIDING OFFICER. The Senator from Wisconsin.

Mr. FEINGOLD. Mr. President, this amendment eliminates percentage depletion allowances for four mined substances—asbestos, lead, mercury, and uranium—and it saves an estimated $83 million over 5 years.

Unlike depreciation or cost depletion, percentage depletion allows companies to deduct far more than their actual costs. This results in a generous loophole for the company and an expensive subsidy for the taxpayer. But it gets worse, Mr. President.

While we spend millions subsidizing corporations to mine these toxic substances, we spend even more on their downstream public health and environmental consequences.

So, as the senior Senator from Arkansas says, this subsidy gives corporate welfare a bad name.

Mr. President, I urge my colleagues to support this provision, and I yield the remainder of my time in deference to the Senator from Nevada.

The PRESIDING OFFICER. Who seeks recognition in opposition? The Senator from Texas.

Mr. GRAMM. Mr. President, it seems to me we have had enough fun now. I think we ought to reject this amendment and get on with final passage of this bill.

This is a tax cut. This is not a place to change the way we do accounting for mining. If you go out and find a body of ore, you don't have an investment you made in a piece of equipment. You have the asset that you are depleting as you produce it.

Every developed nation in the world has depletion allowance, because they want to produce the riches of their lands. This is a bad amendment and ought to be rejected.

Mr. ROTH. Mr. President, the pending amendment is not germane to the provisions of the reconciliation measure. I, therefore, raise a point of order against the amendment under section 305(b)(2) of the Budget Act.

Mr. FEINGOLD. Mr. President, I move to waive the Budget Act and ask for the yeas and nays.

The PRESIDING OFFICER. Is there a sufficient second?

There is a sufficient second.

The PRESIDING OFFICER. The question is on agreeing to the motion to waive the Budget Act.

Mr. NICKLES. There wasn't a second.

The PRESIDING OFFICER. Is there a sufficient second?

There is not a sufficient second.

Mr. FEINGOLD. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The assistant legislative clerk proceeded to call the roll.

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

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

Mr. FEINGOLD. I ask for the yeas and nays.

The PRESIDING OFFICER. Is there a sufficient second?

There is a sufficient second.

The yeas and nays were ordered.

VOTE ON MOTION TO WAIVE THE BUDGET ACT

The PRESIDING OFFICER. The question is on agreeing to the motion to waive the Budget Act. The yeas and nays have been ordered. The clerk will call the roll.

The legislative clerk called the roll.

Mr. FORD. I announce that the Senator from Hawaii [Mr. INOUYE] and the Senator from South Carolina [Mr. HOLLINGS] are necessarily absent.

The yeas and nays resulted—yeas 37, nays 61, as follows:

[Rollcall Vote No. 158 Leg.]

YEAS—37

Akaka	Gregg	Moseley-Braun
Biden	Harkin	Murray
Boxer	Jeffords	Reed
Bumpers	Johnson	Robb
Coats	Kennedy	Rockefeller
Collins	Kerrey	Sarbanes
Daschle	Kerry	Snowe
Dodd	Kohl	Specter
Durbin	Lautenberg	Torricelli
Feingold	Leahy	Wellstone
Feinstein	Levin	Wyden
Glenn	Lieberman	
Graham	Mikulski	

NAYS—61

Abraham	Domenici	Mack
Allard	Dorgan	McCain
Ashcroft	Enzi	McConnell
Baucus	Faircloth	Moynihan
Bennett	Ford	Murkowski
Bingaman	Frist	Nickles
Bond	Gorton	Reid
Breaux	Gramm	Roberts
Brownback	Grams	Roth
Bryan	Grassley	Santorum
Burns	Hagel	Sessions
Byrd	Hatch	Shelby
Campbell	Helms	Smith (NH)
Chafee	Hutchinson	Smith (OR)
Cleland	Hutchison	Stevens
Cochran	Inhofe	Thomas
Conrad	Kempthorne	Thompson
Coverdell	Kyl	Thurmond
Craig	Landrieu	Warner
D'Amato	Lott	
DeWine	Lugar	

NOT VOTING—2

Hollings	Inouye

The PRESIDING OFFICER. On this vote the yeas are 37, the nays are 61. Three-fifths of the Senators duly chosen and sworn not having voted in the affirmative, the motion is rejected. The point of order is sustained, and the amendment falls.

Mr. ROTH. I move to reconsider the vote.

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

The motion to lay on the table was agreed to.

Mr. BOND addressed the Chair.

The PRESIDING OFFICER. The Senator from Missouri.

Mr. BOND. I want to get a unanimous consent.

Mr. ROTH addressed the Chair.

The PRESIDING OFFICER. The Senator from Delaware.

AMENDMENTS NOS. 583, 584, 585, 586, 587, 588, AND 589

Mr. ROTH. Mr. President, I ask unanimous consent to send the following amendments to the desk, and I ask unanimous consent that they be considered en bloc: Senator GRAHAM, pension technicals; the second one is Senators NICKLES and BOND, sense of the Senate regarding self-employment tax; the third is Senator SPECTER, penalty-free withdrawal on adoption; the fourth is Senator FAIRCLOTH, tax-exempt bond refunding; the fifth is Senator GORTON, bad debt reserve recapture; the sixth is Senator SANTORUM, sense of the Senate on tax cuts; and the final one is BURNS, income averaging for farmers.

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

The clerk will report the amendments.

The legislative clerk read as follows:

The Senator from Delaware [Mr. ROTH] proposes amendments numbered 583, 584, 585, 586, 587, 588, and 589.

The amendments are as follows:

AMENDMENT NO. 583

(Purpose: To provide for various amendments)

On page 93, strike lines 13 through 25, and insert:

''(ii) a silver coin described in section 5112(e) of title 31. United States Code,

''(iii) a platinum coin described in section 5112(k) of title 31. United States Code, or

''(iv) a coin issued under the laws of any State, or

''(B) any gold, silver, platinum, or palladium bullion of a fineness equal to or exceeding the minimum fineness required for metals which may be delivered in satisfaction of a regulated futures contract subject to regulation by the Commodity Futures Trading Commission under the Commodity Exchange Act,

On page 205, before line 12, insert the following:

(c) SPECIAL AMORTIZATION RULE.—

(1) CODE AMENDMENT.—Section 412(b)(2) is amended by striking ''and'' at the end of subparagraph (C), by striking the period at the end of subparagraph (D) and inserting '', and'', and by inserting after subparagraph (D) the following:

''(E) the amount necessary to amortize in equal annual installments (until fully amortized) over a period of 20 years the contributions which would be required to be made under the plan but for the provisions of subsection (c)(7)(A)(i)(I).''.

(2) ERISA AMENDMENT.—Section 302(b)(2) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1082(b)(2)) is amended by striking ''and'' at the end of subparagraph (C), by striking the period at the end of subparagraph (D) and inserting '', and'', and by inserting after subparagraph (D) the following:

''(E) the amount necessary to amortize in equal annual installments (until fully amortized) over a period of 20 years the contributions which would be required to be made under the plan but for the provisions of subsection (c)(7)(A)(i)(I).''.

(3) CONFORMING AMENDMENTS.—

(A) Section 412(c)(7)(D) is amended by adding ''and'' at the end of clause (i), by striking '', and'' at the end of clause (ii) and inserting a period, and by striking clause (iii).

(B) Section 302(c)(7)(D) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1082(c)(7)(D)) is amended by adding ''and'' at the end of clause (i), by striking '', and'' at the end of clause (ii) and inserting a period, and by striking clause (iii).

(4) EFFECTIVE DATES.—

(A) IN GENERAL.—The amendments made by this subsection shall apply to plan years beginning after December 31, 1998.

(B) SPECIAL RULE FOR 1999.—In the case of a plan's first year beginning in 1999, there shall be added to the amount required to be amortized under section 412(b)(2)(E) of the Internal Revenue Code of 1986 and section 302(b)(2)(E) of the Employee Retirement Income Security Act of 1974 (as added by paragraphs (1) and (2)) over the 20-year period beginning with such year, the unamortized balance (as of the close of the preceding plan year) of any amount required to be amortized under section 412(c)(7)(D)(iii) of such Code and section 302(c)(7)(D)(iii) of such Act (as repealed by paragraph (3)) for plan years beginning before 1999.

On page 639, between lines 11 and 12, insert:

(4) AMENDMENTS RELATED TO SECTION 1461.—

(A) Section 415(e)(5)(A) is amended to read as follows:

''(A) CERTAIN MINISTERS MAY PARTICIPATE.—For purposes of this part—

''(i) IN GENERAL.—A duly ordained, commissioned, or licensed minister of a church is described in paragraph (3)(B) if, in connection with the exercise of their ministry, the minister—

''(I) is a self-employed individual (within the meaning of section 401(c)(1)(B), or

''(II) is employed by an organization other than an organization which is described in section 501(c)(3) and with respect to which the minister shares common religious bonds.

''(ii) TREATMENT AS EMPLOYER AND EMPLOYEE.—For purposes of sections 403(b)(1)(A) and 404(a)(10), a minister described in clause (i)(I) shall be treated as employed by the minister's own employer which is an organization described in section 501(c)(3) and exempt from tax under section 501(a).''

(B) Section 403(b)(1)(A) is amended by striking ''or'' at the end of clause (i), by inserting ''or'' at the end of clause (ii), and by adding at the end the following new clause:

''(iii) for the minister described in section 415(e)(5)(A) by the minister or by an employer,''.

AMENDMENT NO. 584

(Purpose: To express the sense of the Senate with respect to the proposed regulations of the Internal Revenue Service with respect to self-employment income for limited partners)

On page 212, between lines 11 and 12, insert the following:

SEC. . SENSE OF THE SENATE WITH RESPECT TO SELF-EMPLOYMENT TAX OF LIMITED PARTNERS.

(a) FINDINGS.—The Senate finds that—

(1) the Department of the Treasury issued Proposed Regulation 1.1402(a)–2 in January 1997 relating to the definition of a limited partner for self-employment tax purposes under section 1402(a)(13) of the Internal Revenue Code;

(2) since 1977, section 1402(a)(13) of such Code has provided that—

(A) a limited partner's net earnings from self-employment include only guaranteed payments made to the individual for services actually rendered and do not include a limited partner's distributive share of the income or loss of the partnership, and

(B) a general partner's net earnings from self-employment include the partner's distributive share;

(3) the proposed regulations provide generally—

(A) that a partner will not be treated as a limited partner if the individual—

(i) has personal liability for partnership debts,

(ii) has authority to contract on behalf of the partnership, or

(iii) participates in the partnership's trade or business for more than 500 hours during the taxable year;

(B) that an individual meeting any one of these three criteria will be treated as a general partner, and net earnings from self-employment will include the partner's distributive share of partnership income and loss, resulting in substantial tax liability because there is a 15.3 percent tax on self-employment income below $65,400 in 1997 and a 2.9 percent hospital insurance tax on self-employment income above that amount;

(4) certain types of entities, such as limited liability companies and limited liability partnerships, were not widely used at the time the present rule relating to limited partners was enacted, and that the proposed regulations attempt to address owners of such entities;

(5) the Senate is concerned that the proposed change in the treatment of individuals who are limited partners under applicable State law exceeds the regulatory authority of the Treasury Department and would effectively change the law administratively without congressional action; and

(6) the proposed regulations address and raise significant policy issues and the proposed definition of a limited partner may have a substantial impact on the tax liability of certain individuals and may also affect individuals' entitlement to social security benefits.

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

(1) the Department of the Treasury and the Internal Revenue Service should withdraw Proposed Regulation 1.1402(a)–2 which imposes a tax on limited partners; and

(2) Congress, not the Department of the Treasury or the Internal Revenue Service, should determine the tax law governing self-employment income for limited partners.

AMENDMENT NO. 585

(Purpose: To allow penalty-free IRA withdrawals for adoption expenses)

On page 20, between lines 5 and 6, insert the following:

SEC. 105. ADOPTION EXPENSES.

(a) DISTRIBUTIONS FROM CERTAIN PLANS MAY BE USED WITHOUT PENALTY TO PAY ADOPTION EXPENSES.—

(1) IN GENERAL.—Section 72(t)(2) (relating to exceptions to 10-percent additional tax on early distributions from qualified retirement plans) is amended by adding at the end the following:

''(E) DISTRIBUTIONS FROM CERTAIN PLANS FOR ADOPTION EXPENSES.—Distributions to an individual from an individual retirement plan of so much of the qualified adoption expenses (as defined in section 23(d)(1)) of the individual as does not exceed $2,000.''.

(2) CONFORMING AMENDMENT.—Section 72(t)(2)(B) is amended by striking ''or (D)'' and inserting '', (D) or (E)''.

(3) EFFECTIVE DATE.—The amendments made by this subsection shall apply to payments and distributions after December 31, 1996.

AMENDMENT NO. 586

(Purpose: To permit the current refunding of certain tax-exempt bonds)

On page 267, between lines 15 and 16, insert the following:

SECTION . CURRENT REFUNDINGS OF CERTAIN TAX-EXEMPT BONDS.

(a) IN GENERAL.—Subsection (c) of section 10632 of the Revenue Act of 1987 (relating to bonds issued by Indian tribal governments) is amended by adding at the end the following new sentence: ''The amendments made by this section shall not apply to any obligation issued after such date if—

''(1) such obligation is issued (or is part of a series of obligations issued) to refund an obligation issued on or before such date,

''(2) the average maturity date of the issue of which the refunding obligation is a part is not later than the average maturity date of the obligations to be refunded by such issue,

''(3) the amount of the refunding obligation does not exceed the outstanding amount of the refunded obligation, and

''(4) the net proceeds of the refunding obligation are used to redeem the refunded obligation not later than 90 days after the date of the issuance of the refunding obligation.

For purposes of paragraph (2), average maturity shall be determined in accordance with section 147(b)(2)(A) of the Internal Revenue Code of 1986.''

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply to refunding obligations issued after the date of the enactment of this Act.

CAROLINA MIRROR CO.

Mr. FAIRCLOTH. Mr. President, I rise to offer this amendment on behalf of the Eastern Band of Cherokee Indians in my home state of North Carolina.

In 1982, the Congress passed legislation to allow Indian tribes to issue tax exempt bonds, just like other units of government. The legislation recognized the rights of the tribes and confirmed their parallel rights to States, counties, and cities.

The 1982 act thus acknowledged just what most of us knew: that Indian tribes are legitimate units of government with wide-ranging responsibilities.

Using the act, the Cherokee Indians in my State issued $31 million in tax-exempt bonds to purchase the Carolina Mirror Co. The tribal leadership viewed the purchase of Carolina Mirror Co. as a means to promote jobs and economic development for their tribe and its members. The Cherokee have faced some tough times over the years. The Carolina Mirror Co. purchase was a way to invest in the future of their tribe and their people.

Carolina Mirror today is the largest manufacturer of mirrors in the Nation. It employees over 500 people. It is an economic engine. It produces jobs and hope for a people that have seen little of both over the years.

In 1986, however, the Congress passed new legislation that narrowed the interpretation of the original 1982 act. It changed the act so that tax-exempt bonds could only be used to finance ''essential government functions.''

Mr. President, as you know, interest rates are at historically low levels. I know that not enough of us have ever been in business and met a payroll, as I have for the past 50 years. Well, interest rates are the difference between profitability and bankruptcy, between jobs for the community and a lock on the factory gate. Needless to say, the Cherokees are eager to take advantage of lower interest rates and to refinance these bonds.

The interest rate on these bonds is so high that the Carolina Mirror Co. literally spends almost all of its profits on interest payments. This is devastating for the company.

When the company attempted to reissue the bonds, however, some IRS bureaucrat stepped away from the water cooler long enough to say ''no.'' The great minds at the IRS ruled that a refinancing constituted a reissuance and stopped the tribe from its plans to refinance these high interest bonds.

By reissuing bonds at a lower rate, the company could save nearly a million dollars a year, but the IRS does not look at the situation. The 500 jobs do not matter. The investment of the Cherokees in the company does not matter. No, all that matters is that we follow the mindless dictate of an unelected, unaccountable bureaucrat holed up in a Federal office building waiting for the 4 o'clock vanpool back to the suburbs. The outside world is irrelevant. The real jobs of real people are irrelevant.

The amendment that I offer today is a technical bill to allow Indian tribes to refinance tax-exempt bonds issued on or before October 13, 1997. This bill has a very narrow application. In fact, I introduced this bill last year as S. 1676. The Joint Committee on Taxation said last year—and again this year—that this bill will have a ''negligible effect on budget receipts.''

Let's do the right thing for the Cherokees. Let's tell the IRS that American jobs matter and the Congress stands behind the working men and women of this country.

I urge my colleagues to support the amendment.

Mr. HELMS. Mr. President, this amendment corrects a serious problem Congress created in 1987 when the definition for ''essential government functions'' was inadvertently changed relating to native American tribes, thereby inhibiting the tribes' use of tax-exempt bonds. Prior to 1987, the Cherokee Tribe and other tribes used tax-exempt bonds to finance ''essential government functions.'' In 1986, the Eastern Band of Cherokee Indians, in western North Carolina, used this provision to purchase the Carolina Mirror Co. to ensure the Cherokee Tribe's long-term economic development. The Cherokees worked hard and built Carolina Mirror into the largest producer of mirrors in the United States.

Then, Congress changed the rules in the Omnibus Budget Reconciliation Act of 1987, and narrowed the definition of ''essential government functions'', and today Carolina Mirror is in default and may be forced to close its Texas operation because of a staggering monthly obligation of $300,000. This amendment would allow these hard-working native Americans to refinance their current bonds at more competitive rates. The Joint Committee on Taxation asserts that this purely technical amendment will have a ''negligible effect on the Federal fiscal year budget receipts.''

AMENDMENT NO. 587

(Purpose: Relating to repeal of bad debt reserve method for thrift savings associations)

At the end of title VII, insert:

SEC. . SPECIAL RULE FOR THRIFTS WHICH BECOME LARGE BANKS

(a) IN GENERAL.—Section 593(g)(2) (defining applicable excess reserves) is amended by adding at the end the following new subparagraph:

''(C) SPECIAL RULE FOR THRIFTS WHICH BECAME LARGE BANKS IN 1995.—

''(i) IN GENERAL.—In the case of a bank (as defined in section 581) which became a large bank (as defined in section 585(c)(2)) for its first taxable year beginning after December 31, 1994, the balance taken into account under subparagraph (A)(ii) shall not be less than the amount which would be the balance of such reserves as of the close of its last taxable year beginning before January 1, 1995, if the additions to such reserves for all taxable years had been determined under section 585(b)(2)(A).

''(ii) APPLICATION OF CUT-OFF METHOD; ETC.—In the case of a taxpayer to which this subparagraph applies—

''(I) paragraph (5)(B) shall apply, and

''(II) this subparagraph shall not apply in determining the amount taken into account by the taxpayer under subparagraph (A)(ii) for purposes of paragraph (5) and (6) or subsection (e)(1).''

(b) EFFECTIVE DATE.—The amendment made by this section shall take effect as if included in the amendments made by section 1616 of the Small Business Job Protection Act of 1996.

AMENDMENT NO. 588

(Purpose: To express the sense of the Senate that America's middle-class taxpayers shoulder the biggest tax burden and that only those who pay Federal income taxes should benefit from the Federal income tax cuts contained in the Revenue Reconciliation Act of 1997)

On page 267, between lines 15 and 16, insert the following:

SEC. . SENSE OF THE SENATE.

(a) FINDINGS.—The Senate finds that—

(1) Congress has not provided a genuine tax cut for America's middle-class families since 1981;

(2) President Clinton promised middle-class tax cuts in 1992;

(3) President Clinton raised taxes by $240,000,000,000 in 1993;

(4) President Clinton vetoed middle-class tax cuts in 1995;

(5) the middle-class American worker had to work until May 9 in order to earn enough money to pay all Federal, State, and local taxes in 1997;

(6) the Joint Economic Committee reports that real total Government taxes per household in 1994 totaled $18,600;

(7) more than 70 percent of the tax cuts in both the House of Representatives and the Senate tax relief bills will go to Americans earning less than $75,000 annually;

(8) the Joint Economic Committee estimates that a family of 4 earning $30,000 will receive 53 percent of the tax relief under the reconciliation bill;

(9) the earned income tax credit was already expanded in President Clinton's 1993 tax bill;

(10) the fiscal year 1998 budget resolution does not make the $500-per-child tax credit refundable; and

(11) those who receive the earned income tax credit do not pay Federal income taxes but receive a substantial cash transfer from the Federal Government in the form of refund checks above and beyond income tax rebates.

(b) SENSE OF THE SENATE.—It is the sense of the Senate that America's middle-class taxpayers shoulder the biggest tax burden and that only those who pay Federal income taxes should benefit from the Federal income tax cuts contained in the Revenue Reconciliation Act of 1997.

AMENDMENT NO. 589

(Purpose: To allow farmers to income average over 3 years)

On page 267, between lines 15 and 16, insert the following:

SEC. 780. AVERAGING OF FARM INCOME OVER 3 YEARS.

(a) IN GENERAL.—Subpart B of part II of subchapter E of chapter 1 of the Internal Revenue Code of 1986 (relating to taxable year for which items of gross income included) is amended by adding the following new section:

''SEC. 460A. AVERAGING OF FARM INCOME.

''(a) IN GENERAL.—At the election of a taxpayer engaged in a farming business, the tax

imposed by section 1 for such taxable year shall be equal to the sum of—

''(1) a tax computed under such section on taxable income reduced by elected farm income, plus

''(2) the increase in tax which would result if taxable income for the 3 prior taxable years were increased by the elected farm income.

''(b) DEFINITIONS.—In this section—

''(1) ELECTED FARM INCOME.—

''(A) IN GENERAL.—The term 'elected farm income' means so much of the taxable income for the taxable year—

''(i) which is attributable to any farming business; and

''(ii) which is specified in the election under subsection (a).

''(B) TREATMENT OF GAINS.—For purposes of subparagraph (A), gain from the sale or other disposition of property (other than land) regularly used by the taxpayer in a farming business for a substantial period shall be treated as attributable to a farming business.

''(2) FARMING BUSINESS.—The term 'farming business' has the meaning given such term by section 263A(e)(4).''

(b) CLERICAL AMENDMENT.—The table of sections for such subpart B is amended by adding at the end the following new item:

''Sec. 460A. Averaging of farm income.''

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after the date of the enactment of this Act and before January 1, 2001.

Section 503 of the bill is amended on page 161, line 4 by striking ''July 31, 1999'' and inserting ''May 31, 1999.''

Mr. ROTH. Mr. President, I move their adoption.

The PRESIDING OFFICER. Without objection, the amendments are agreed to en bloc.

The amendments en bloc, were agreed to.

Mr. ALLARD addressed the Chair.

The PRESIDING OFFICER. The Senator from Colorado.

AMENDMENT NO. 577

[Purpose: To provide for the indexing of assets to determine capital gain]

Mr. ALLARD. I have at the desk amendment No. 577. I ask that the clerk call it up.

The PRESIDING OFFICER. The clerk will report.

The assistant legislative clerk read as follows:

The Senator from Colorado [Mr. ALLARD], for himself, Mr. BROWNBACK, and Mr. ABRAHAM, proposes an amendment numbered 577.

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

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

(The text of the amendment is printed in today's RECORD under ''Amendments Submitted.'')

Mr. ALLARD. Mr. President, let me briefly explain what this amendment is all about. This is an amendment in which we address the indexing of capital gains. When we index capital gains, what we are talking about is protecting long-term investors from taxation on inflationary gains. This helps the family business, the family farm, and the family ranch. It is the family and the average American out there who owns a capital asset.

Specifically, what the amendment does is—it is pretty much the same indexing provision that was reported out of the House except that it delays the implementation of it to 2002. The holding period of the property would change from 3 to 5 years.

Just briefly, there are two other very important points that I would like to make about this particular amendment.

It is revenue neutral over 10 years, as scored by the Joint Committee on Taxation; and, No. 2, it is germane, and in fact it does blend within the current language of the bill.

I yield back the remainder of my time.

The PRESIDING OFFICER. Who seeks recognition in opposition?

Mr. ROTH. Mr. President, I commend my friend from Colorado on offering this amendment. It is unfortunate that I must vote against it.

The Senator may not be aware of this, but in 1993 I introduced a bill that called for the indexing of capital assets. But today, we are not only dealing with economic issues, President Clinton has said he will veto any tax bill that includes indexing of capital gains.

I have an article from last Thursday's Wall Street Journal. The title of the article is ''Clinton Rules Out Indexing of Capital Gains in Tax Bill.'' The first paragraph says the President ''will not sign a tax bill that includes indexing of capital gains for inflation.''

We have a historic opportunity today to deliver badly needed tax cuts to Americans. I would like to provide greater tax relief, but we cannot, and ''half a loaf'' is better than ''no loaf.''

So I urge my colleagues to vote against this amendment.

I ask for the yeas and nays.

The PRESIDING OFFICER. All time has expired.

Is there a sufficient second?

There appears to be a sufficient second.

The yeas and nays were ordered.

The PRESIDING OFFICER. The question is on agreeing to the amendment. The yeas and nays have been ordered. The Clerk will call the roll.

The assistant legislative clerk called the roll.

Mr. FORD. I announce that the Senator from South Carolina [Mr. HOLLINGS] and the Senator from Hawaii [Mr. INOUYE] are necessarily absent.

The result was announced—yeas 41, nays 57, as follows:

[Rollcall Vote No. 159 Leg.]

YEAS—41

Abraham	DeWine	Inhofe
Allard	Enzi	Kempthorne
Ashcroft	Faircloth	Kyl
Bond	Frist	Lott
Brownback	Gramm	Mack
Burns	Grams	McCain
Campbell	Gregg	McConnell
Coats	Helms	Mikulski
Coverdell	Hutchinson	Roberts
Craig	Hutchison	Santorum
Sessions	Specter	Torricelli
Shelby	Thomas	Warner
Smith (NH)	Thompson	Wyden
Smith (OR)	Thurmond	

NAYS—57

Akaka	Dorgan	Lautenberg
Baucus	Durbin	Leahy
Bennett	Feingold	Levin
Biden	Feinstein	Lieberman
Bingaman	Ford	Lugar
Boxer	Glenn	Moseley-Braun
Breaux	Gorton	Moynihan
Bryan	Graham	Murkowski
Bumpers	Grassley	Murray
Byrd	Hagel	Nickles
Chafee	Harkin	Reed
Cleland	Hatch	Reid
Cochran	Jeffords	Robb
Collins	Johnson	Rockefeller
Conrad	Kennedy	Roth
D'Amato	Kerrey	Sarbanes
Daschle	Kerry	Snowe
Dodd	Kohl	Stevens
Domenici	Landrieu	Wellstone

NOT VOTING—2

Hollings	Inouye

The amendment (No. 577) was rejected.

Mr. ROTH. I move to reconsider the vote.

Mr. MOYNIHAN. I move to lay it on the table.

The motion to lay on the table was agreed to.

AMENDMENT NO. 590

(Purpose: To make the HOPE credit refundable, and for other purposes)

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

The PRESIDING OFFICER. The clerk will report.

The legislative clerk read as follows:

The Senator from Minnesota [Mr. WELLSTONE], for himself, Mr. BINGAMAN, Mr. KERRY, Mr. KENNEDY, Mr. REED, Mr. DODD, and Mr. DASCHLE, proposes an amendment numbered 590.

Mr. WELLSTONE. I ask unanimous consent the reading of the amendment be dispensed with.

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

(The text of the amendment is printed in today's RECORD under ''Amendments Submitted.'')

Mr. WELLSTONE. This is about the HOPE scholarship program. If the tax credits will work for working families, these should be refundable credits. I ask for full support. The offset is responsible.

Everybody is under all this pressure. I ask for a voice vote.

The PRESIDING OFFICER. The question is on agreeing to the amendment.

The amendment (No. 590) was rejected.

AMENDMENT NO. 591

(Purpose: To allow non-Amtrak states to provide alternative intercity transport assistance)

Mr. ROTH. On behalf of Senator ENZI, I ask unanimous consent to send the following amendment to the desk, and I ask it be considered and agreed to.

The PRESIDING OFFICER. The clerk will report.

The legislative clerk read as follows:

The Senator from Delaware [Mr. ROTH], for Mr. ENZI, proposes an amendment numbered 591.

Mr. ROTH. I ask unanimous consent that reading of the amendment be dispensed with.

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

The amendment is as follows:

On page 190, line 1, strike ''(III)'' and insert ''(IV)'' and insert a new subparagraph (A)(ii)(III)—

''(VI) the upgrading and maintenance of intercity primary and rural air service facilities, and the purchase of intercity air service between primary and rural airports and regional hubs; and''.

Mr. ROTH. This has been cleared on both sides of the aisle. The amendment corrects a minor drafting error in the bill.

The PRESIDING OFFICER. The question is on agreeing to the amendment.

The amendment (No. 591) was agreed to.

QUALIFIED TUITION SAVINGS ACCOUNTS

Mr. McCONNELL. Mr. President, I have come to the floor today in support of the tuition savings provision included in this bill. I believe the Finance Committee has done a thorough job providing broad incentives to help families save and provide for the education of their children.

I commend Senator ROTH and the Finance Committee for their efforts to include many of the provisions in S. 594, the College Savings Act. The Finance Committee has included language to make earnings in qualified tuition savings plans exempt from taxation as well as expanding the definition of qualified education costs to include room and board. Once implemented this legislation will reward all families who plan ahead and save for a child's education.

For the past several years, I have worked hard to make college more affordable by helping families who save. In both the 103d and 104th Congresses, I introduced legislation to make earnings invested in State-sponsored tuition savings plans exempt from Federal taxation. States have also recognized the needs of families and have provided incentives for them to save or prepay their children's education. State savings plans provide families a safe, affordable, and disciplined means of paying for their children's education.

Last year, Congress took the first step in providing tax relief to families investing in these programs. The provisions contained in the Small Business Job Protection Act of 1996 clarified the tax treatment of both the State-sponsored tuition savings plans and the participants' investment. This measure put an end to the tax uncertainty that has hampered the effectiveness of these State-sponsored programs and helped families who are trying to save for their children's education.

Mr. President, this action is long overdue. We have ignored the needs of middle-class families who have seen their income hold steady, while tuition costs go through the roof. According to the GAO, tuition at a 4-year university rose 234 percent between 1980–94.

During this same period, median household income rose 84 percent and the consumer price index rose a mere 74 percent. The College Board reports that tuition costs for the 1996–97 school year will rise 5 percent while average room and board costs will rise between 4 to 6 percent. While education costs have moderated throughout the 1990's, they continue to outstrip the gains in income. Tuition has now become the greatest barrier to attendance.

Due to the rising cost of education, more and more families have come to rely on financial aid to meet tuition costs. In fact, a majority of all college students accept some amount of financial assistance. In 1995, $50 billion in financial aid was available to students from Federal, State, and institutional sources. This was $3 billion higher than the previous year. A majority of this increase has come in the form of loans, which now make up the largest portion of the total Federal-aid package at 57 percent. Grants, which a decade ago made up 49 percent of assistance, have been reduced to 42 percent. This shift toward loans further burden students and families with additional interest costs. It is important that we not forget that compound interest cuts both ways. By saving, participants can keep pace with tuition increases while putting a little away at a time. By borrowing, students must bear added interest costs that add thousands to the total cost of tuition.

State-sponsored tuition savings plans have pioneered efforts to provide families with opportunities to save as a hedge against tuition inflation. States have established affordable tuition investment plans that guarantee parents a minimum level of investment return or guarantee a future education at today's prices. Such guarantees offer middle-class families the piece of mind that their children will be able to meet the tuition obligation and reduce the need to take on thousands of dollars in loans.

States like Michigan, Florida, Ohio, and Kentucky were the first programs to be started in order to help families save for college. Today, there are 15 States with programs in operation. An additional 4 States will implement their programs this year. Also, I am informed by the college savings network that every other State, except Georgia, which has implemented the HOPE Scholarship Program, is preparing legislation or is studying a proposal to help their residents save for college. Today, there are 730,000 participants contributing over $3.23 billion to education savings nationwide. By year end, the college savings plan network estimates that they will have 1 million participants. By 2006, they estimate that over $6 billion will be invested in State-sponsored programs.

Kentucky established its plan in 1988 to provide residents with an affordable means of saving for college. Today, 2,602 Kentucky participants have contributed over $5 million toward their children's education. I am confident with passage of this language these programs will grow dramatically.

Many Kentuckians are drawn to this program because it offers a low-cost, disciplined approach to savings. In fact, the average monthly contribution in Kentucky is just $49. This proposal rewards those who are serious about their future and are committed over the long-term to the education of their children by exempting all interest earnings from State taxes. It is also important to note that 58 percent of the participants earn under $60,000 per year. Clearly, this benefits middle-class families.

Mr. President, the Finance Committee has expanded the language to permit private nonprofit colleges to establish their own tuition savings plans as well as establishing education IRA's. This will ensure that all families have an opportunity to save. This legislation also allows individuals who invested in Savings Bonds to roll them over into the qualified State plan. This is a commonsense provision that will give those who are already saving the flexibility to invest in prepaid plans if available.

It is in our best interest as a nation to maintain a quality and affordable education system for everyone. We need to decide on how we will spend our limited Federal resources to ensure that both access and quality are maintained. It is unrealistic to assume that the Government can afford to provide Federal assistance for everyone. However, at a modest cost, we can help families help themselves by rewarding savings. This reduces the cost of education and will not unnecessarily burden future generations with thousands of dollars in loans.

Let me close by saying that I commend the work of Senator GRAHAM and his staff on the issue of tuition savings. His cooperation and hard work have ensured that this issue enjoys bipartisan support. I would also like to thank the chairman of the Finance Committee for all his efforts in making education savings the cornerstone of this package.

EXTENDING THE SMALL BLENDERS ETHANOL TAX CREDIT TO FARMER-OWNED COOPERATIVES

Mr. WELLSTONE. Mr. President, the tax bill before us includes important tax incentives for the use of ethanol. These tax incentives have been critical to the growth of the ethanol industry, which in my State is monopolized by farmer-owned cooperatives. Farmer-owned coops are now the leading producers of ethanol. They make up 60 percent of the ethanol facilities around the country. By year's end, nine plants will be in operation in Minnesota, producing 126 million gallons annually and creating 500 new jobs. Overall, ethanol contributes between $109 and $260 million yearly to the State's economy. Currently, 71 percent of the gas sold in Minnesota contains ethanol. By the end of the year, 100 percent of the gas sold in Minnesota will be blended with ethanol.

My concern today is with the small blenders tax credit. This income credit is available to ethanol producers who produce no more than 30 million gallons annually; and, it is applied to the first 15 million gallons. That's great. Targeting the credit is what we should do. Unfortunately, the credit works in such a way that cooperatives fail to get any advantage from it.

I would like to ask that when the Senate Finance Committee and the House Ways and Means Committee conference on the two tax bills, that they give serious consideration to changing the way the credit is structured so that cooperatives, like all other ethanol producers, receive the intended benefits of the small blenders tax credit. I appreciate the good efforts of my colleagues on this matter and hope they will work with me to address this technical change in the small blenders tax credit when the committees conference on the tax bills.

I see my colleague from Illinois and know her commitment to the role of ethanol as an alternative fuel. I understand you have two farmer-owned cooperatives proposed for construction in Illinois?

Ms. MOSELEY-BRAUN. The Senator is correct. The total investment is $92 million for both facilities with an expected capacity of 42 million gallons of ethanol annually. This is good for farmers and good for our rural communities. I fully support extending the small blender's tax credit to these cooperatives, and I will urge conferees to support this.

Mr. KERREY. Mr. President, I would like to join my colleagues in highlighting the importance of farmer-owned coops in the production of ethanol, and thank the Senator from Minnesota for his continued leadership on this issue. In Nebraska, two of the six ethanol production facilities are owned by farmer-owned cooperatives. These plants account for approximately one-third of the total amount of ethanol produced in my State and directly employ over 300 Nebraskans. By restructuring the small blenders credit, I am hopeful that not only would we help the existing ethanol plants in Nebraska, but that we would encourage other farmer-owned cooperatives to examine the opportunities for rural economic development provided by ethanol production.

Mr. WELLSTONE. I thank my colleagues for their words of support and look forward to working with them in the coming days to make this change happen.

RAILROAD DEFICIT REDUCTION FUEL TAXES

Mr. CHAFEE. Senator ROTH, as I know you are aware, because of the 1990 and 1993 Reconciliation Acts, our important freight railroads are forced to pay a 5.55 cents per gallon fuel tax into the General Treasury for deficit reduction. All other modes of transportation—highway, air, water—only pay 4.3 cents per gallon for this purpose. This is an obvious inequity. While reducing the Federal budget deficit is an important goal, if the transportation industry is to be singled out, the burden of achieving a balanced budget should be shared equally among all modes of transportation.

I am particularly concerned because S. 949 would transfer the deficit reduction taxes paid by highway users, including truckers which compete with the railroads, into the Highway Trust Fund. Placing additional highway deficit reduction fuel taxes into the Highway Trust Fund for highway improvements would exacerbate the already inequitable situation, placing the railroad industry at an even more unfair competitive disadvantage. In essence, the railroads would continue to contribute to deficit reduction, while their competitors would instead contribute to their own infrastructure.

The House has similarly proposed putting the aviation fuel taxes into the Airport and Aviation Trust Fund for airport infrastructure improvements as part of its tax reconciliation legislation.

This injustice against America's railroads must be remedied at our earliest opportunity. I would ask the distinguished chairman of the Finance Committee if he would be willing to seek a solution to this railroad deficit reduction fuel tax problem during the conference with the House on tax reconciliation legislation.

Mr. ROTH. I appreciate the distinguished Senator from Rhode Island bringing this matter to the attention of the Senate, and yes I am aware of this clear inequity to the railroads. This certainly should be remedied at our earliest opportunity, and I will seek an appropriate solution as we consider the treatment of deficit reduction fuel taxes during the conference with the House on this tax legislation. If we are unable to craft a solution to this problem on this bill, I will certainly strive for a solution as part of the upcoming ISTEA reauthorization legislation.

Mr. CHAFEE. I want to thank Senator ROTH for his commitment to expeditiously find a solution to this problem.

LET US NOT FORGET ABOUT THE U.S. CITIZENS OF PUERTO RICO

Mr. MOYNIHAN. Mr. President, I am pleased to state, on behalf of Senators BREAUX, GRAHAM, KERREY, CHAFEE, and myself, that none of the tax relief measures and growth incentives contained in this tax bill will have a positive impact on the 3.8 million American citizens of Puerto Rico. This result is unfair and should be corrected. The Island's economy has paid dearly as a result of provisions in the tax bills of 1993 and 1996, as revenue offsets from Puerto Rico in those bills exceed $14 billion in the next few years. Yet those bills provided no benefits to our Puerto Rican citizens.

Members from both sides of the aisle, Governors, national organizations, business associations, Hispanic-American groups and the entire Puerto Rican political community, have united forces in seeking a sensible Federal economic development tool in section 30A. This would provide viable pro growth tax incentives which will keep the Puerto Rican economy on a path of sustained growth. We should expand and extend this economic activity credit which is wage-based and promoted jobs and investment. We would urge my colleagues to correct this unfairness in Conference. If this is not possible, we will work to include this measure in legislation that comes before us at the next possible opportunity.

PROVIDE TAX INCENTIVES TO ENCOURAGE PROPERTY OWNERS TO PRESERVE HABITAT FOR SPECIES

Mr. KEMPTHORNE. Mr. President, it was my intention to introduce today an amendment to provide three new tax incentives for private property owners who want to conserve land for the preservation of endangered, threatened, and other species. But the amendments were subject to points of order because they did not have accompanying offsets. Rather than have the amendments lose on a parliamentary procedure, I have accepted Chairman ROTH's offer to work on these issues in conference. For too long, the Federal Government has relied almost exclusively on regulatory mandates and enforcement to preserve habitat for endangered species. That approach has failed to produce the kind of results we want. If we're serious about preserving our rare and unique species, and their habitat, we must make it easier for people to purchase and set aside land for species.

The amendment would have consisted of three provisions. The first provision would have provided an additional 25 percent exclusion from capital gains associated with the sale of property so long as the property is transferred to a qualified organization for conservation purposes.

Mr. ROTH. I agree with Senator KEMPTHORNE's philosophy that conservation benefits us all as a nation. In fact, I included a conservation easement provision in my chairman's mark.

Mr. KEMPTHORNE. The second incentive would have provided property owners an exclusion from estate taxes for property that is set aside in a conservation easement.

Over the past few years, as I've been working on legislation to reauthorize the Endangered Species Act, I've met with a number of farmers and ranchers and other property owners, many of whom own large tracts of land that they are willing to set aside in conservation easements to benefit species. But they are worried about the tax burden that they will leave behind for their children if they do that.

Mr. ROTH. My chairman's mark includes a provision consistent with my colleague's goals. The mark would allow a portion of the value of land

subject to a qualified conservation easement to be excluded from the gross estate. This conservation easement is a step in the right direction.

Mr. KEMPTHORNE. My amendment would have allowed property owners who grant conservation easements to exclude the value of property from estate tax. That would make it easier for families to keep their property intact and at the same time will benefit endangered and other species by preserving habitat for them.

My third incentive would have allowed property owners to donate land for conservation purposes to take an enhanced deduction based on the full market value of their property. This will provide an important incentive for property owners who have land or water that provide habitat for endangered and other species to preserve that habitat.

Over the past 3 years, I've met with many property owners who have said, ''we would be happy to step forward and preserve habitat for species and we would grant a conservation easement if there was an incentive.'' Well, this will provide that incentive.

Mr. ROTH. Under our current tax law, a deduction is allowed for contributions of a qualified conservation easement to a qualified organization.

The goal of my colleagues' amendments are well taken and deserve this Nation's serious consideration.

I will work with you in conference on these worthy goals because I share your commitment to saving endangered species, and using incentives to accomplish this goal.

Mr. KEMPTHORNE. I thank the chairman. I appreciate his willingness to work with me on these important amendments to include them in the final bill.

Mr. DODD. Mr. President, I rise today to express my support for the Revenue Reconciliation Act of 1997. First, I would like to commend the Finance Committee on the job it has done. Chairman ROTH and Senator MOYNIHAN should be praised for their efforts to craft a bipartisan bill, something that the House clearly failed to achieve in its tax-writing committee.

The Finance bill contains many good measures, including a $500-per-child tax credit, which brings much needed relief to working Americans. This bill provides tax relief for higher education, making college more accessible to millions of Americans. The underlying bill also expands Individual Retirement Accounts helping many Americans to meet the financial demands of raising a family and planning for retirement. The bill before us today also recognizes the importance providing tax relief for businesses by extending the research tax credit for 31 months, encouraging more investments in research and development.

In addition, the Finance bill provides funding for Amtrak, and creates an inner-city passenger rail fund that would help finance improvements in public transportation. This bill facilitates environmental cleanup efforts in many urban and rural areas, helping to make our country a healthier place to live.

While I appreciate the efforts of my colleagues who worked so hard to craft a bipartisan tax relief bill, I am concerned that this measure misses opportunities to provide meaningful tax relief for American families. During Senate consideration, I voted for a number of amendments to make this bill more equitable. Some of these amendments succeeded. Many did not.

In particular, I was pleased when my colleagues accepted my amendment concerning student loan forgiveness for people who choose a career in community service and public sector work. This amendment will help us to deal with the growing problem of student indebtedness.

I also supported the Nickles amendment to extend self-employment health insurance deductibility to 100 percent. This measure will prove extremely helpful to self-employed business men and women.

I was also pleased to support the Kohl amendment which creates a tax incentive for businesses to provide child care for employees.

Each of these amendments make this bill better for American families. Regrettably, other amendments that would have strengthened this bill did not succeed.

Most notably, I, along with my colleague from Vermont Senator JEFFORDS, offered an amendment that would have increased the child tax credit for most families by making it refundable for the many low-income families with little or no tax liability. It is a fair and equitable measure, one that would have tremendously helped our working families, and I am disappointed that this amendment failed.

In addition, the Daschle amendment would have invested an additional $10 billion in education and more in the child tax credit. Unfortunately, this amendment was defeated.

Finally, my colleague from Massachusetts Senator KERRY offered his own amendment to make the $500-per-child tax credit refundable against payroll taxes, a measure that would have brought much needed relief to many working Americans struggling to raise a family. Once again, an opportunity to make tax relief more equitable was defeated.

Despite my reservations about this bill, and my disappointment in the failure of several amendments, I am encouraged by the fact that today, on the floor of the United States Senate, we came together in a bipartisan manner to enact tax relief to millions of American families. I hope that the conference committee will report a bill that is both fair and equitable, benefitting working families, small businesses and family farms.

Finally, Mr. President, it is imperative that during the conference negotiations, we remain committed to preserving the integrity of the balanced budget agreement. The American people will not be served by a budget that achieves balance briefly in 2002 and then veers back out of balance afterward.

Mr. President, I am pleased to join a bipartisan group of Senators today in supporting the Revenue Reconciliation Act of 1997. It brings us much closer to enacting legislation easing the tax burden which weighs heavily on too many Americans.

PENSION PROVISIONS

Mr. GRAHAM. Mr. President, today I rise to offer my support for the pension provisions which are contained in the tax bill we are considering today. As a result of the bipartisan cooperation which has been demonstrated throughout this process, many American workers will move closer to a secure retirement. These provisions help a broad spectrum of workers and employers, and will contribute toward making pensions more available, equitable, portable and simpler.

First, the provisions will expand coverage among workers at small businesses.

The statistics concerning the lack of retirement coverage among small business workers are astounding. According to the Small Business Administration, only 13 percent of workers in businesses with less than 20 employees have pension plans and only 38 percent of workers in businesses employing between 21 and 100 employees currently have plans.

Two provisions in this bill will address this problem. This bill will encourage even the smallest of small businesses to help their employees save for retirement through IRA payroll deductions. These payroll deductions are the easiest way for workers to save for their retirement. This bill clarifies that if a small business man or woman permits IRA payroll deductions, they will not be threatened with liability under ERISA.

Small businesses will also be encouraged to establish pension plans by allowing partners and self-employed individuals to receive matching contributions under the same rules applicable to incorporated businesses. More small business owners will establish retirement plans because of this change.

Second, this bill will help women. Although women are entering the work force at a larger rate than ever before, 25 million working women still do not have pension plans—this represents nearly 3 out of every 5 women who work in the private sector. Of these 25 million women, 12 million are employed by small businesses.

Unfortunately, many of these working women have no pension plan. Many of these women would like to make contributions to an IRA, but cannot because their husband participates in an employee-sponsored retirement plan and tax law says that she cannot make

a deductible contribution to an IRA because his participation is attributed to her.

The Finance Committee bill eliminates a spouse's participation from the considerations relevant to contributing to a deductible IRA. With this provision, all Americans—working women, working men, and homemakers—will now have the opportunity to save, regardless of their spouse's participation in a retirement plan.

Because of our bipartisan work on this issue, Susan Stratton of Tallahassee, FL, will be able to begin contributing to her retirement while her husband Charles continues contributing to his corporate plan.

Susan is the owner of Care Packages, Inc., and will be able to save $2,000 per year in an IRA.

Similarly, John Pollack of Orange County, FL, will be able to begin saving for his retirement because of this bill. As the owner of Allrite-Foto, John has not made any IRA contributions due to his wife Lorraine's corporate plan involvement. If this bill is enacted, John will be able to save for retirement along with his wife.

As you can see by these two examples, this provision—championed by Senator ROTH and Senator BREAUX for many years—will be beneficial for both spouses.

Third, the pension provisions in this bill begin to address a significant need in the pension area—portability. American workers are changing jobs much more frequently than ever before. Over the course of a 40-year career, the average worker will hold seven different jobs. Yet only 50 percent of current 401k plans accept rollovers from other plans.

As a result, it has become imperative that these workers be able to transport their retirement plans when they change jobs.

This bill makes it more attractive for businesses to accept rollovers. The bill provides that a plan will not be disqualified just because funds rolled over from a new employee's previous job come from a fund which has become disqualified.

Although this is a good step, I will in coming days be pushing for more pension portability. Similar defined contribution plans should also be able to roll into each other. Money in a retirement stream should be kept there until retirement. Government plans should be able to roll into private-sector plans. Private sector plans should be able to roll into nonprofit plans and nonprofit plans should be able to roll into Government plans.

Fourth, this bill will make pensions simpler to administer. One of the main reasons employers cite for not establishing or expanding pension coverage is red tape. The Finance Committee bill eliminates some of the paperwork burden it now takes to administer a pension.

This bill asks that the Treasury Department and Department of Labor issue guidance on the use of new forms of electronic pension notification, and provides for the review of current rules to accommodate new technology.

With the help of this new Internet and telecommunication technology, pension information will be more readily available to workers and less costly for employers to produce.

Finally, this bill enhances pension security. Both businesses and workers will be helped by a provision phasing up the 150 percent of current liability limit. Under current law, companies are limited in the amount they can contribute to their employees' defined benefit plan. I believe companies should be able to increase funding of their pension plans in order to fully meet the needs of their future retirees.

Companies can better budget if they have greater flexibility in what they put in their plan—and workers are better off, because the more companies contribute, the more secure their retirement. This bill gives companies that flexibility.

Each of these provisions, as well as others I have not mentioned, will improve our private pension system. It is not all we should do to prepare for retirement in the 21st century, but it is a good start.

I have been honored to work closely with many of my colleagues in bringing about these bipartisan pension changes. Senators HATCH, GRASSLEY, JEFFORDS, BREAUX and MOSELEY-BRAUN have been instrumental in bringing about these reforms, and I would like to commend them, and others, on their efforts.

By finding this common ground on both sides of the political aisle, we are working to ensure that the American workers of today will have a more secure and prosperous retirement for tomorrow.

AVIATION EXCISE TAX

Mr. McCAIN. Mr. President, I rise to express my concern about actions taken in the reconciliation bills by the Senate Finance and the House Ways and Means Committees to modify the current aviation excise tax structure. Although somewhat different from each other, both of the proposed modifications would increase taxes on airline passengers, and represent significant changes in aviation policy.

Last year, Commerce Committee members worked closely with members of the Ways and Means and Finance Committees, during consideration of the Federal Aviation Reauthorization Act of 1996, to establish the National Civil Aviation Review Commission. The members of this Commission have dedicated themselves to developing a consensus within the aviation industry regarding the appropriate financing mechanism for the Federal Aviation Administration [FAA], and the important safety programs it oversees. Together, the committees empaneled the Commission to consider substantive policy changes to the aviation excise tax formula, and I believe that the Commission should be given every opportunity to do so. The reconciliation bill should not make substantive changes to the tax formula without the benefit of the Commission s work.

Mr. LOTT. Mr. President, I would like to agree with the distinguished chairman of the Commerce Committee, of which I am a member. The work of the National Civil Aviation Review Commission could result in a unique opportunity for an often divided aviation industry to reach a consensus on important funding issues. Congress should not force its will on the industry prematurely.

The Commission is in the process of developing legislative recommendations, and plans to complete its work soon. Unfortunately, the reconciliation process is moving faster than the ability of the Commission to reach a comprehensive solution. The Commission recently wrote to the leadership of both the Senate and House on this issue. We should ensure that the reconciliation bill, or budget rules, do not foreclose the ability to consider the commission recommendations in the future. At that time, we will have a full and fair debate on the recommendations themselves.

Mr. McCAIN. I thank the distinguished majority leader for his insight. I plan to continue to work with him and other members of the Commerce Committee to see that the budget reconciliation bill does not foreclose the opportunity for Congress to implement the Commission recommendations in the future. We must continue our efforts to ensure an adequate and stable funding source for the FAA and the safety programs it oversees.

Mr. DASCHLE. Mr. President, I would like to join my distinguished colleagues, the majority leader, the chairman and ranking member of the Commerce Committee, and the chairman and ranking member of the subcommittee, in expressing concern about the reconciliation bill preempting the work of the National Civil Aviation Review Commission. I appointed two of its members, and I would not like to see its important work undermined before it has had an opportunity to achieve a consensus to a very important issue. I believe that after the recommendations of the Commission have been submitted to Congress, we must give them every consideration.

Mr. HOLLINGS. Mr. President, I, too, would like to join my distinguished colleagues in this discussion. The leadership of the Commerce Committee worked very hard in the Senate and during the Senate-House conference to create this Commission. Congress even provided a substantial appropriation to fund its activities. The work of the Commission is extremely important. I know that my colleagues share my concern that aviation monies are not being used for aviation purposes, and we need to work to correct that. During our Commerce Committee markup recently, I expressed my desire to treat

the Airport and Airways Trust Fund differently, and many members indicated that we needed to do something different for aviation. The GAO report on airport funding suggests that the airports are in need of $10 billion, according to the airports, and $6.5 billion, according to the FAA, depending upon the type of projects included. The Airport Improvement Program is an important component of the work of the FAA. We cannot meet future growth needs without expanding our airports and modernizing the air traffic control system. The Commission work and recommendations will help us in the debate in finding ways to meet our future aviation system needs.

Mr. GORTON. Mr. President, as chairman of the Aviation Subcommittee, I would like to associate myself with the remarks of the distinguished chairman and ranking member of the Commerce Committee, as well as with those of the majority and minority leaders. An efficient FAA will be crucial if our country is to maintain its role as the world leader in the aeronautical and aerospace industries. The FAA must have adequate resources to transform itself into an efficient and productive agency. The anticipated work of the Commission should provide the Congress with valuable guidance in that respect. The proposed changes to the aviation excise taxes in the reconciliation bill should not be a signal to the commission that its ongoing work is meaningless. I intend to work with the leadership of the Commerce Committee and Senate to ensure that the future recommendations of the Commission are not prejudiced by any actions taken in this reconciliation bill.

Mr. FORD. Mr. President, I would like to add to the thoughtful remarks of my distinguished colleagues. We started the debate over how to fund the FAA last Congress when we first proposed a fee system. Senator MCCAIN and I worked very hard on the bill and the entire committee agreed that we needed a Commission to provide a blueprint for how to fund the FAA. The FAA bill last year restructured the agency and gave the FAA the ability to do some creative things. Now the Commission must give us their best advice on how to meet the needs of the FAA, or how to cut spending. Those are the dilemmas facing the Commission. I know all of us share a desire to ensure that the work of the Commission is debated and fully aired.

Mr. MCCAIN. I would like to thank the distinguished gentlemen for their remarks. The safety of the flying public and the health of an essential, vital industry are at stake. We must give the Commission a chance to fulfill its statutory mandate.

401(K) PLANS

Mrs. BOXER. Mr. President, I ask my colleagues from Oklahoma, Mr. NICKLES, and Delaware, Mr. ROTH, if they would be willing to enter into a colloquy with me about an amendment I offered last night which was adopted by voice vote.

Mr. NICKLES. I would be pleased to answer any questions that the Senator from California may have.

Mrs. BOXER. As the Senators are aware, the 401(k) has emerged as many baby boomers primary pension plan. 401(k)s now cover more than 22 million employees and invest more than $675 billion in pension assets. Many American workers now have more equity in their 401(k) plans than in their homes.

Unfortunately, Federal law is currently less protective of 401(k)s than traditional defined-benefit pension plans. A company sponsoring a traditional plan is currently prohibited from investing more than 10 percent of its assets in company holdings, such as real property or company stock. This reasonable limitation, however, does not apply to 401(k) plans.

The amendment I offered last night would extend this 10 percent limitation to 401(k) plans, enhancing pension security for millions of workers nationwide.

I want to thank both the chairman and the ranking member of the Finance Committee for their assistance in clearing this important amendment.

The amendment included a small change at the request of the Senator from Oklahoma. The provision requested by the Senator from Oklahoma would allow companies sponsoring 401(k) plans to require that 1 percent of an employee's contribution be invested in qualified employer securities.

Mr. NICKLES. The Senator has accurately described the change to her amendment that I suggested. I believe that employers should be allowed to require employees to contribute 1 percent of their 401(k) contributions to company assets. However, as a member of the Finance Committee and possible conferee on this bill, I will urge my colleagues not to increase the 1-percent cap.

Mrs. BOXER. I certainly appreciate the support of the Senator from Oklahoma. I would ask the Senator from Delaware if he, too, will work to retain the Boxer amendment in conference.

I thank the distinguished chairman of the Finance Committee, the assistant majority leader, and the ranking member of the committee for all their hard work to guarantee pension security for America's working men and women.

COMPUTER TECHNOLOGY AND EQUIPMENT

Mrs. BOXER. I ask my colleagues from Delaware, Mr. ROTH, and New York, Mr. MOYNIHAN, if they would be willing to enter into a colloquy with me regarding providing an enhanced deduction for corporate contributions of computer technology and equipment.

Mr. ROTH. I would be pleased to answer any questions the Senator from California may have.

Mr. MOYNIHAN. I would be pleased to enter into a colloquy with my friend from California.

Mrs. BOXER. As you know, the House-passed Tax Reconciliation Bill included a provision which would provide an enhanced tax deduction for corporate contributions of computer technology and equipment. This provision, authored by Congressman RANDY CUNNINGHAM, is very similar to a bill Senator CHAFEE and I introduced earlier this year. Our bill, the Computer Donation Incentive Act of 1977, provides an incentive for companies to donate new and nearly new computers and software to elementary and secondary schools.

The successful education of America's children is closely linked to the use of innovative educational technologies, particularly computer-based instruction and research. Unfortunately, however, far too many elementary and secondary school classrooms lack the computers they need to take advantage of these new educational technologies. I believe this provision will provide America's schools with the technological resources necessary to prepare both students and teachers for the technologically advanced society in which we now live.

I know that the chairman and ranking member on the Committee on Finance would like to have included the House provision in the Senate tax reconciliation bill, but due to revenue considerations were unable to do so. I hope, however, that my friend from Delaware and my friend from New York would urge the adoption of this very important provision in conference.

Mr. ROTH. I agree that this is a very important provision and I will urge my colleagues to consider this proposal in conference.

Mr. MOYNIHAN. I agree with my friend from California and my friend from Delaware, that this provision should be carefully considered and I too will work to urge my colleagues to give this proposal careful consideration.

Mrs. BOXER. I thank the distinguished chairman and ranking member of the Committee on Finance for their support of my bill and of the House provision.

SUPPLEMENTAL ENTERPRISE ZONES AND ELIGIBILITY FOR BROWNFIELDS BENEFITS

Mrs. FEINSTEIN. Mr. President, I rise to ask if the chairman can clarify for me whether this bill includes a provision that provides the ''brownfields'' benefits for supplemental empowerment zones.

As a former mayor, I am very committed to promoting economic growth in our urban area. The ''brownfields'' provision will be significant in the City of Los Angeles' effort to turn abandoned, vacant or underutilized industrial or commercial properties back into productive use. Can the chairman confirm that, under the Senate tax bill, brownfields remediation incentives are also extended to supplemental empowerment zones?

Mr. ROTH. Yes, the committee bill extends the brownfields benefits to supplemental zones as well. Section 768(c)(2) of the bill, entitled ''Expensing of Environmental Remediation Costs,'' extends the brownfields benefits to supplemental zones designated after December 21, 1994, which confers the benefits to the supplemental zones of Los Angeles and Cleveland, OH.

Mrs. FEINSTEIN. I thank the chairman for clarifying the provision and thank the committee for its work on this issues.

COMPUTER ACCESS INCENTIVE

Mr. BAUCUS. Mr. President, I want to take this opportunity to repeat my interest in including funding in the reconciliation bill which would facilitate our schools' efforts to acquire computers and become connected to the Internet.

If our students are going to be fully prepared to face the next millennium with computer skills adequate to the task of competing in a global economy, I believe we in the Federal Government have a responsibility to ensure that our schools have every opportunity to acquire computer equipment.

The House Ways and Means Committee reported a bill which includes funds for an enhanced charitable deduction for those who donate computer equipment to the schools. As you know, based on the experience I have had helping schools in Montana acquire computer equipment, I have been working on a somewhat different approach which provides a tax credit for companies that give a price discount to schools purchasing new equipment.

I ask the chairman to work with me during conference to evaluate the House Ways and Means proposals and my proposals to increase schools' access to the Internet.

Mr. ROTH. I look forward to working with the Senator.

EDUCATION INITIATIVES

Mr. GRAHAM. Mr. President, I would like to take this opportunity to thank Chairman ROTH for working on this tax legislation in a fair, bipartisan manner. In particular, this bill includes several educational initiatives that will have a positive impact not only on the people of my home State of Florida but on the citizens—of every income—in our Nation as a whole.

First, I applaud the chairman's provisions with respect to prepaid college tuition plans. Currently, 16 States offer and manage college savings programs, 5 States are in the process of implementing such programs, and the other 29 States have legislation pending or are studying the feasibility of creating these programs.

Last year, Congress clarified the tax treatment of participation in prepaid college tuition plans. The 1996 Small Business Protection Act provided that any prepaid or savings State entity is tax-exempt. The act also clarified that earnings under prepaid programs are not taxed until distribution, and—when distributed—earnings would be taxed to the student beneficiary.

Under the proposal approved by the Finance Committee, distributions from prepaid college tuition plans will be 100 percent tax-free. In addition, the definition of qualified higher education expenses will be expanded from current law. Under this legislation, tax-exempt benefits will now include room and board, as well as tuition, fees, and related expenses. Thus, families who plan ahead can lock in today's rates for almost all expenses incurred in their children's education.

The legislation will have immeasurable benefits for our Nation's families. For example, Barbara and Jack Alfonso, who live in Miami, FL, have a 10-year-old son, Adrian. Back when Barbara finished high school, her parents could not afford to send her to college. She decided to take out loans to attend secretarial school. It took her 7 years to pay off those loans, so Barbara knows what it's like to be burdened with debt.

Barbara and Jack decided that they didn't want their son to be faced with the same obstacles. So, when Adrian was 5, they invested in the Florida Prepaid College Tuition Program. They will make their last payment in October of this year.

Adrian is a good student, and he deserves the opportunity to further his education. And because his parents chose to put aside money for his future by participating in the State's tuition program, Adrian will have this opportunity. Now Adrian can become one of the first college graduates in the Alfonso family. He can rest assured that his hard work will not have been in vain—that college is not a dream for him but a reality.

As Barbara tells it: ''The best thing about this plan is that it gives me peace of mind.'' Thanks to a prepaid college tuition plan, Barbara knows that her son will be able to go to college. And thanks to this program, two hard-working parents are able to give their child what they never had. Their son will be better off than they were.

With this legislation, families throughout our Nation will be better able to plan and save for their children's education. First, parents can save for their children's education without paying taxes. Second, parents can purchase tuition at today's rates and then withdraw this money when their children begin school. Tomorrow's education can be secured at today's prices.

I would also like to thank Chairman ROTH for including a portion of my school construction tax proposal, which would assist small and rural school districts. The provision that was included in this bill will positively impact issuers of small school construction bonds. These issuers will be exempt from arbitrage rebate requirements up to $10 million. Currently, there is a $5-million limit which applies to all bonds.

With this provision, we are specifically helping small school districts to lower the cost of building new schools. I hope that this legislation is just the beginning of much more which this Congress will do to make a significant and substantial dent in the problem of school construction and rehabilitation needs.

On behalf of all of our Nation's families, I would like to thank Chairman ROTH for his efforts regarding these education initiatives. I think Barbara Alfonso says it best: ''We can't cut corners when it comes to education.'' Barbara is right. This legislation will allow us to invest in our most precious resource—our children—who are, of course, ultimately our future.

RAIL FUEL TAX

Mr. BURNS. Would the esteemed chairman of the Finance Committee be willing to enter a colloquy on the rail deficit reduction fuel tax?

Mr. ROTH. I would be happy to discuss this matter with my colleague from Montana.

Mr. BURNS. As the chairman is aware, the 1990 and 1993 Budget Reconciliation Acts imposed a 2.5-cent-per-gallon and a 4.3-cent-per-gallon diesel fuel tax for deficit reduction on railroads and highway users. Beginning October 1995, 2.5 cents of the trucking industry's deficit reduction tax was directed to the Highway Trust Fund. The remaining highway 4.3 cents remained in place for deficit reduction purposes, while the rail rate was set at 5.55 cents per gallon, also effective October 1995. As a result of these acts, the freight rail industry currently pays 1.25 cents per gallon more for deficit reduction than its primary competitors.

Mr. ROTH. The Senator is correct.

Mr. BURNS. While the Highway Trust Fund provides the financing for construction and maintenance of public roads and bridges used by trucks and automobiles, the railroad industry realizes no similar return on its tax payments. Railroads currently expend more than $7 billion annually in capital to build and maintain their own ''roads.'' These private rights-of-ways are subject to more than $400 million annually in local property taxes. While few Senators are more dedicated to the goal of deficit reduction than I, it seems that the burden of reducing the Federal deficit must be shared equally among competing modes of transportation.

The Senate Finance Committee adopted an amendment to the chairman's Mark which would transfer the 4.3-cent-per-gallon deficit reduction tax paid by highway users to the Highway Trust Fund—minus the new half-cent tax for the Intercity Rail Trust Fund—Amtrak. Additionally, the House Ways and Means Committee transferred the 4.3-cent-per-gallon tax paid by aviation users to the Aviation Trust Fund. Assuming that these amendments remain in the bills, the rail industry will be paying 5.05 cents per gallon for deficit reduction while those in competing industries will be paying nothing for deficit reduction.

Mr. ROTH. Again the Senator is correct in his assessment.

Mr. BURNS. Understanding the demands on the chairman, I would merely like to encourage him to address this situation in conference. If a solution can not be reached in this bill, I would encourage the chairman to give careful consideration to and to work toward a remedy of this situation in the tax title to the upcoming ISTEA reauthorization.

Mr. ROTH. Rest assured that the committee will give every consideration to the addressing the transportation excise tax equity matters raised by my colleague from Montana.

Mr. BURNS. I greatly appreciate the time and consideration given to me by the chairman of the Finance Committee.

PUBLIC SAFETY OFFICER SURVIVOR PENSIONS

Mr. BIDEN. Mr. President, I am pleased that the Senate has passed my amendment to make a modest change in current law. A modest change, but one which will make an enormous difference in the lives of some very special Americans—the families of public safety officers—police officers and firefighters—who have given their lives in the line of duty.

This amendment would forgive Federal tax liability on the annuities received by the families of these fallen heroes. The cost is modest—about $25 million over the next 10 years.

I would also add that this tax treatment would be the same as that for the families of fallen soldiers. In other words, my amendment gives to those who fight and die in domestic battles to keep us safe the same treatment we give to those who fight and die in keeping us safe from foreign battles.

Mr. President, again, I welcome my colleagues support for my amendment—we have stood with the cops, stood with the firefighters, and stood with the paramedics who have given their lives in service to all of us.

STATE-SPONSORED WORKERS' COMPENSATION FUNDS

Mr. BREAUX. I would like to ask a question of the distinguished chairman of the Finance Committee concerning a provision in the tax bill.

Mr. ROTH. I would be pleased to respond to the Senator from Louisiana.

Mr. BREAUX. Section 761 of the bill provides standards that a State-sponsored workers' compensation company must meet in order to be exempt from Federal income tax for future years. As the chairman is aware, a large number of the States, including Louisiana, have State-sponsored workers' compensation companies that have been operating as tax-exempt agencies for several years. It is my understanding that the standards that we have proposed for the future are intended to codify the standards that exist under present law and that a company, such as the one established by the State of Louisiana, that met these standards in prior years should be confident that it is, in fact, tax exempt under current law. Is my understanding correct?

Mr. ROTH. The Senator is correct. The committee thought it was appropriate to provide prospective application for the codification of standards which must be met for tax exemption. However, the committee expressly acknowledged the fact that a number of States had established entities that were operating as tax exempt organizations. The motivation for codifying the standards as part of the Internal Revenue Code was to help these entities and the Internal Revenue Service more easily apply the law. However, our report expressly states that tax exemption may be available to many such State-sponsored entities under present law and no interference was intended to be drawn from our action that the income of those entities was not already tax-exempt.

Mrs. HUTCHISON. Mr. President, I strongly support the provision in the bill that deals with tax-exempt status of State workers' compensation funds. Senator GRAMM and I ask unanimous consent to have printed in the RECORD the text of a letter we received earlier this month from the Governor of the State of Texas urging us to clarify the Federal tax statutes to maintain the tax-exempt status of this fund in light of the important role it plays in stabilizing the market for workers' compensation insurance in Texas.

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

STATE OF TEXAS,
OFFICE OF THE GOVERNOR,
June 5, 1997.

Hon. PHIL GRAMM,
U.S. Senate, Washington, DC.

DEAR SENATOR GRAMM: I understand that the Internal Revenue Service is questioning the source of the Texas Workers' Compensation Insurance Fund's tax exemption.

The Texas Legislature created the Fund in 1991 to resolve a crisis in our workers' compensation insurance market. The Fund carries out its statutory responsibility to ensure that workers' compensation insurance is available for Texas employers in even the smallest or riskiest of businesses.

Workers' compensation insurance is not mandatory for Texas employers. Those businesses that choose to carry workers' compensation coverage for their employees now have access to a much broader variety of carriers, competitive premiums and enhanced employee benefits.

I encourage you to consider clarification of the federal tax statutes to resolve this issue. Arbitrarily and retroactively changing the tax status of the Fund would directly affect the small businesses that depend on the Fund for workers' compensation coverage, and would needlessly inject instability into what is now a healthy segment of the Texas insurance market.

Sincerely,

GEORGE W. BUSH.

Mr. GRAMM. Is it also the chairman's understanding that this provision clarifies the tax-exempt status of these funds under current law by codifying the existing standards?

Mr. ROTH. That is correct.

Mr. GRAMM. I thank the chairman.

AVIATION TAXES

Mr. ABRAHAM. Mr. President, I was wondering if Senator NICKLES and I could engage the chairman of the Finance Committee in a colloquy regarding the proposed tax on the domestic portion of international journeys [DPIJ]. As I understand the new tax, it will impose a new 10-percent tax on domestic legs of international flights. This tax hurts domestic carriers because they typically have domestic stopovers on their international flights, whereas international carriers have more direct flights without stopovers in the United States. Since flights without stopovers are not subject to the new 10-percent tax, the net result is a competitive disadvantage for domestic carriers.

Mr. NICKLES. If the Senator from Michigan would yield, I want to echo the concerns of my friend from Michigan. In fact we were prepared to offer an amendment along with several other colleagues but out of deference to the desire of the chairman to complete action on the bill, we agreed to work with the chairman. It is my understanding that the chairman of the Finance Committee is aware of these concerns and has expressed his intention to resolve this controversy in conference. Would the chairman confirm his intentions regarding the proposed tax on the domestic portion of international journeys?

Mr. ROTH. I would like to assure my colleagues from Michigan and Oklahoma that it is my intention to work with House and Senate conferees to eliminate any competitive advantages that foreign carriers may enjoy and resolve this controversy.

NET OPERATING LOSSES

Mr. SPECTER. Mr. President, on behalf of Senator SANTORUM, I would like to discuss an issue with the chairman and the ranking member of the Finance Committee relating to operating losses of a business.

The tax bill extends the carry forward period for businesses with operating losses for an additional 5 years. But the provision only applies to operating losses incurred in future years.

We are less concerned about the tax impact of allowing existing losses to expire than about the impact on companies for financial accounting purposes. Under the accounting standards, if the operating losses expire, some companies will see a major reduction in asset value.

We would like for the chairman and the ranking member to consider this issue in conference.

Mr. SANTORUM. I would like to associate myself with the comments of my colleague, the senior Senator from Pennsylvania.

Mr. ROCKEFELLER. I understand the issue raised by the Senators from Pennsylvania. I will be pleased to look at the issue in conference.

Mr. MOYNIHAN. I understand the issue raised by the two Senators from Pennsylvania. I will be pleased to look at the issue in conference.

Mr. ROTH. I will also be pleased to look at the issue in conference.

FOR AN ADDITIONAL TOBACCO TAX INCREASE

Mr. SPECTER. Mr. President, I have sought recognition to explain my vote against waiving the Budget Act on the Kennedy amendment for an additional tobacco tax increase. I have long been a leading supporter of providing adequate health coverage to our Nation's children. On the first day of the 105th Congress, I introduced legislation that would provide coverage to the 4.2 million children of the working poor, who are not eligible for Medicaid but whose parents cannot afford private health insurance. During consideration of the budget for fiscal year 1998, the President and Congress reached an agreement to provide $16 billion for health care insurance to protect our Nation's uninsured children. The Senate Finance Committee has added an additional $8 billion for children's health insurance from funds derived from a new tax on tobacco. As a result, the budget reconciliation bill now contains $24 billion for the vital purpose of providing health insurance to America's uninsured children.

The Kennedy amendment would further increase the tobacco tax by an additional 23 cents per pack. The amendment, however, did not specify how this additional tax revenue would be spent. As a consequence, the Senate could be given no assurance that any of the money generated by this new tax would provide health insurance. I believe the American taxpayer is willing to accept a reasonable level of taxation in order to provide health insurance to our Nation's children. However, with the money provided under the budget agreement and the additional funds provided by the Senate Finance Committee, Congress is fairly addressing this need.

IRA WITHDRAWALS FOR K–12

Mr. SPECTER. Mr. President, I supported Senator COVERDELL's amendment to expand the bill's provisions to allow penalty-free withdrawals from Individual Retirement Accounts for education expenses for children in grades K–12 because I believe that parents should have the maximum flexibility to spend their own money on their children's education.

I have consistently opposed the use of public funds to subsidize private school tuition for K–12 educational expenses because I have grave concerns about the constitutional issues of separation of church and State raised in such policy and because I am an advocate of public schools. As chairman of the Appropriations Subcommittee which funds the Education Department, it is among my top priorities to continue to provide increases in Federal support to the Nation's public schools. However, there are many parents who feel that it is in the best interest of their children to attend nonpublic elementary and secondary schools for a variety of reasons and in a variety of settings. I believe they should be free to spend their own resources on such expenses as they see fit.

TAX RELIEF IS FINALLY AT HAND

Mr. KYL. Mr. President, hard-working American families have not seen significant net tax relief since Ronald Reagan's first year in office as President. That was 16 years ago, in 1981. Since then, their tax burden has gone in just one direction—up. Higher payroll taxes, higher taxes on gasoline and Social Security, higher taxes on capital gains and air travel. If you manage to save something for your child's education, the earnings are even taxed.

It is no wonder, then, that the typical American family feels overwhelmed: it now pays more in taxes than it does for food, clothing, and shelter combined. That is wrong, and it has got to change. It is about to change.

Mr. President, there has really been a sea of change in Washington's approach to taxing in recent years. Remember that it was not so long ago, in 1993 to be exact, that President Clinton pushed through the largest tax increase in the Nation's history. Everyone in the country felt the bite of the Clinton gas-tax increase. Retirees even saw their Social Security benefits taxed more. The debate back then was not whether to raise taxes, but how much to raise them.

Two years ago, after Republicans gained control of both Houses of Congress, the debate changed dramatically. The question no longer was whether to raise taxes, or even whether to cut taxes. The question was how much to cut them. The debate has changed so much that President Clinton, who initiated that record-setting tax increase 4 years ago, and who vetoed tax relief just 2 years ago, now tries to claim the tax-cutting mantra as his own.

We began last year to make some incremental progress in offering tax relief. The adoption tax credit, for example, was enacted, as was an increase in the Social Security earnings limitation and new tax incentives for the purchase of long-term health insurance. That was after President Clinton vetoed a far more substantial tax-cut package in December 1995.

The bill before us today takes yet another step in the right direction. When signed into law, it will provide more tax relief than any other bill in 16 years. And three-quarters of the total relief provided by the bill will go to families with annual income of less than $75,000. Again, that is families with income under $75,000 a year that would benefit most.

Make no mistake, it provides nowhere near the level of relief that American families need. The net tax cut of between $77 billion and $85 billion over 5 years represents just 1 percent of the amount that the Treasury would otherwise collect over that period. But given the constraints on tax relief that President Clinton imposed in this year's budget agreement, it is probably the most we can do. It is, in my view, merely a downpayment on the amount of tax relief that we will continue to seek next year and the years after that.

Mr. President, I opposed the budget agreement a few weeks ago, in large part because it so severely restricted the amount of tax relief that we could provide this year. I believed that we should have held out for a better deal for the taxpayers, but a majority of both Houses disagreed, and therefore we have to find a way to live within the constraints the deal imposed. I must say, however, that I believe the Finance Committee has done a good job with the limited resources it had to work with.

The bill includes a $500-per-child tax credit for families with children under the age of 17. The credit would become fully effective next year; it would be limited this year to $250 for every child under the age of 13.

The bill also provides important help to parents who are struggling to find a way to pay for their children's college education. It offers a new $1,500 HOPE tax credit, new tax-preferred Education Savings Accounts, and something that the budget agreement did not contemplate, a new deduction for student-loan interest payments.

These provisions alone—the education-related and child tax credits—make up 82 percent of the tax relief provided by this bill—82 percent. An analysis by the accounting firm of Deloitte & Touche estimates that a married couple with two children and a household income of $35,000 a year would see its tax bill slashed by 40 percent—to $1,573 a year, down from $2,625 now. If one child were in college, the tax relief would rise to 78 percent.

The bill does some other good things as well. It reduces the capital-gains tax rate to 10 percent for individuals in the 15 percent income-tax bracket, and 20 percent for other taxpayers. It provides a capital-gains exclusion for homeowners—up to $250,000 for single taxpayers, $500,000 for married couples. Given that more than half of all taxpayers reporting capital gains have incomes under $50,000—including many seniors who depend upon income from their life-long investments to support them in their golden years—we can be sure that the benefits of these capital-gains reductions will flow to middle America.

And with history as a guide, we know that the Treasury will benefit from a capital-gains tax cut as well. Between 1978 and 1985, for example, the top marginal tax rate on capital gains was cut by almost 45 percent—from 35 percent to 20 percent—but total individual capital-gains tax receipts nearly tripled—from $9.1 to $26.5 billion annually.

When capital-gains tax rates are too high, people need only hold onto their assets to avoid the tax indefinitely. No sale, no tax. But that means less investment, fewer new businesses, and new jobs, and—as historical records show—far less revenue to the Treasury than if capital-gains taxes were set at

a lower level. Just as the Target store down the street does not lose money on weekend sales—because volume more than makes up for lower prices—lower capital-gains tax rates can encourage more economic activity, and in turn, produce more revenue for the Government.

With that in mind, many of us believe that the capital-gains tax rate should have been cut deeper—some wanted an earlier effective date, too—but the die was cast against more capital-gains relief when the budget agreement passed earlier this month. Still, even the modest reduction in this bill will begin to unlock the sizable amount of assets currently locked up in the economy because of high tax rates. The American Council for Capital Formation estimates that it will lead to the creation of as many as 150,000 new jobs a year.

The bill also enhances the ability of individuals to save for retirement in IRA accounts. More Americans would be allowed to save in traditional IRA's, including homemakers who have been precluded from participating merely because their spouses are active participants in employer-sponsored plans. Non-deductible contributions of up to $2,000 to new IRA plus accounts would be allowed for anyone; distributions from the accounts would occur on a tax-free basis.

DEATH TAX RELIEF

The legislation includes modest death-tax relief—a phased increase in the unified credit from $600,000 today to $1 million by 2006. An additional $1 million exclusion is allowed for qualified family owned businesses and farms.

Mr. President, although the death-tax provisions represent steps in the right direction, they are totally inadequate to solve the problems associated with the tax. The unified credit has not been adjusted since 1987, when it was set at $192,800, for an effective exemption of $600,000. Had it merely kept pace with inflation, the exemption would now amount to about $840,000. By the time the $1 million exemption is fully phased in in 2006, inflation will have further eroded its value. The family business exclusion is so complex and establishes so many hurdles for families to meet before they could qualify for relief that few families will likely see any relief at all.

And it is family owned businesses, particularly those owned by women and minorities, that are in the greatest need of relief from death taxes. Instead of being able to pass a hard-earned and successful business on to the next generation, many families have to sell the company in order to pay the death tax. The upward mobility of such families is stopped in its tracks. Proponents of this tax say they want to hinder concentrations of wealth. What the death tax really hinders is new American success stories.

Yet, the death-tax provisions in the bill do not save Americans from having to engage in costly estate-tax planning. They provide little in the way of substantive relief. And they likely do little to promote stronger economic growth.

I know that we are not going to be able to do enough this year given the constraints of the budget agreement, so further progress with respect to death-tax relief will have to wait until next year. But we should commit now to seeking that relief when the next opportunity arises.

DEPRECIATION RECAPTURE

There are two other parts of the bill that I hope we can correct this year, hopefully before the bill emerges from the House-Senate conference committee in a few weeks. The first deals with the tax treatment of capital gains earned from the sale or exchange of depreciable real property. Such gains would be taxed at a maximum rate of 24 percent, compared to the lower tax rates that would be applied to gains earned from nondepreciable real estate and other assets.

Most of us are well aware of the significant unlocking effect that a capital-gains tax cut would have: Not only would it stimulate savings, investment, and job creation, but, as I indicated before, historical evidence shows that it would result in increased revenues to the Treasury to assist with deficit reduction. The capital-gains relief recommended in the tax bill mark is a step in the right direction. But unless the reach of that relief is extended to depreciable real property, we cannot ensure that the full benefit of a capital-gains tax cut is realized throughout the economy.

Establishing disparate tax treatment for investment and business real estate would provide little incentive for individuals to sell investment properties, or to recapitalize and modernize multifamily housing, industrial properties, office buildings, retail properties, or single-family rental homes. It would provide little, if any, stimulation in what amounts to a substantial sector of the Nation's economy. Moreover, taxing such property at rates higher than for other assets would establish a bias in the Tax Code that must be avoided.

I would note that the Finance Committee modified the bill to reduce the tax rate, from the 26 percent originally recommended, to 24 percent. But we ought to make sure that by the time the bill reaches the President's desk, depreciable real estate is on par with other types of investments.

CHILDREN'S HEALTH INITIATIVE

Mr. President, I am also concerned about the tobacco-tax provisions of this bill. I realize that the tax is intended in large part to raise additional revenue for the children's health-insurance initiative. Yet, most people recognize that an increased cigarette tax would lead to lower cigarette consumption—in fact, discouraging smoking is one of the prime objectives of a tax increase. But if smoking declines, so do cigarette-tax revenues. The proposal thus creates an expensive new program, the costs of which are likely to increase rapidly, and yet the intended revenue stream is by its very nature designed to dry up. This method of financing the children's health initiative will simply not work over time.

My hope is that the financing mechanism will be modified in conference. I am not prepared, however, to vote against the bill as reported by the Finance Committee on account of that flaw and deny millions of Americans the first significant tax relief they have seen in 16 years.

Mr. President, this bill includes many good provisions: Education tax credits, the family tax credit, IRA incentives, capital-gains, and modest death-tax relief. It extends the work opportunity credit, the research tax credit, and the exclusion for employer-provided educational assistance. Although there are some flaws in the current version, we ought to seize the opportunity to enact these provisions as a downpayment toward the ideal tax package.

I support the bill as it came out of the Finance Committee.

Mr. ROBB. Mr. President, I rise to oppose the tax bill before the Senate. Although I supported the budget resolution which allowed for this bill to proceed, I did so to advance the spending cuts that I voted for and the Senate passed earlier this week. I have consistently stood for the proposition that we shouldn't be reducing revenues until we balance the budget, and I will keep that commitment today.

While I have supported a number of amendments that I felt would make this bill a better package, even if all those amendments had passed, I'd still be opposed to cutting taxes while we still have a budget deficit. Nonetheless, I understand that it is difficult for elected legislators to resist the temptation of tax cuts, and I do not discount the popular appeal of a number of the measures before us, nor do I quarrel with the public demand for them. However, sound fiscal policy compels me to oppose even the tax changes I might otherwise support until such time as the Federal budget actually reaches balance.

By passing and enacting this tax bill, or any other, we singlehandedly undo the hard work we did in 1993 to finally bring annual budget deficits under control. We've made dramatic progress, bringing down annual deficits from $290 billion in 1992 to an expected $60 billion this year. Now, on the precipice of balancing the budget, we are going to pass a tax cut bill which takes us in precisely the opposite direction. While I understand that these tax cuts are provided for in the context of a balanced budget plan, no one can argue that they will increase the deficit and the debt between now and the year we expect to get to a balanced budget, if we get there at all.

Not only will this bill increase the current deficit and the long-term debt,

the out-year costs will come due at a time when the costs of our entitlement programs begin to swell due to the retirement of the baby boom generation. From now until 2030, the number of individuals who will qualify for these programs will double, going from 35 million to 70 million. Even if we didn't enact this tax cut, all revenues we collect would be needed just to fund entitlement programs and interest on the debt by 2012, leaving only borrowing to cover defense and discretionary investments in human and physical capital. Enacting a tax cut which doubles in cost every 5 years hardly seems an appropriate course to follow given the demographic challenges we confront early in the next century.

This tax cut would not have been as damaging in the future were we likely to make some of the long-term structural changes in our entitlement programs that would have sufficiently restrained the growth of these expenditures in the future. By abandoning a legislative change for a more accurate measure of the cost-of-living adjustments and the likely elimination of any eligibility changes in Medicare by the time the spending measure becomes law, we compound our long-term fiscal problems with this tax cut.

Mr. President, the truth is that even if we were in budget balance today and for the forseeable future, I couldn't support this particular tax bill. The fact of the matter is that the tax bill before us does little or nothing to simplify the tax code, fails to adequately encourage new savings and investment, and is structured in a way that masks its long-term costs. Instead, it is largely driven more by political payoffs to special interest groups and polling data, rather than rational tax policy.

The child tax credit has been roundly denounced by economists as doing little more than encouraging additional consumption, something we clearly ought not to be encouraging at this point given our robust economy. At least the Senate retained the provision that required that the tax savings be saved for education expenses for those with children between 13 and 16, and I commend my colleagues, including Senators BREAUX, KERREY, and LIEBERMAN, who have fought so hard to ensure that the child tax credit provides some economic value by requiring that it goes to savings and investment.

Many have claimed that both the capital gains provisions and new individual retirement accounts will encourage additional savings and investment, and I would like to believe that is the case. However, the capital gains benefits fail to differentiate between those gains from long-term investment and those from stock speculation, and the new backloaded IRA's will likely result in simply a shift of existing savings to a tax deferred vehicle, resulting in compounding revenue losses over time.

Compounding revenue loss will also result from the structure of the estate tax relief provisions in this bill. I understand the burden these taxes cause for some families, particularly those with family owned farms and businesses, but the slow phase-in of increases in the current $600,000 exemption amount guarantee that the true cost of the tax change won't show up until after 2007.

Mr. President, the most difficult part of opposing this tax bill for me has to do with the education incentives included in this bill. From my days as governor of the Commonwealth of Virginia, I've made education my top priority, pumping over $1 billion of new funds into education during my tenure as governor without a tax increase. I simply believe that the education of our children is the most important function of government at any level. Because of this commitment, I applaud the President's effort to increase access to education.

I am not opposed to commiting additional resources to education, but my concern about these tax provisions is that they are not likely to encourage students to get a higher education. For the most part, they would simply subsidize those who would have attended anyway. In addition, most education experts believe these tax provisions could result in an increase in tuition costs as institutions use the tax savings to increase their costs, potentially making education expenses even higher for students who can't qualify for these new tax benefits. It also seems to me that those who benefit from these education incentives ought to have some obligation of community service, a cause I have long championed.

In summary, Mr. President, I voted earlier this week for the spending cuts in the first Reconciliation bill because I believe that deficit reduction should be our No. 1 priority. It is for this same reason that I oppose this legislation on principle and for the substantive policy reasons I have outlined. I understand that it is politically difficult in our day and age to resist the siren song of tax cuts. But I hope that those who intend to support this tax package will be prepared to answer for their vote when the revenue losses begin to mount and prevent our budget from staying in balance over the long term.

With that, Mr. President, I yield the floor.

Mr. KENNEDY. Mr. President, I oppose this bill, and I hope that it will be vetoed by the President if it emerges from the House-Senate conference in this unacceptable form. The last thing the American people need is a trickle-down tax relief bill that offers plums to the wealthiest individuals and corporations in our society, and crumbs for everyone else.

Clearly, we need to give tax relief to families, we need to encourage investment in education, we need to encourage investment in small businesses, we need to grant relief from the hardships that are sometimes caused by the estate tax.

The Republican plan takes each of these legitimate points and misuses them as excuses to give enormous tax cuts to the well-heeled and the powerful and it does so as far as the eye can see. This plan violates the fundamental principles that any tax bill must meet: tax fairness and fiscal responsibility.

The Republican bill claims that it will give fair tax relief to families, but the Republican child credit is designed to exclude large numbers of low- and middle-income working families. Forty-seven percent of all American children would not be eligible for the child credit under the Republican proposal. An additional 8 million children would be eligible for only a partial benefit. Clearly, the Republicans have gerrymandered their credit to save money by denying it to as many working families as possible. Yet these are the families who need help the most. Our Democratic proposal offers all of these families an honest tax break. The Republican proposal is a let them eat cake tax break.

I also oppose the education provisions of the Republican bill because they are skewed toward the highest income taxpayers. These Republican provisions clearly violate the firm commitment made under the budget agreement on tax benefits for higher education. The letter signed by NEWT GINGRICH and TRENT LOTT specifically states that tax relief of ''roughly $35 billion'' will be provided over 5 years for post-secondary education, and that the education tax package ''should be consistent with the objectives put forward in the HOPE scholarship and tuition tax proposals contained in the administration's fiscal year 1998 budget to assist middle-class parents.''

The administration's proposal had two goals: to help middle-class families during the critical years while students are in college, and to encourage lifelong learning. Students and families across the Nation are concerned about escalating tuition, and this bill does not do enough to help them.

The Republican bill is flawed in another major respect in this area—it utterly fails to address the need to help workers expand their skills and education. We need to give a real benefit to teachers, nurses, auto mechanics, and all others in jobs that need continual upgrading of skills. The workplace depends more and more on highly trained workers. To sustain a strong economy, we must invest in ongoing education throughout life.

The bill also provides a disproportionate education benefit to high income families. It contains three separate provisions to encourage savings for college, at a total cost of over $7 billion over the next 5 years. Lower income families do not have the luxury to save as much as higher income families do, and will not be able to take advantage of these provisions.

I also strongly support funding for crumbling schools. The deterioration of hundreds of schools across the United

States is a disgrace. But the Republican bill provides only token help. It offers only Band-Aids to put over leaking roofs.

Similarly, the massive capital gains tax breaks and massive estate tax breaks are also tilted heavily to the wealthy. Largely because of these provisions, more of the benefits of the Republican plan go to the top 1 percent of taxpayers than go to the bottom 60 percent of the taxpayers. Under the Republican plan those who are already well-off are given tens of billions of dollars in unwarranted tax breaks, while those who are struggling are ignored.

Finally, the amount of the Republican tax cuts will explode in the years after 2002, and the deficit will increase enormously. The Center on Budget and Policy Priorities has estimated that the cost of the Republican proposal will increase by between $500 and $600 billion in the 10 years following the current budget period. It will be nearly impossible to balance the budget in those years if this Republican tax giveaway is enacted into law.

The Republican plan is a Trojan horse for giving tax breaks to the wealthy. If we had no tax bill, it would be better than this trickle-down bill.

Mr. FEINGOLD. Mr. President, I intend to vote against this tax bill.

Although I voted for the budget resolution which was designed to bring us to a balanced budget within the next 5 years, I have consistently said that we should actually achieve a balanced budget, before enacting any sweeping new tax cuts. As attractive as new tax cuts may be, I think our first fiscal obligation is to eliminate the deficit. We shouldn't ask our children and grandchildren to foot the bill for our program spending or our tax cuts.

Having said that, let me address several other issues. If we are going to have tax cuts before the budget is actually balanced, then we should focus on the kinds of cuts that at least have some potential to help enhance economic productivity and increase revenues—tax changes that arguably will increase income and resulting revenues will help move us toward a balanced budget.

For these reasons, I have indicated that if we are to have tax cuts before the budget is in balance, we should limit them to changes that will stimulate economic growth. A number of my constituents have presented me with strong arguments that some reductions in the capital gains and estate taxes will enhance economic productivity and growth, and I have been willing to support capital gains and estate tax changes if crafted in ways that target the benefits so as to stimulate growth and economic activity. For Wisconsin, this means, in particular, that capital gains and estate tax changes should be targeted to help family farms and other smaller family businesses that are passed down from one generation to the next.

Arguments for certain types of education tax cuts and child tax credits are not as persuasive. And they become less so when they are not available to those families who might most need such relief. If we are going to provide tax cuts to families with children, then we shouldn't exclude millions of working families with lower and moderate incomes. Over 565,000 kids in Wisconsin, nearly 40 percent, live in families that will not receive the tax credit.

Altogether, as desirable as tax cuts might be, we need to keep our focus on balancing the budget first, then consider tax cuts. American families will benefit enormously by the Federal Government bringing down the deficit and achieving a balanced budget. Anything that diverts us from that course should be resisted until we have finished the job.

Finally, if we must have tax cut legislation as part of the budget agreement, it ought to be both fiscally responsible and fair. This bill fails on both counts. The tax cut bill is heavily back-loaded. While costing $85 billion over the first 5 years, the plan will cost close to $60 billion annually once it is fully in place. That kind of exploding cost moves us away from a balanced budget, and puts us back on the track to rising deficits. It is ironic that those who shout the loudest about the need for a balanced budget amendment to our Constitution are among the biggest supporters of a tax bill that is nothing less than a budget buster.

The tax plan also fails the test of fairness. A package of tax cuts, even one targeted toward economic development, need not be skewed to the wealthiest. Unfortunately, this measure is. According to the tax watchdog group Citizens for Tax Justice, over half the proposed tax cuts in the bill go to the top 5 percent of all taxpayers. And while the 40 percent of families with the lowest income receive no tax benefit, the top 1 percent receive an average benefit of nearly $16,000.

Mr. President, let me emphasize my firm belief that our highest priority must be to balance our Federal budget before we cut taxes. We have come too far and worked too hard to bring our deficit down to jeopardize that effort with a fiscally irresponsible tax cut bill. I support the bipartisan balanced budget agreement negotiated by the congressional leadership and the White House, but this tax package is not consistent with the spirit of that agreement, and needlessly risks the progress we made in the reconciliation package we just passed.

Mr. HATCH. Mr. President, I rise today to speak in strong support of the historic tax relief plan, the Revenue Reconciliation Act of 1997, that is before the Senate today. Change has finally come to Washington and the fruits of that change are beginning to be realized. Who would have thought that 3 years ago that the American people would be receiving a $85 billion tax cut today, especially after the huge $265 billion tax increase that President Clinton pushed through in 1993?

It is a proud day for this body and for the American people to finally witness a Congress with the courage to enact a plan to restrain Federal spending and balance the budget. Also very important is the savings that will be passed on to the American people in the form of tax relief. One thing we easily forget is that tax revenues belong to the taxpayers. This historic bill will simply return the taxpayers' own money back to them.

Mr. President, important to this debate is how this tax package is being received and the work that has gone into making this bill a good piece of legislation. This bill was reported out of the Finance Committee with overwhelming bipartisan support, and I hope that there is overwhelming bipartisan support for its final passage. I want to commend my colleague and chairman of the Senate Finance Committee for the balanced, bipartisan bill he spearheaded.

Mr. President, working families in this country do not take the paying of taxes lightly. How could they? They pay payroll taxes, income taxes, property taxes, and other taxes. In addition to the amount of taxes taken out of every paycheck, families reconcile what income taxes they owe to Uncle Sam every April 15, and millions must send a check to the government for additional taxes. The American taxpayers understand and realize that their tax payments go to providing needed Government benefits and to support the freedoms we enjoy. However, enough is enough. It is time to cut the fat out of Government and lower the Federal tax burden. And, it is time to reduce the burden of budget deficits on taxpayers, mortgage holders, small businessmen, students, and all others having or needing loans. It is time to stop passing off the burden of current spending onto our children and grandchildren.

Mr. President, this tax relief plan contains significant tax cuts in a variety of areas. I will not take the time to comment on every provision and change in the bill. However, I would like to comment on a few of the main areas of tax relief which I have long advocated.

First, families with children will receive a $500 per child tax credit. Raising children in today's world becomes more expensive each year. This $500 credit will put more money in the hands of parents to help them better afford the high cost of raising children. It's real money back into the bank accounts of American families.

Second, this bill would provide a number of proposals to ease the burden of paying for college. I hear again and again about the high cost of colleges and universities. And, I have some personal knowledge on this point, Mr. President. I not only put myself through both college and law school, I have also, as a father, put my six children through college. I know the sacrifices that are necessary.

This tax bill would provide a tax credit for tuition expenses, a deduction for student loan interest, and an expansion of the current pre-paid tuition programs. And, important to elementary and secondary school teachers, the bill contains a provision to remove from the 2-percent itemized deduction limitation educational expenses related to furthering the skills of the teacher. Teachers have great influence over our children. Well trained teachers are critical to preparing our children for the challenges of the future.

Third, this bill contains important tax cuts to stimulate economic growth and to further the creation of jobs. I have long been an advocate of reducing the tax on capital gains. During debate this week, we have heard a great deal of discussion about the rich versus the poor and who gets what out of this tax bill. Let me make it clear that everybody benefits when jobs are created through economic growth. A capital gains tax cut creates jobs and economic growth. Government investment is limited in what it can do to help people economically. Encouraging private sector investment will foster the most efficient and effective ways to better the economy. I firmly believe that the capital gains tax relief in this bill is the most important thing we can do for economic growth in this country.

Expanding an existing business, starting a new venture, or bringing a new invention to market requires capital investment to make happen. Tax policy has a tremendous impact on the amount of capital investment. Under the current law, gains from capital investments are taxed twice, once when the income is earned and again when that income is distributed to the shareholders. Cutting the capital gains tax rate will encourage more investment which will translate into the creation of more jobs. This change is absolutely critical to maintaining a strong economy well into the future.

I am also pleased to see relief from the death tax in this bill. Nowhere is the damage of onerous taxation more evident than our current estate tax. It is an inefficient tax that really should be abolished. Families should not have to face a tax bill that forces the involuntary sale of assets shortly after putting a loved one to rest. I hope that we can increase exemption from this onerous tax as quickly as possible.

Mr. President, another critically important provision in this bill is the $8 billion in additional money for children's health insurance. This is important for the most vulnerable of our citizens—low-income children. The future of this country lies with our children. We cannot ignore the gap in our health care system that does not currently provide vision or auditory screening, or other preventive health care. The provisions adopted by the Finance Committee, and ratified by the full Senate by an overwhelming vote, are significant and will help address these yet unmet needs in a responsible manner. I applaud my colleagues for their support of this important program.

Mr. President, there are a number of other tax relief provisions in this bill and also many other tax simplification provisions that are very important. I personally wish we could have done more in many of these areas.

But, the fact that we are passing this legislation today, and the promise of the President that he will sign it into law, means that the bill has been a bipartisan effort. As such, it is a compromise and is not perfect from any one Senator's point of view. If you polled all 100 Senators, I am sure each of us would mention provisions we would like to have written differently.

There were a number of amendments offered to this bill that I support and would have liked to vote for. However, when anyone participates in a negotiation and becomes a party to an agreement, he or she cannot willy-nilly support changes to that agreement just because you happened to like someone else's idea better. It stands to reason that you cannot persuade others to compromise if they cannot expect your adherence to whatever agreement is reached. I gave my word to Chairman ROTH and to my colleagues on the Finance Committee to maintain the integrity of the compromise bill that we passed out of the Finance Committee on a strong bipartisan basis. I am also constrained from voting to further increase the cigarette tax even though it could be used to finance laudable objectives in childrens health or to increase the deduction for health insurance premiums paid by those who are self-employed.

Of course, there are also some provisions in this bill that I am not enthusiastic about and would cheerfully drop were they not part of the agreement.

But, taken as a whole, this tax package is a good mix of tax relief provisions that will go a long way to lower the average American families' tax burden. This is an historic piece of legislation, and I am proud to support its passage.

Mr. BINGAMAN. Mr. President, I rise today to comment on the tax bill we are debating, S. 949, the Revenue Reconciliation Act of 1997. This bill is not the bill I would have preferred if I had written all of the details, but it has many redeeming sections which I think do benefit New Mexico and the Nation as a whole.

I want very much for New Mexicans to get needed tax relief. We have a strong economy and are within reach of a balanced budget. It does seem to me that the tax burden of many New Mexicans and others is higher than it needs to be—and while this is not structured the way I would have preferred it—I will support final passage of S. 949 because it does move us further in a positive direction, than it does negative. This bill expands IRA's in a way in which nearly 90 percent of our working population will be eligible for these accounts, in contrast to just 70 percent today. Also, this bill provides both capital gains and estate tax relief, phased in in incremental steps, but nonetheless important to the overall investment climate of the Nation. I hope that a great portion of that investment and economic activity gets directed toward and takes place in New Mexico.

This bill contains about $32 billion in education provisions which will be of benefit to many New Mexicans, particularly those who need support for college tuition. In addition, over 45 percent of New Mexico's families paying taxes of $1,500 or more will be eligible to take advantage of the HOPE scholarship. And while I would have preferred that this figure be far higher, approximately 51 percent of dependent children in New Mexico will be eligible for some portion of the per child tax credit. Another important accomplishment in this bill is that it provides resources to help cover child health insurance for the 10.5 million uninsured kids in America by raising the tobacco tax by 20 cents per pack.

There are other provisions in S. 949 that are worthy of support including permanent extension of the tax credit for employer provided educational assistance which many New Mexican workers and firms have very much wanted. This bill also provides for an exemption from the 2 percent miscellaneous work provision of the Tax Code for hard-working, dedicated teachers who spend their own money on education technology materials and who should be able to fully expense these costs on their tax returns.

However, this bill is far from perfect. S. 949, which provides for an $85 billion net tax decrease, does not provide for the kind of distribution of benefits across our society that I would have preferred. Although the Finance Committee did a far better job of making the tax cuts fairer than did the House Ways and Means Committee, I would have preferred the Democratic alternative which was offered yesterday by Senator DASCHLE.

The bill we are passing today—and which I plan to support on final passage—still hands the lion's share of tax relief to the wealthiest 1 percent of Americans, more than the combined lower 60 percent will receive. By contrast, if we had passed the Daschle bill, working families would have received almost twice the tax relief provided in the Finance Committee plan.

Furthermore, the Democratic proposal had many targeted tax relief measures which would have done much more for small businesses and small farms than the Republican bill achieves. In education, the Democratic amendment would have provided working families more opportunities to help educate their children, rebuild schools and send their children to college.

Perhaps most importantly, the Democratic bill was the more fiscally responsible of the two alternatives.

One of my major concerns about S. 949 is that the backloading of estate tax provisions, capital gains provisions, and particularly IRA provisions will balloon the budget deficit enormously just after we finally achieve the discipline to bring the Nation's spending and income into balance.

Let me explain a bit about my concern about the IRA provisions. I completely support the notion that the Nation needs more savings. This will help generate more capital for long-term investment and growth. But I object to allowing only the wealthiest in our society to have the tax incentives and tax havens to save. We should provide incentives across the board—and make sure that all sectors of our society are getting some degree of retirement savings in place. This bill does not do this. In fact, this legislation is a radical departure from our current retirement savings policy which at least purports to establish a level playing field for both high income and low income workers.

Unfortunately, the Finance Committee tax proposal contains two IRA provisions which are at fundamental odds with each other and represent the Cain and Abel of retirement savings policy. On one hand, the bill makes an important contribution to strengthening the national savings system by doubling the income eligibility for deductible IRA's. The proposal makes deductible IRA eligibility available for 90 percent of the population instead of the 70 percent now eligible.

Under this better side of the S. 949, deductible IRA's will be available to everyone with less than $100,000, joint filers, of income. And as is the case with current law, even those with incomes above $100,000 can still make deductible IRA contributions, as long as they have no other employer-sponsored pension plan.

It is also important to understand that under current law, people who have employer-sponsored retirement plans can still make nondeductible contributions to IRA accounts. These people can put an extra $2,000 a year away so that this money can accrue and compound tax-free until retirement. This tax-advantaged savings opportunity provides significant benefits to those who make after tax IRA contributions. So far so good.

But Senator ROTH's IRA Plus proposal, in contrast to the IRA expansion provisions, is a bad step for us to take. A radical departure from past retirement savings policy, IRA Plus overwhelmingly benefits the rich. It also creates a slippery slope towards tax-free havens for other retirement programs and blows a very large hole in the Federal budget deficit in future years. The fact is that because tax advantages in the other Roth provisions are available to both those under $100,000 income levels as well as those at any income level who don't have an employer-sponsored pension plan, only those above $100,000 income levels and who actually have employer-sponsored plans benefit from IRA Plus.

Because all distributions from these IRA Plus accounts are tax free, they provide a certain group of wealthy savers a home grown version of a Swiss bank tax haven. If these IRA Plus accounts are established, there is no doubt that they will be a terrific deal for those who participate. But it's not fair and not good policy to provide a tax windfall to the rich and do nothing for those who are struggling to save smaller sums; those less wealthy taxpayers will continue to pay tax on any distributions.

Furthermore, IRA Plus accounts create a troublesome benchmark vis a vis other savings vehicles. It is reasonable to ask that if IRA Plus accounts are tax free, then why not 401(k)'s or regular IRA's or the Simple Plan or corporate defined benefit programs? It would be terrific if all savings vehicles were tax free, but the fact is that the IRA Plus program alone—given the tremendous backloading in it—will blow a huge hole in the budget deficit in future years.

While the IRA provisions in the Finance Committee tax bill start out costing just $3.3 billion in the first five years, the cost surges to $20.5 billion in the next five years and then to an estimated $88.5 billion in the following ten years. Most of this backloading comes from the establishment of IRA Plus accounts. Furthermore, the irreversibility of this backloading will tie the Nation's hands just as the crush of retiring baby boomers forces very real costs on the Federal Government.

We should think very carefully about the consequences of setting up these IRA Plus accounts. I very much hope that when this bill goes to conference, the conferees will tread carefully and will reconsider this very troublesome provision.

I have other concerns including the signals that I think are being sent to hard-working New Mexican families that you have to have a high level of income and children to fully qualify for the child tax credit we are providing in this bill; 70 percent of New Mexico tax filers report less than $30,000 in annual income, 45 percent have less than $15,000 income. It is obvious that many, many New Mexico children will not be able to benefit significantly from the child tax credit.

Many here attempted to offer amendments which I supported and which would have made the $500 per child tax credit refundable against payroll taxes; or in a different approach, would have allowed tax filers to get their full EITC credit and then figure the per child credit. Either of these would have ensured that millions more children around the Nation and more than 250,000 New Mexico children would have benefited from this provision.

Overall, S. 949 delivers a better package of education, health, and child care spending initiatives and various tax relief provisions than the House bill. I wish we had done better and hope that the conferees will struggle to produce an even better bill than this, rather than dumbing this down to many of the worst provisions in the House companion bill. I yield the floor.

Mr. REED. Mr. President, I rise to express my concerns with the tax bill passed by the Finance Committee, and to express my support for the Democratic alternative. I believe the Finance Committee bill is seriously flawed, and will put us on a path to exploding deficits, rising inflation, and future economic hardship. In a time when we are asking our seniors to absorb $115 billion in Medicare cuts, I think it is irresponsible to enact the large, across-the-board tax cuts that are contemplated in this legislation—tax cuts that will add to the pain of balancing the budget by the year 2002.

Of particular concern is the fact that these tax cuts will disproportionately benefit the wealthiest Americans who have already benefited from the unprecedented performance of our economy and stock market over the last several years. Specifically, 42.8 percent of the tax cuts will go to the top 10 percent of income earners, those who earn more than $120,000. Meanwhile, only 2.7 percent of the benefits will go to the bottom 40 percent of hard-working Americans. To continue this gravy train for the well-to-do, while ignoring the economic anxieties faced by middle and lower income Americans, is unfair. Nevertheless, the Finance Committee tax bill is loaded with breaks for the wealthiest Americans, leaving the average taxpayer holding the bag.

Perhaps most illustrative of this point are three of the plan's largest tax cuts—the capital gains, individual retirement accounts [IRA's], and estate tax provisions. The Joint Tax Committee has estimated that three-quarters of Americans receiving capital gains income have household incomes over $100,000. Similarly, only 1.6 percent of estates are valued high enough to qualify for estate taxes. Finally, increases in the IRA income limitations will benefit only the top 30 percent of taxpayers. As laudable as some of these items are, their combination, without targeting, skews this bill to favor the affluent over middle-income Americans.

Beyond favoring the wealthy, the cost of these tax cuts will ultimately threaten the progress we have made on reducing the deficit, which is at its lowest point as a percentage of gross domestic product [GDP] since 1974. This is because the costs of the tax cuts, which are relatively low in the early years, will explode in later years outside of the budget window. For example, from 1997 to 2002, the combined revenue loss of the capital gains, estate tax, and IRA provisions is $4.3 billion. However, the revenue loss from these provisions rises dramatically between 2003 and 2007 to $68.7 billion. In 2007, the combined costs of the capital gains, IRA, and estate tax provisions grow to

$18.2 billion. This is 25 times the average annual cost of these provisions of $720 million, as indicated in the Joint Tax Committee distribution tables for 1997 through 2002 for the Republican tax bill.

In addition, cuts in the capital gains tax rate will likely generate a flurry of unproductive economic activity that may produce an unwelcome side effect—inflation. Because there are no requirements for reinvestment, a significant share of the capital gains realized will likely be consumed. This increased consumption will put upward pressure on prices and fuel the fires of inflation that we have fought so hard to extinguish.

I am supportive of the Democratic alternative because it contains targeted capital gains tax cuts aimed at productive, long-term investment and savings in areas that will best-serve our economy. For example, the bill provides a capital gains reduction for owners of small and startup businesses, which represent the most dynamic sector of the American economy. In addition, the Democratic alternative eliminates IRA provisions in the Finance Committee bill that will lead to dramatic cost increases over time. Moreover, the Democratic bill provides estate tax relief in a manner that will benefit true family-owned businesses and farms that continue to be operated by family members.

The child tax credit is yet another example of the distributional unfairness of the Finance Committee legislation. Because the credit is nonrefundable, many middle- and low-income Americans will be unable to take advantage of the child tax credits. It has been estimated that nationwide, 47 percent of all dependent children will be completely ineligible for the $500 tax credit because their incomes are too low. In my State of Rhode Island, almost 141,000 children, or 46 percent of the dependent children in the State will be ineligible for the credit according to Citizens for Tax Justice.

The fact that almost half of this Nation's children will be denied the tax credit is of great concern, and further reinforces my support for the Democratic tax alternative, which goes a long way toward solving this problem. The Democratic alternative improves the overall distribution of the tax cut by making the child credit refundable against federal payroll taxes. This is significant because most of the families that would otherwise be ineligible for the credit pay far more in payroll taxes than they do in income taxes. The Democratic alternative would also establish an income limitation on the tax credit to target the benefits to low- and middle-income families that truly need the assistance.

Mr. President, in these times of economic prosperity, we can afford to, and indeed we have an obligation to invest in priorities such as education that will have a positive impact on America's future. That is why I have been a strong supporter of the HOPE scholarship tax credit proposed by the President. While I applaud the committee for including education tax credits in their bill, I am concerned about reductions the committee has made in the size of the credit, which will limit its usefulness to many students. For this reason, I believe we should look to the Democratic alternative which allows for the full HOPE credit to be used by students for the first $1,000 in tuition expenses. Additionally, the Democratic alternative establishes a 20 percent tuition deduction that can be used after a student ceases to be eligible for the HOPE credit. Together, these tax credits provide the type of meaningful assistance that many middle-class students will need in order to meet the financial demands of postsecondary education.

Also, the Democratic alternative addresses the problem of crumbling schools that threatens our education system at the most fundamental level—elementary and secondary grades. It has been reported that in order to repair the costs of this country's aging schools, we will have to spend at least $4.8 billion. The Democratic alternative takes a step toward addressing this problem by establishing a program to allocate tax credits among the states for the purpose of repairing and constructing school facilities. We cannot hope to improve access and opportunity to higher education, without first ensuring that our elementary and secondary schools provide a physical environment that is conducive to learning.

Although hailed as the biggest tax cut since the Reagan era, the Finance Committee bill is perhaps a prelude to the biggest tax increase in our history. This is because the bill is loaded with gimmicks that reduce its costs in the early years, and will result in an exponential rise in costs beyond the 5 year budget window. Assuming that we reach a balanced budget by 2002, this bill will make it virtually impossible to keep our budget in balance, without raising taxes. In addition, the bill assumes that the U.S. economy will remain strong in the future—an assumption that flies in the face of the business cycle. An economic downturn would dramatically increase the costs and eliminate the hope of a balanced budget.

The Finance Committee bill will also help those Americans who are least in need of help. The capital gains tax cuts, estate tax cuts, and many of the changes to IRA's will benefit those Americans who have shared most in the economic growth of recent years. I question how we can afford to offer these tax cuts, while asking seniors to pay more for Medicare.

Mr. President, as we debate this bill, I ask my colleagues to consider the Democratic tax alternative. This amendment will provide for a fair distribution of the tax cuts and benefit a greater number of Americans. The amendment will eliminate the fiscal time bombs in the Finance Committee bill that will explode after 2002 and threaten our progress toward a balanced budget. Finally, the amendment rightly focuses on the targeted investments necessary to keep our country moving forward into the 21st century.

Mr. LIEBERMAN. Mr. President, I rise to discuss three provisions of the Revenue Reconciliation Act of 1997. I begin by congratulating my colleagues on the Senate Finance Committee for their efforts on this bill. They have worked hard to craft legislation that is forward looking and sensitive to the needs of our economy, working Americans, and our children. For the next few minutes, I would like to highlight several provisions of the bill that I believe are particularly important to our national economy and my State of Connecticut and are issues that I have supported and worked on over the years.

ECONOMIC GROWTH AND U.S. COMPETITIVENESS IN A GLOBAL ECONOMY

The Revenue Reconciliation Act of 1997 is a timely piece of tax legislation. It comes at a moment when our economy is in the midst of a transition to one that is more global and outward looking, more competitive, and more innovative. American companies and workers, whether they are in manufacturing, high-technology, or service industries, are more dependent on the world economy than ever before. It is with this assumption that we must consider our economic future.

Today in this new global economy, more Americans are taking part in employee ownership programs than ever before. Employees increasingly have a stake in the performance of their company and are sharing in its growth. As a result, our workers are directly benefiting from the dynamic economic expansion that is sweeping across our land. Our economy is once again being driven by aspirations for a better living.

This bill represents an understanding of our new economy and the aspirations of working Americans. It understands that education is the key to social mobility and economic security; it understands that small businesses are the backbone of our economy; it understands that increased savings and investment means greater independence and growth; and it understands that urban renovation means enlarged opportunity. It is a bill that sets our economy on a sound footing for the next millennium.

KIDSAVE

Let me now turn to some of the specific provisions that I believe are at the heart of this tax legislation and the reasons why I will support this bill. First, I am pleased that my colleagues have included in the Revenue Reconciliation Act of 1997 a child tax credit for children under age 17. This provision is a modified version of a proposal Senator KERREY of Nebraska and I first discussed in the 104th Congress. The inclusion of Kidsave reflects forward

thinking and, according to a recent New York Times editorial, ''a clever way to convert a pro-consumption tax cut * * * into a pro-savings tax cut.'' I congratulate Senators KERREY and BREAUX and their colleagues from both sides of the aisle on the Finance Committee for their work on this proposal.

The key word here is pro-savings. At a time when one of our greatest challenges is how to create economic opportunity and wealth for the working families of this country, I believe Kidsave helps us meet that challenge in an affordable, responsible way. If there is going to be a tax credit to help families with children, I believe there is no better way to provide that help than to offer parents the opportunity to ensure a sound financial future for their children.

One additional advantage of Kidsave should be noted, although it is harder to quantify at this time. This is the effect of encouraging Americans to save. The ethic of thriftiness seems to have been lost in recent decades, replaced by a credit card mentality. We would compound our problems if we pass such bad habits on to future generations. Kidsave can help us turn the tide of indebtedness into a groundswell of savings and can transform our whole attitude toward money and how to use it to best advantage. That will yield incalculable dividends for our nation down the road.

Kidsave will help our economy today by creating a pool of savings available for investment. As you know, savings and investment rates in the United States are at historic lows: our household savings rate is 4.6 percent of disposable income, compared to Japan's 14.8 percent and Germany's 12.3 percent. Under the provisions of the bill, parents will have the option of depositing $500 into an IRA-like account for children from birth to age 13, and be required to direct $500 into an IRA from age 13 to 16. This money will serve as an education fund for individual children, as well as a long-term retirement account; it will also provide investment capital for our economy. Most importantly, unlike any other proposal that has come before, Kidsave gives our children a tangible, financial head start on the rest of their lives.

CAPITAL GAINS

I am also encouraged that the drafters of the Revenue Reconciliation Act of 1997 decided to include broad-based capital gains cuts and targeted cuts directed toward small businesses. The bill calls for reducing the top rate from 28 percent to 20 percent for the highest earners and down to 10 percent for more modest household incomes. This decision too reflects a forward-looking perspective on our economy. I was pleased to cosponsor similar legislation with Senator HATCH earlier this year.

In today's global economy, small businesses and start-ups must rely on investors willing to take a risk on their venture. And in today's financial markets, investors are not only the wealthy, but include all working Americans. As a result, the benefits of this capital gains cut will not flow just to people of wealth. Anyone who has stock, who has money invested in a mutual fund, who owns a home, who has a stock option plan at work, has a stake in capital gains tax relief. According to the provisions included in this bill, homeowners will now be able to exempt up to $500,000 in gains from the sale of their principal residence. In addition, $1.5 million in assets of a family business will be exempt from estate taxes. All of this means that millions and millions of middle-class American families stand to benefit from this bill.

Small businesses will also particularly benefit from the provision in this bill. In a country where small businesses comprise a growing percentage of GDP, it is critical that their economic growth is not stifled by limited capital, but encouraged through greater investment. The Revenue Reconciliation Act of 1997 increases the size of an eligible corporation for additional favorable capital gains treatment. It also cleans up some of the implementation problems from the 1993 capital gains legislation for smaller firms which I strongly supported at that time. This means that the thousands of smaller companies and start-ups will attract more investors and capital. This will be especially helpful in the capital intensive high-technology and biotechnology industries where much of the growth in our economy is today.

BROWNFIELDS

I am also pleased to see that there is a tax relief provision for restoring brownfields, abandoned commercial and industrial properties believed to be environmentally contaminated. The Revenue Reconciliation Act will provide clear and consistent rules regarding the Federal tax treatment of certain environmental remediation expenses. This too is an issue that I have supported for some time. In fact, earlier this year, I advocated the restoration of brownfields with Senators ABRAHAM and MOSELEY-BRAUN.

In a perfect world, I would like the clean-up of all brownfield sites to begin tomorrow. However, revenue constraints preclude us from doing so. But we do have to start somewhere and what better place to start than Empowerment Zones and Enterprise Communities, areas that have been designated as economically distressed. These are arguably the areas of this country that are most in need of economic development. And that is precisely what this brownfields tax incentive is designed to do—bring economic development to the places that need it most. If this incentive works in our most economically distressed areas, I hope this Chamber will work to have this incentive cover a broader range of areas in the future.

CONCLUSION

In closing, I would like to encourage my colleagues to vote for the Revenue Reconciliation Act of 1997. It is a fair and sensible bill that is pro economic growth and pro-job creation. At a time when we are facing many economic challenges, this bill helps our companies and workers more effectively compete on the global economic stage. But more importantly, it is a bill that will broaden educational opportunities for our children and promote economic security for their retirement.

Mr. BRYAN. Mr. President, I supported this compromise legislation in the Senate Finance Committee, and I intend to support its passage on the floor as well. While there are many aspects of this legislation which I believe could be improved, I applaud Chairman ROTH for his efforts to produce a bipartisan, consensus bill that the great majority of the members of the committee could support.

One of the areas where I believe the bill does not go far enough in correcting flaws in the House Ways and Means bill, however, relates to the treatment of investment in real estate. Since 1963, so-called real estate depreciation recapture resulting from straight line depreciation has been provided the same tax rate as other forms of capital gains. Under current law, this rate is 28 percent. Under the House Ways and Means bill, however, an unfair differential is created between the general capital gains rate, which is capped under the bill at 20 percent, and the tax rate applied to depreciation recapture, which is set at 26 percent.

Many members of the Senate Finance Committee expressed serious concerns with this inequitable treatment of real estate investment, and significant efforts were made during the committee's consideration of this bill to provide equal treatment for depreciation recapture. Unfortunately, revenue concerns limited our ability to provide the 20 percent rate for depreciation recapture, and, in the end, the committee agreed to lower the rate for depreciation recapture to 24 percent.

While a better result than the House Ways and Means Committee's 26-percent rate, the 24-percent rate in the Senate Finance bill still does not place real estate investments on an equal footing with other types of investment.

I urge the leadership of both the Senate Finance Committee and the House Ways and Means Committee to reconsider this issue, and, during conference, to restore equal treatment for real estate investment. At a minimum, I urge the conference committee to resist any effort to increase the tax rate for depreciation recapture any higher than the 24 percent included in the Senate bill.

Mr. BAUCUS. Mr. President, I rise in support of the tax relief legislation before the Senate.

This is a complex bill. Chairman ROTH has done a superb job in working with a vast range of issues and many different groups of taxpayers to produce a generally good bill. And to explain why, I will start by putting

numbers aside and reviewing the broad principles our tax policy should reflect.

First, our tax policy should pay the bills.

Second, it should be simple and predictable.

Third, it should be fair.

Fourth, it should promote growth.

And fifth, it should be as low as possible.

Let's begin with the first. We need to pay the bills. To take Alexander Hamilton's words from *Federalist 30*, government must:

> raise troops, build and equip fleets * * * [and pay] for support of the national civil list; for * * * debts contracted, or that may be contracted; and, in general, for all those matters which will call for disbursements out of the national treasury.

These latter disbursements now include health insurance for seniors and the poor. Social Security checks. Highways, education, veterans benefits, scientific research, clean air, clean water, and more. Essential services the people want and should have.

But we also need to pay for them. And in the past the government hasn't entirely paid for them. In 1992, our budget deficit stood at $290 billion. But in the past five years we've done much better. This year, the deficit will be under $65 billion—a fall of nearly 80 percent.

And this bill will take us the rest of the way. By the year 2002, it will balance the federal budget. It will pay the bills.

Second, it will help make our Tax Code fairer. One very important example is our large cut in the estate and gift tax.

This tax is one of the prime causes of misery for farmers and small businesses today. These businesses hold small Montana towns and rural counties together across the generations. And by imposing very high-tax rates and equating land or asset values with large cash inheritances, the estate and gift tax often force families to sell them when an owner dies.

To cite one particular example, let me quote from a letter I received just last week from a veterinarian who runs a small clinic in Kalispell. He fears that:

> if I grow my business any more my heirs will have to sell it to pay estate taxes.

That fear runs from Kalispell clinics to ranches in the Judith Basin to small businesses in every Montana town. And it extends much further. When small businesses, farms, and ranches leave the family, their entire neighborhoods lose something very special. It is not right, and it is not fair.

And this bill will help us put a stop to it. It will let Montana's family-owned farms and businesses exclude up to $1 million in farm and business assets from the estate tax, allow 20-year installment payments for businesses with majority family ownership, and make other reforms that help make sure that young men and women can keep their family businesses in the family.

Third, with respect to simplicity, this bill will mean a much improved Tax Code in one very important area. That is international taxation.

Today, businesses are international. Agriculture is international. Companies in air services, entertainment, high technology and basic manufacturing are international. They comply with Tax Codes in other countries. They hire people all over the world. They work with suppliers and customers in different countries. And our international tax laws, mostly drafted in the 1970's, don't recognize this.

At that time, trade made up only about 12 percent of the American economy. Today it is over 30 percent and growing all the time. And tax provisions which assume that international businesses are a rarity don't make sense any longer. They often make American companies less competitive, and sometimes even create perverse incentives that push firms to avoid hiring American citizens in foreign operations.

This bill will help bring our Tax Code into the 21st century. Not all the way, but part of the way. It changes the passive foreign investment company provisions to eliminate overlaps with other tax provisions. And it ensures that Foreign Sales Corporation treatment applies to software as well as other copyright works.

But I must say with some regret that on the general principle of simplicity, this bill is not an advance.

Our Tax Code today relies on several dozen different income taxes, payroll taxes, excise taxes, Federal Reserve deposit interest receipts, tariffs and Customs fees, corporate taxes and user fees to make up its $1.5 trillion in revenue.

That is confusing and complicated enough. Then add in the 135 major tax credits, deductions, exemptions, exclusions and deferrals, totaling over $500 billion in tax expenditures last year. And it gets even worse.

And this bill will not improve the situation. In fact, in some respects it will worsen the problem by adding to the diversity of tax provisions. That's a drawback—not serious enough to devalue the bill as a whole—but one we must frankly admit and return to in coming years.

Fourth, the bill will help promote growth.

How can we do that? First, by promoting investment for the future. Helping companies create new technologies, new products and new manufacturing processes. Providing some incentives to start firms and create jobs. And improving our basic infrastructure.

With this legislation, we do all those things.

We extend the research and development tax credit for two and a half years.

We use targeted capital gains tax cuts as an incentive for investment in small businesses—the sector which presents the greatest risks and rewards, and which creates the most new jobs.

And we will directly increase our essential public investment in infrastructure by moving the 4.3 cents per gallon in Federal gas tax revenues from general revenues to the Highway Trust Fund.

And most important of all, we will help educate our children. Give them the chance for college. Help them work with new technologies. Make sure the next generation of Americans has the highest level of skills and education in the world.

With this bill, we create a $20 billion HOPE scholarship. We create a new deduction for interest paid on student loans. Promote life-time learning by making the exclusion for employer-provided educational assistance permanent.

Our legislation is not perfect on education. I believe we can and should go further on college opportunity. But it is much better than the status quo.

And let me make a related point. That is, with this bill we help make sure children are ready to learn. We do this by providing $24 billion in this bill and the accompanying entitlement bill for children's health. Today in Montana, about 27,000 have no health insurance at all. Millions more around the country.

That is a moral scandal and a threat to our future. Today in Montana, a typical health insurance plan for a family of four, with a $500 deductible and a partial dental benefit—costs $5,580 a year. That is simply out of reach for many working families.

And we have put together a package with a lot of money for States to insure more kids. Through Medicaid, through assistance for private insurance, or other options that fit a State's circumstances. This is will make our country stronger and healthier in the future, and it is the right thing to do for our kids today.

Finally, the last principle. Taxes should be low.

And this bill will make taxes lower. Over the next 5 years, it will reduce overall taxes by $85 billion.

Small businesses will get some more capital to help them invest and grow.

Farmers and ranchers will find it easier to pass their land on to their sons and daughters.

Families with young children will have some more money to spend at the movies, or in bookstores, or in contributing to charities.

Parents will find it a bit easier to send the kids to college.

That's a good thing for everyone.

In conclusion, Mr. President, this bill lives up to the principles we should expect of our tax policy.

It will pay the bills and balance the budget.

It will make taxation fairer.

In some ways, although it could be better, it will make taxation simpler.

It will promote growth.

And it will make taxes lower.

On the whole, it is a solid, careful, bipartisan bill. And we should be proud

of it. I congratulate the chairman for his work, and I hope this bill will get the Senate's support.

Mr. LEVIN. Mr. President, it is with disappointment that I oppose the reconciliation bill before the Senate today. I supported the budget agreement entered into by the congressional leadership and the President and I supported the budget resolution passed by the Congress last month. Both of them provided the broad parameters for a tax reduction package. I was hopeful at that time that the package of tax reductions worked out by the Finance Committee would be targeted to assist working families, particularly those with children. The package before us, however, is too regressive. It does too little to assist working families with education expenses, and it provides too large a tax break to those who need it least, at the expense of those who need it most. For that reason, I supported the Democratic alternative offered by Senator DASCHLE which would have provided a much larger proportion of its benefits, more than half of the tax cut, to middle-income families, the lowest 60 percent of wage earners. Unfortunately, that substitute for the committee's bill was defeated.

The legislation before us is out of balance. More than 42 percent of the benefits of its tax cut provisions go to the top 10 percent of income earners. By contrast the lowest 60 percent, middle-income families and below, receive less than 14 percent of the benefits. In my view this is not equitable.

The broad based capital gains tax cuts and the reductions in the estate tax largely benefit those among us that need it least. In contrast, I support the education tax cuts which the President has proposed, a $500 per child tax credit adequate to provide tax relief to middle-income families with children, and capital gains relief for homeowners. Also, I believe that, if consistent with deficit reduction goals arriving at a balanced budget, that targeted capital gains relief for long-term investments and an incremental approach to estate tax relief should be used.

Mr. President, I am also deeply concerned that this bill may result in large deficits in the years beyond this decade. In 1981, I opposed the Reagan tax cut because I was convinced that it would lead to huge deficits. We have paid dearly for the debt which resulted from that legislation. Only now, 16 years later, do we finally have a realistic opportunity to balance the budget once again. In 1992, the deficit in the Federal budget was $290 billion which represented 4.7 percent of the gross domestic product. The most recent estimate of the deficit for fiscal year 1997 is $67 billion, approximately eight-tenths of 1 percent of the gross domestic product.

Over the 5 years from 1993 to 1998, the deficit has been reduced by about $1 trillion from the deficit for those 5 years projected at the time. This remarkable progress has come about in large part as a result of the deficit reduction package which President Clinton presented in 1993, and which this Senate passed, without a single Republican vote, by a margin of one vote, the Vice President's. We should not now, by passing a tax bill like the one before us, head back down the road toward a new large future deficits. That is why, I supported the Dorgan amendment to sunset elements of the tax cut, if deficit reduction targets were not being met, and that is another important reason I cannot support this bill.

I know that the Senate is about to pass this bill. I hope that the conferees, the House and Senate leadership, and the President will engage in future negotiations which will result in a final product which is more equitable, which does more to invest in our children through their education, and which does not risk large deficits in the years after the turn of the century.

Mr. KERRY. Mr. President, if one looks back in our Nation's history, one cannot help but see numerous examples of both the great strengths and weaknesses of representative democratic government. Compared to other nations and societies in the world, it is more difficult for us to hide or camouflage our mistakes to a considerable degree. If we look closely, we can identify indicators for which we in public service should be watchful, lest we repeat our errors.

I fear we are repeating errors we have made in the past as the Senate passes the Revenue Reconciliation Act of 1997, and the intimately related budget reconciliation Bill that passed earlier this week.

For all of us who are politicians and who hold or seek elective office, it is often difficult, Mr. President, to resist the temptation to play to the gallery—to do the popular thing. And there are few things that get political juices flowing more readily than cutting taxes. If one looks only skin deep, a tax cut of almost any kind looks appealing. After all, those who benefit will be pleased to accept the benefit. And a tax cut does not directly take anything away from others.

As is not infrequently the case, however, an honest analysis must look beyond that kind of ''quick-and-dirty'' first appearance. Tax policy has two dramatic effects on the Nation and its people. It inescapably is the determinant of the resources the Federal Government will have to meet national needs, ranging from defending our national security to preserving the environment to ensuring health care is available to those who need it to managing our national parks and forests to deterring criminal acts and identifying, pursuing, arresting, convicting, and incarcerating those who commit crimes against society.

Mr. President, when the Senate took up the package of two bills produced by the Senate Finance Committee to implement the so-called budget deal that had been negotiated by the White House and the congressional leadership, again and again I was brought back to two stark conclusions.

First, I was terribly disappointed that, once again, the Congress seemed to lose sight of the original objective. We started out on this budget track with the objective of putting in place a fiscal plan that would take us to a balanced budget in 5 years. We knew that, in order to do that, we would have to obtain economies in many important Government services and programs on which Americans in all walks of life depend. Incongruously, somewhere along the way, the urge to take the easy way to political popularity took over, and the effort to develop the budget deal and then the legislation to implement the budget deal was consumed by the passion of making huge tax cuts. At a time when we have agreed that the route to a balanced budget is so painful that we cannot accomplish that objective in less than 5 years, those who developed the plan and the legislation insisted that we cut taxes by $135 billion in gross and $85 billion in net over that period.

Mr. President, a student will not even be out of elementary school mathematics before he or she has the capacity to know that tax cuts of that magnitude represent movement in precisely the opposite direction to the goal of obtaining a balanced budget while not hurting our nation's ability to meet its national needs.

I want to emphasize immediately that I am not categorically opposed to tax reductions. To the contrary, I favor targeted tax cuts of reasonable dimensions designed not just to slash federal revenues but to achieve purposes that are in the Nation's interest. I was a leader in Democratic efforts here on the Senate floor to pass a tax reduction package—a much fairer package than the one presented to the Senate by the Finance Committee and a package that identified clear national interest objectives and devoted its resources to meeting those objectives. I will have more to say about that in a moment.

Second, I was terribly disappointed when I examined the specifics of the budget proposals to see the extent to which its benefits were skewed to those in the highest income brackets. The past several years have been extremely kind to the well-off in our Nation. Those who already possessed a disproportionate share of capability, capital, and opportunity have prospered mightily. Those who crafted this budget package provided the greatest share of its benefits to this privileged portion of our population. Those at the other end of the economic spectrum—those who struggle the hardest to make ends meet, and for whom life is far more of a challenge—would receive virtually nothing, or nothing at all, of its benefits. The word ''unfair'' is not sufficiently stark to adequately describe the overall effect of this package.

For those of us who, over time, have made the hard judicious, moderate,

measured choices to bring the Federal budget into balance, there is tremendous disappointment in this outcome. When this budget process began this year, I enthusiastically wanted to participate in the process and support its outcome. I have long called for our political structure to demonstrate the fiscal discipline to balance the Federal budget, and have insisted that we do so in a way that is fair, and in a way that recognizes the Nation's fundamental needs and does not emasculate our Government's ability to address them. I and many others have worked arduously to break the spiraling deficits which plagued our Nation for a decade and to provide a solid economic foundation for our Nation as we move into the 21st century.

We made a very important installment payment toward this goal in 1993, when Democrats in the Congress, with the leadership of President Clinton—and without a single Republican vote in either House—passed legislation that dramatically cut the deficit and put us in striking range of where we find ourselves today. I have long waited for the day when the benefits of our hard work would be as obvious as they are today. In the four years since that action in 1993, we have witnessed prosperity unprecedented in recent years. In five years, we cut the deficit from $290 billion to $67 billion. Interest rates are subdued. We are seeing the lowest unemployment and inflation rates and the largest drop in poverty rates in a generation. Consumer confidence has shown the greatest improvement since the Eisenhower administation and the value of the stock market has doubled since 1993—the fastest growth since the Second World War.

By enactment of the 1993 budget legislation, Democrats proved that it is possible to take a fiscally responsible course toward a balanced budget and extend health care to children, provide broader educational opportunities, ensure the future for our senior citizens, and safeguard our environment. This certainly is not a picture which is without its problems, and we must address those problems. But the overall picture is a very appealing one, indeed.

Even the possibility of the legislation before us now—a conceptually balanced budget with tax breaks—is testament to the application of Democratic ideals to fiscal policy. We have been successful because, since the Great Depression, our party has stuck by the fundamental belief that sound economic and social policy go hand-in-glove, that our Nation is stronger when all Americans have equivalent economic opportunity. Thomas Jefferson taught us that ours is a n ation of the common man and enshrined this belief in one of our most treasured documents when he wrote of the self-evident truth that all men are created equal. Andrew Jackson echoed this creed when he restated the party's commitment to the ''humble members of our society—the farmers, mechanics and laborers.'' That commitment, that core set of beliefs, is, in fact, Mr. President, the essence of the American dream and the foundation of what has become the greatest contribution this Nation has provided to the world's social economic history—the growth of a vibrant middle class.

Universal economic opportunity, sound fiscal policy based on equitable distribution of benefits and assistance to those most in need—those are the fundamentals of Democratic economic policy. That is the goal of the program we put in place in 1993, and that is the end to which our fiscal policies are directed. Franklin Roosevelt reminded us of our commitment to expanding opportunity when he said: ''the spirit of opportunity is the kind of spirit that has led us as a nation—not as a small group but as a nation—to meet very great problems.''

Mr. President, as Democrats, we believe that deficit reduction is a means to an end. We believe that tax breaks are a means to an end. But, unlike the Republicans, we do not subscribe to the callow notion that deficit reduction is an economic policy in and of itself or that tax breaks are an end which justify any means. We do not believe that cutting vital programs is a courageous or visionary act. We believe that courage lies in advancing economic opportunity: this requires wisdom, innovation, and conscience. It is chilling that this dichotomy of political and economic philosophy remains as obviously demarcated today as it was 100 years ago. Yesterday I re-read the cogent description by William Jennings Bryan of the two opposing ideas of government. He separated the parties into those who ''legislate to make the well-to-do prosperous and wait for their prosperity to leak through on those below, or those who legislate to make the masses prosperous and ensuring that their prosperity will find its way up through every class which rests upon them.''

Mr. President, as a U.S. Senator, I have an obligation to the constituents who elected me to represent their interests, to act on their behalf and to present their views to this body. I cannot turn away from the long history which has shaped my core sense of fairness, my overarching insistence on making Government work for the common good and the needs of my constituents—all in order to satisfy the parameters of a political deal. Mr. President, for that reason, I voted against the tax portion of the reconciliation bill as I voted against the spending portion.

The problem, when distilled to its essence, Mr. President, is that this legislation, which has been called by some the Tax Fairness Act, would be better called the Tax Unfairness Act.

Mr. President, I have great admiration for the work of the Senator from Delaware, Senator ROTH, who chairs the Finance Committee and my friend from New York, Senator MOYNIHAN, who serves as that committee's ranking member. They produced a tax bill that is improved considerably from the gravely flawed piece of legislation passed by the House of Representatives. But, Mr. President, without additional improvements I cannot support it or its companion spending programs reconciliation bill.

During the course of debate this week, we attempted to shape the legislation so it would address more of the problems of more Americans, and thereby become a fairer piece of legislation, but time and again we were rebuffed by the Republican majority.

Some of my colleagues, who share many of my concerns about the bill and my judgment that, in its current form, it neither is fair nor will in the long run prove beneficial to our Nation, chose today to vote for the tax bill, hoping devoutly that with the President's active involvement in the conference committee that will convene to resolve differences between the Senate-passed bill and the bill the House passed earlier, a better, fairer bill will emerge and will come back to the Senate for its approval. But I believe that the product before us today is so flawed in such critical respects that I could not vote for it in its current form. I join my colleagues who hope for it to be improved in conference committee. I want to be able to vote for a bill that provides tax reductions that will benefit Americans fairly, and will not concentrate its benefits on those who least need them while totally excluding those hard-working, tax-paying Americans who most need the additional assistance.

The Democratic alternative to the Finance Committee's bill which I joined the Democratic leader and other Democratic Senators in offering yesterday was designed so that our education tax breaks, our capital gains and estate tax reductions and our child credit corrected the basic inequity found in the Finance Committee proposal: the flow of benefits chiefly to the wealthiest Americans.

In the committee's package, nearly 43 percent of the breaks go to the wealthiest 10 percent of Americans—those who earn more than $120,000. In its plan, Mr. President, 60 percent of hard-working poor and middle class Americans get only 12.7 percent of the tax breaks, while the richest 1 percent of Americans get 13 percent of the benefits. Mr. President, in the Finance Committee proposal, the poorest 60 percent get only as much in aggregate as the richest 1 percent. This is a new standard of unfairness. This is anathema to the party of Jefferson and Jackson and Truman and Roosevelt.

During the course of the debate, I heard some of my colleagues on the other side of the aisle justify this counterintuitive distribution by arguing that since the rich make the most money, the rich will necessarily benefit the most from a tax cut. But this skewed distribution is not necessary. In our alternative, Democrats showed

that it is indeed possible to craft a tax package which is targeted to those who need help and not lavish more on the rich. We designed tax breaks which are affordable and which meet a commonsense and economic test of basic fairness.

In the Democratic alternative, the poorest 60 percent of Americans would have received 46 percent of the tax cuts. These are the same Americans who receive only 13 percent of the breaks in the Finance Committee's plan. In the Finance Committee proposal, middle class Americans—those earning between $30,000 and $85,000—receive a scant 30 percent of the benefits. Under our plan, these middle class Americans would have done twice as well: 57 percent of the benefits in our plan go to hard-working, middle class Americans.

The Democratic alternative would have helped those who actually need a tax break to raise a child, to go to college, to start a business, to generate high-wage 21st century jobs and to grow our economy. Our alternative was based on principles which have guided our party for two centuries, and followed the basic economic philosophy which has served our Nation so well since 1993.

Another feature of the Finance Committee's plan troubles me immensely, and I believe it should trouble all Americans. According to the computations of the Joint Tax Committee and other reputable projections, the cost of the tax cut explodes in future years—it is a fiscal timebomb. In the first 5 years, the cost of these inequitable cuts is $85 billion. I believe we can afford a cut of that size and have stated so publicly—if it is carefully structured, usefully targeted to need and social benefit, and fairly distributed. But, Mr. President, in the second 5 years of the Finance Committee's plan, the cost of these cuts will escalate to $250 billion. And, in the 10 years after that—when baby boomers will be retiring and straining Medicare and Social Security coffers—the cost will be between $650 to $700 billion. That is exactly the type of fiscal irresponsibility we avoided in our alternative.

I was not here in 1981 when the Congress passed a large tax reduction bill, Mr. President. But the entire time I have served here—since 1984—the Congress has struggled to deal with the history-making deficits and resulting all-time-high national debt that resulted from that irresponsible tax cut. I cannot support legislation that, even if of a lesser magnitude as this bill surely is, will have an out-years explosive effect that will saddle Americans in future years, and their elected representatives, with a recurrence of the deficit and debt problems that have beset us for nearly two decades. Most destructively, this explosion will occur just as the baby boomers are reaching retirement age and beginning to place an unprecedented demand on retirement and medical programs and other governmental services. It is a looming problem universally acknowledged. Yet instead of doing everything in our power to reduce its severity and to take gradual steps to resolve it, we are considering and passing legislation that will dramatically increase its dimensions, narrow the range of solutions, and complicate the task of addressing it. That is not leadership, Mr. President. That is folly.

In the Democratic alternative tax proposal, we attempted to reduce the capital gains taxes in a measured way. In the past, broad capital gains tax cuts have been used to spur economic growth when the economy was lagging. In the past, across-the-board capital gains cuts have been used to encourage the movement of capital into investment that would create jobs because unemployment was high. In the past, broad capital gains tax cuts have served as a shot of adrenaline for an ailing economic system. But today, such emergency measures are neither needed nor appropriate.

Mr. President, as a question of fundamental economics, there is no justification for broad capital gains tax cuts at this time. There is no need to expend precious budget resources to reward the wealthiest American families for the sale of art work or Persian rugs or luxury goods they have held for a generation.

Again, Mr. President, I am not saying that we cannot afford a capital gains tax cut. For years, I have believed that a targeted tax break can shape economic policy and can display economic vision. But, I ask, what is the benefit to our economy if a wealthy American only has to pay 20 percent instead of 28 percent on the gains he accrues from selling his yacht? Where is the economic vision in that kind of a Tax Code change?

Mr. President, there are ways to aim a capital gains tax cut—targeted, sensible ways—to use taxation of capital to leverage growth and job creation in those areas. That is a tax policy with vision, with a goal, with an economic priority. The economic priority, Mr. President, is not an across-the-board capital gains cut such as the one presented by the Finance Committee.

The priority is a targeted tax cut in areas which could use the added economic stimulus, such as emerging small businesses, or start-up companies, or parts of the inner cities and rural areas which could use the jobs. That is what we Democrats included in our tax proposal. And that is a policy which I have fought for—along with the senior Senator from Arkansas, Senator BUMPERS and other Senators—for nearly a decade. Mr. President, our plan would have improved on a provision we passed in 1993 by allowing a 50-percent exclusion for capital gains on qualified small business stock held for at least 5 years. Qualified small businesses under this proposal would be defined as having $100 million in assets and would be start-up, small, high-technology ventures.

Our plan would have cost $10 billion—it did not break the budget in the future like the capital gains provision in the Finance Committee plan. Mr. President, more than 90 percent of the cost of the Republican capital gains plan comes after 2002. To use computer terminology, Mr. President, this is a latent virus—it will emerge full blown in later years to exact a terrible toll on those who at that point will have the responsbility for delivering essential services to Americans while operating a balanced Federal budget.

Mr. President, while the Finance Committee plan does a great deal to help wealthy Americans in its capital gains and estate tax cuts, it does not extend the same broad-based cuts to help hard-working middle class families raising children. Our alternative would have done more for precisely those families who can use the help the most. And those are the families—young families with young children—who will be doing the most for our country in the future.

Today, Mr. President, I attempted to correct this basic inequity by offering an amendment which would have improved the bill by transforming the child tax credit so that it would be refundable against payroll taxes paid by all working families. Most Americans pay more in payroll taxes than income taxes. Income taxes have remained stable for most Americans in the past 10 years while payroll taxes have increased 17 percent. Allowing Americans to offset the credit against these payroll taxes would have broadened its application to many additional American families—hard-working families at the lower end of the economic spectrum. This is in distinct contrast with the Finance Committee plan under which nearly 40 percent of America's children are excluded from the tax credit. Those 40 percent are the children of the poorest families in the Nation.

The judgment I reached on Wednesday about the reconciliation bill that applies to mandatory spending programs was similar and related, Mr. President. It is painfully apparent that we must take prudent, fair steps to restrain the growth of some of our so-called entitlement programs so that they do not rage out of control and threaten our ability not only to meet the needs they are designed to meet but the host of other critical national needs to which discretionary programs are addressed. But the objective was lost in the stampede to provide a huge tax cut to upper-income Americans. The spending programs reconciliation bill cut far more deeply into critical programs like Medicare and Medicaid than was required to achieve necessary savings. And for what purpose? To provide the cushion enabling Republicans to increase the size of the tax cut to the wealthy by scores of billions of dollars.

The worst part of this spending bill is the increase in the Medicare eligibility age from 65 to 67. This will cause the

number of uninsured older Americans to increase substantially, moving the United States even further away from the goal of universal health coverage. For many seniors age 65 to 67, this will make purchasing private health insurance unaffordable—especially those who have pre-existing conditions. Private policies cost seniors approximately $6,000 a year, and more than $10,000 if they have any pre-existing conditions—if they are able to get insurance coverage at all.

Mr. President, raising the eligibility age is bad policy because most seniors do not have access to employer-provided private health insurance now and the problem is getting worse: according to a recent Commonwealth Fund study, the number of retirees with health insurance from a previous employer decreased from 44 percent in 1988 to 30 percent in 1994.

Although some argue that this increase in the eligibility age is similar to the increase in the age for Social Security eligibility that is being phased in, Social Security still provides early retirement benefits at age 62. Medicare, on the other hand, will not provide an option for health care coverage for early retirees, many of whom have not retired voluntarily. Finally, businesses correctly oppose this provision because they realize the huge cost it will impose upon them. Eighty major corporations and the National Association of Manufacturers recently wrote to the Senate to ask it not to raise the eligibility age.

I am also opposed to the $5 home health visit co-payment which was not part of the balanced budget agreement with the President. This co-payment will primarily hurt elderly women who need this help the most: over half of the group who would no longer be able to afford home health services are women age 75 and older who have incomes below $15,000. I am also concerned that increasing the cost of home health visits is not cost-effective because many poor seniors will be forced into institutions at much greater public cost than continuing to stay at home.

I also oppose the Medical Savings Accounts [MSAs] provisions in the bill. Although the number of MSA enrollees would be limited to 100,000, there is no reason to test MSAs beyond the study begun in the Kassebaum-Kennedy bill. We are spending $1.5 billion through that bill and at the very least we should wait to see the results from that study before we authorize more demonstrations.

I am also deeply concerned about the cuts in the Medicaid Program which is the bedrock health program for children, disabled people, and poor seniors. The spending bill would cut $13.6 billion from the program, the bulk of which comes from cutting payments to hospitals that treat a large number of uninsured patients. These payments, called Disproportionate Share Hospital [DSH] payments, are essential to many hospitals across this country that provide health care to our poorest citizens. Although it may be necessary to more effectively target these funds, this funding has enabled hospitals to continue their role as an institutional safety net for those with no other access to health care.

Mr. President, there unquestionably are some sound provisions in these two bills. There are provisions I strongly support. But my job as the Senator elected by the people of Massachusetts is to examine the overall effects of the legislation the Senate considers and to determine if, on balance, it serves the interests of the Commonwealth and its citizens, and the people across our United States and their interests.

I would like to support a budget package that will reach balance in 2002 since I have long advocated such a step. I would like to support a bill that achieves economies in mandatory spending programs to put us on a pathway toward balance. I would like to support a tax bill that targets tax reductions to Americans who need them and that will help create jobs and extend our current situation of economic strength. I still hold out hope that I will be able to do so when these bills return from conference committee.

But, sadly, they did not pass that test as they came before the Senate for final passage, and I was constrained to vote against them.

CAPITAL GAINS

Mr. GRAHAM. Mr. President, this tax legislation, as passed by the Senate Finance Committee, goes a long way toward assisting our Nation's families. For example, reducing the capital gains tax rate from 28 percent to 20 percent will stimulate savings and investment. This increased investment will, in turn, foster economic growth.

In particular, I would like to draw your attention to a provision that will have considerable impact on our Nation's families: the capital gains exclusion for homeowners who sell their primary residence. Under current law, capital gains from the sale of principal residences is subject to taxation, with two limited exceptions. First, under the rollover provision, taxpayers can rollover gains from the sale of a principal residence into a new residence. They can then defer any capital gains tax—but only if the purchase price of the new home exceeds the adjusted sales price of the old one. And to restrict this even more, the new residence must be purchased within 2 years of the sale of the first home.

A second exemption ties the capital gains tax to age. At age 55, a taxpayer can exclude up to $125,000 of any accumulated gain from the sale of a principal residence. And this is a one-time-only opportunity. Worse yet, even this is restricted. To qualify for the exclusion, the taxpayer must have owned the residence and used it as a principal residence for at least 3 years during the five years before the sale. Also, a taxpayer is eligible for the exclusion only if neither the taxpayer nor the taxpayer's spouse has previously benefitted from the exclusion.

Unfortunately, the very provisions which are supposed to relieve homeowners from taxation often prevent them from making the soundest financial decisions. Under current law, to avoid being taxed, most people wait until they are eligible for the one-time exclusion, or they make what may be imprudent decisions regarding the sale of their homes.

For example, many families, after their children have moved out, would like to sell their home and buy a less expensive one. However, the rollover provision means that they will have to pay taxes on the difference between the profit gained on the sale of their old home and the cost of their new home. As a result, these families often choose to buy more expensive homes or not to sell their home at all. Mr. President, that is not right. People should be able to move when and where they want to, not when the tax code makes it financially possible.

Under the legislation passed by the Finance Committee, taxpayers of any age could exclude gain on the sale of a principal residence of up to $500,000 for married couples filing a joint return, and up to $250,000 for single taxpayers. To be eligible, the taxpayer must have owned and used the home as the principal residence for at least two of the last 5 years prior to the sale. The exclusion will generally be available once every 2 years.

This legislation will give our Nation's families more freedom in deciding where to live. This decision can be based on family circumstances rather than on the Tax Code. The bill would also relieve nearly all families of the burdensome record-keeping requirements and constraints on decision making under current law. The impact on our Nation's families will be tremendous, and I look forward to the enactment of this legislation.

This bill will significantly impact our Nation's families. It will promote investment and boost long-term economic growth. And a healthy economy translates to increased opportunities for American families to secure their future. Our Nation's taxpayers work hard to provide for their families. This legislation is a chance for us to lend them a helping hand in that task.

I thank the Chair.

Mr. BYRD. Mr. President, the halls of the Capitol have been filled recently with cheers and rejoicings for the balanced-budget agreement reached between President Clinton and the Congressional leadership in May of this year. We have been told time and time again that balancing the budget is crucial to the future of our Nation and that enacting this budget agreement will eliminate the Federal deficit. Well, Mr. President, I find it interesting that the reconciliation legislation before the Senate today has nothing to do with balancing the budget. Rather, S.

949, the Revenue Reconciliation Act of 1997, will bring us farther away from our collective goal of balancing the budget by reducing revenues some $76 billion below what they would otherwise be over the next five years.

Mr. President, the Senate has already approved legislation this week to balance the Federal budget. On Wednesday, June 25, the Senate approved S. 947, the Balanced Budget Reconciliation Act of 1997. Despite its deficiencies, that legislation provides for some $127 billion in deficit reduction over the next five years. These savings, coupled with the $96 billion in discretionary savings provided in the Budget Resolution, will likely produce a balanced budget in the next five years. While I had intended to support passage of the first reconciliation bill, I became deeply concerned about a provision in the bill emanating from the Finance Committee that would raise the eligibility age for Medicare from sixty-five to sixty-seven years. As reported, the bill already included a provision to create a National Bipartisan Commission on the Future of Medicare to study ways to preserve and protect the Medicare program for future generations. If the bill thus created a commission to study and propose recommendations to protect Medicare in the future, why was the aforementioned increase in the eligibility age included in this bill? Is that not why we are creating the commission in the first place? Mr. President, the important and controversial issue of raising the eligibility age for Medicare beneficiaries should be decided by a national debate—not in the opaque cloaking of a reconciliation bill. Thus, because of my deep concerns about this provision on both substantive and procedural grounds—and my general frustration with the haste and confusion with which the Senate was considering the overall measure—I decided not to support passage of the first reconciliation bill. However, let me affirm that my vote against this measure in no way reflects any unwillingness on my part to pass spending cuts to balance the budget.

Mr. President, let me now turn back to the pending matter, the Revenue Reconciliation Act of 1997. All Senators should be aware that, on the heels of approving a deficit-reduction plan to balance the budget, we are about to approve subsequent legislation to weaken—and possibly undermine—that very balanced-budget plan. I have not kept secret my fervent opposition to this foolish idea of cutting taxes while simultaneously trying to balance the budget. Doing so is simply so illogical that a third-grade student, with just a pencil, paper, and a modest knowledge of the fundamentals of mathematics, would be sufficiently equipped to reach the same conclusion that tax cuts and deficit reduction do not mix. I am confident that such a student would choose, like this Senator chooses, not to include such tax cuts in a plan to balance the budget.

Mr. President, as I stated in my remarks on the Budget Resolution approved last month, by including these tax cuts in this balanced-budget plan, we are with one hand digging deeper the very hole our other hand is trying so hard to fill. We should not rely on such ambidexterity to balance the budget. We should shelve all tax cuts until after we firmly erase the budget deficits that have so plagued our nation in recent years. Tax cuts were, after all, the primary culprit for the rapid escalation in the federal budget deficit in the 1980's. It is all too easy to enact tax cuts and save the pain for later. We have done it before, and the lessons learned from that exercise should instruct us not to do it again.

Mr. President, traditionally, one of the most powerful arguments in favor of tax cuts has been that they spur economic growth. I do recognize that properly constructed tax cuts can produce some positive economic results in certain circumstances. However, no matter how strongly one believes that tax cuts stimulate economic growth—and there are some in this body who unequivocally adhere to the supply-side dogma—there can be no sound argument made now that tax cuts are necessary to boost the economy at this time. We are currently in our sixth consecutive year of economic growth, the stock market continues to reach record high after record high, unemployment has just dipped below five percent, and inflation has remained in check. Mr. President, such a performance hardly bolsters the case that tax relief is necessary to inject new life into our economy.

If anything, Mr. President, our current economic situation should reinforce the notion that reducing the deficit is more conducive to economic growth than cutting taxes. To illustrate this point, let me remind all Senators what actions have led to four straight years of declining deficits and to one of the healthiest American economies in the last thirty years. According to the Congressional Budget Office, the FY 1997 budget deficit will be approximately $67 billion, or less than one percent of Gross Domestic Product (GDP). Just five years ago, we were facing a budget deficit of $290 billion, or about 4.7 percent of GDP. This considerable improvement in the fiscal order of our nation did not occur by accident. Rather, it can be traced directly to the passage in 1993 of the Omnibus Budget and Reconciliation Act (OBRA–93) by the 103rd Congress and its subsequent signing by President Clinton. That legislation combined responsible spending cuts and revenue increases to begin the painful—but necessary—process of eliminating the deficit. There can be no doubt of the success of OBRA–93 in bringing down the deficit and stimulating economic growth. OBRA–93 achieved such positive economic results not by cutting taxes, but rather by convincing financial markets that we were serious about reducing the deficit. These markets drove interest rates downward and consequently rewarded American taxpayers with lower interest payments on the federal debt, as well as lower interest payments for the purchase of a home, car, or an education.

Mr. President, even if I were convinced that we must cut taxes before balancing the budget, I would also hope that any such proposal would not explode revenue losses in the long term. Unfortunately, S. 949 is flawed when judged by this standard. As reported, this legislation includes a significant backloading of many of its tax cuts to mask their true cost. As such, while the bill purports to reduce taxes by no more than $85 billion over the next five years, I suspect that these tax cuts will cost considerably more in the out years than we are being led to believe. The Joint Committee on Taxation's estimates reveal that the annual cost of these tax cuts would more than double between the years 2002 and 2007—thus reducing federal revenues at the same time our nation is preparing to face the rising entitlement costs that will stem from the retirement of the so-called ''Baby Boomers.'' I defy anyone to explain to me the flawed logic inherent in this proposal.

Finally, Mr. President, let me explain my views on the Democratic alternative amendment that was offered by the distinguished Minority Leader. In looking at the Senator's proposal, I saw that he had made a considerable effort to ensure that these tax cuts are more fairly distributed and that the cuts do not explode in the long term. For this improvement, I applaud Senator DASCHLE and the other Members who have worked on this proposal, which is, in this Senator's opinion, an improvement over the pending legislation. However, I was unable to support his amendment to this legislation because it also provided for tax cuts prior to balancing the budget—a notion that I cannot philosophically accept. I hope that my vote against this proposal is not misconstrued as anything else but a determined, unyielding opposition to tax cuts at this time.

In conclusion, Mr. President, despite my unequivocal opposition to this pending reconciliation bill, I would like to commend the members of the majority and minority leadership, and the Budget and Finance Committees, who have been able to bridge the gap between the White House and both parties in Congress to forge the budget compromise that we have considered this week. I know how difficult such compromise can be to reach, and, more importantly, to sustain. Nevertheless, I would much prefer not to have seen these tax cuts being debated at this time on the Senate floor. Such a debate is akin to arguing with your mother on whether or not you can eat dessert before finishing your broccoli. We may all want to eat the sweet and leave the vegetable, but we should know better—and our mothers would surely remind

us so. I fear that the Senate will come to regret the action it takes on this legislation, though only the passage of time can be the final arbiter in this debate.

Mr. President, I yield the floor.

Mr. LOTT. Mr. President, the vote we're about to take will be one of the most important any of us will ever cast.

The decision before us is as important as our families and as large as the American future.

If this is not an historic moment, then it is as close to it as most of us will ever come.

Several weeks ago, when we first reached the broad outlines of an agreement with the President, I called it a victory, not for a party or a person, but for the American people.

We can reaffirm that today. We listened to the American people. We knew what they wanted us to do.

And somehow, by the grace of God and the endurance of PETE DOMENICI and BILL ROTH, we did it.

We set out to lower the tax burden on the American people. We did so. In this bill, more than 75 percent of the tax breaks go to people with incomes under $75,000.

We set out to make the Tax Code family-friendly. We did so. After far too many years of talking about a tax credit for children, we're finally approving one. In addition, we're making it easier for families to save for the costs of education.

On top of that, we're expanding the availability of IRA's to virtually all homemakers in the country. And we're easing the death tax on family farms and businesses.

This bill rides in tandem with the Balanced Budget Act the Senate passed 2 days ago.

That marks a turning point in the way Congress deals with the entitlement programs that have driven our country to the depths of indebtedness.

Even more important, it fulfills our commitment to strengthen and preserve Medicare, not only for today's beneficiaries but for those who will depend on that program in the years ahead.

Taken together, what the Senate and House have done this week gives the American people the assurance of something they have not had in three decades: a long-term balanced budget.

That, of course, is more than an end in itself. It is the surest way to touch off a dynamic economic expansion that will make the first years of the new century an opportunity decade.

What we have done this week, and what we do today, is more than an exercise in bookkeeping. It is a commitment of the heart to an America where every willing worker can find a good job, where industry and thrift are rewarded, and where every family can aspire to a better life.

And yet, this is not a perfect bill. I wish we could have reduced taxes more, just as I wanted to reduce spending more in the Balanced Budget Act.

But we had to craft both pieces of legislation through compromise and consensus. If the American people understood everything we were up against these last few weeks, they would be amazed that we were able to do for them as much as we did.

This is not the end of the story. We have one hurdle left, and that is the highest of them all.

After passing this bill, we will go to conference with the House. I will do all I can to make that conference quick and productive.

Our hurdle—our challenge—will be to preserve the historic work of the Senate and the House in the face of opposition, and perhaps veto threats, from the administration.

On behalf of our entire Republican leadership, and all Senators who will be our conferees, I want to give this pledge to the American people:

We will go the extra mile to advance this legislation that is so vital to you. We will do our utmost to work out disagreements with the President.

But by the same token, we will not agree to any settlement that denies your tax cuts or turns them into the kind of tax fiddling that does nothing to advance opportunity and job creation.

So as we prepare the conference report on these two bills, we will listen in good faith to anyone who speaks in good faith.

We will share credit, take blame, and let others have the spotlight. But we are not going to yield on matters of principle.

With that in mind, Mr. President, I urge the passage of the Taxpayers Relief Act as the Senate's Independence Day salute to the taxpayers of America.

BYRD RULE LIST

Mr. DOMENICI. Mr. President, pursuant to section 313(b)(1)(C) of the Congressional Budget Act, I submit a list on behalf of the Committee on the Budget of the extraneous material in S. 949, the Revenue Reconciliation Act of 1997, as reported.

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

FINANCE—REVENUES

Provision	Comments/Violation
	Senate
Sec. 702	Establishment of Intercity Passenger Rail Fund. Byrd rule (b)(1)(A): Produces no change in outlays or revenues.
Sec. 704	Deposit general revenue portion of highway motor fuels taxes into highway trust fund. Byrd rule (b)(1)(A): Produces no change in outlays or revenues.
Sec. 706	Require study of feasibility of moving collection point for distilled spirits excise tax. Byrd rule (b)(1)(A): Produces no change in outlays or revenues.
Sec. 708	Codify BATF regulations on wine labeling. Byrd rule (b)(1)(A): Produces no change in outlays or revenues.
Sec. 731	Delay penalties for failure to make payments through EFTPS until after 6/30/98. Byrd rule (b)(1)(A): Produces no change in outlays or revenues.
Sec. 769	Combined employment tax reporting five-year demonstration project for Montana. Byrd rule (b)(1)(A): Produces no change in outlays or revenues.
Sec. 772	Safety net for marginal oil and gas production when crude oil reference price is below $14. Byrd rule (b)(1)(A): Produces no change in outlays or revenues.
Sec. 777	Modification to eligibility criteria for designation of future enterprise zones in Alaska or Hawaii. Byrd rule (b)(1)(A): Produces no change in outlays or revenues.

FINANCE—REVENUES—Continued

Provision	Comments/Violation
	Following provisions are from the Simplification section of S. 949
Sec. 1023	Due date for furnishing information to partners of large partnerships. Byrd rule (b)(1)(A): Produces no change in outlays or revenues.
Sec. 1025	Treatment of partnership items of individual retirement accounts. Byrd rule (b)(1)(A): Produces no change in outlays or revenues.
Sec. 1083	Repeal of authority to disclose whether prospective juror has been audited. Byrd rule (b)(1)(A): Produces no change in outlays or revenues.
Sec. 1084	Clarification of statute of limitations. Byrd rule (b)(1)(A): Produces no change in outlays or revenues.
Sec. 1109	Adjustments for certain gifts made within three years of decedent's death. Byrd rule (b)(1)(A): Produces no change in outlays or revenues.
Sec. 1113	Authority to waive requirement of United States trustee for qualified domestic trusts. Byrd rule (b)(1)(A): Produces no change in outlays or revenues.
Sec. 1212	Authority to cancel or credit export bonds without submission of records. Byrd rule (b)(1)(A): Produces no change in outlays or revenues.
Sec. 1213	Repeal of required maintenance of records on premises of distilled spirits plant. Byrd rule (b)(1)(A): Produces no change in outlays or revenues.
Sec. 1215	Repeal of requirement for wholesale dealers in liquor to post sign. Byrd rule (b)(1)(A): Produces no change in outlays or revenues.
Sec. 1217	Use of additional ameliorating material in certain wines. Byrd rule (b)(1)(A): Produces no change in outlays or revenues.
Sec. 1220	Authority to allow drawback on exported beer without submission of records. Byrd rule (b)(1)(A): Produces no change in outlays or revenues.
Sec. 1231	Authority for IRS to grant exemptions from excise tax registration requirements. Byrd rule (b)(1)(A): Produces no change in outlays or revenues.
Sec. 1232	Repeal of expired provisions. Byrd rule (b)(1)(A): Produces no change in outlays or revenues.
Sec. 1244	Repeal of expired provisions. Byrd rule (b)(1)(A): Produces no change in outlays or revenues.
Sec. 1252	Redetermination of interest pursuant to motion. Byrd rule (b)(1)(A): Produces no change in outlays or revenues.
Sec. 1305	Elimination of paperwork burdens on plans. Byrd rule (b)(1)(A): Produces no change in outlays or revenues.
Sec. 1307	New technologies in retirement plans. Byrd rule (b)(1)(A): Produces no change in outlays or revenues.

Mr. LOTT. Mr. President, the next vote will be final passage. It will be the last vote of the week before the Senate adjourns today. I will file cloture on the motion on the DOD authorization bill. That cloture vote will occur on Tuesday, July 8, at 2:15. That will be the next vote. Senators that have amendments to submit are urged to do so by Monday, July 7.

Once again, I want to thank all the Senators for their cooperation. I think this has been a historic week. I appreciate the leadership from the chairman of the committee and the ranking member. Thank you all very much.

Mr. ROTH. Third reading.

The PRESIDING OFFICER. The question is on the engrossment and third reading of the bill.

The bill was ordered to be engrossed for a third reading and was read the third time.

Mr. ROTH. I ask unanimous consent that the Senate proceed to the House companion bill, H.R. 2014, and all after the enacting clause be stricken, the text of the Senate amendment be inserted, which includes amendment 449 which was inadvertently dropped, the bill be advanced to third reading, and the Senate proceed to passage of H.R. 2014, as amended.

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

Mr. ROTH. I ask for the yeas and nays.

The PRESIDING OFFICER. Is there a sufficient second?

There is a sufficient second.

The yeas and nays were ordered.

The PRESIDING OFFICER. The question is, Shall the bill pass?

The yeas and nays have been ordered.

The clerk will call the roll.

The legislative clerk called the roll.

Mr. FORD. I announce that the Senator from Hawaii [Mr. INOUYE] and the Senator from South Carolina [Mr. HOLLINGS] are necessarily absent.

I further announce that, if present and voting, the Senator from Hawaii [Mr. INOUYE] would vote ''aye.''

I further announce that, if present and voting, the Senator from South Carolina [Mr. HOLLINGS] would vote ''no.''

The result was announced—yeas 80, nays 18, as follows:

[Rollcall Vote No. 160 Leg.]

YEAS—80

Abraham	Domenici	McCain
Akaka	Dorgan	McConnell
Allard	Enzi	Mikulski
Ashcroft	Feinstein	Moseley-Braun
Baucus	Frist	Moynihan
Bennett	Gorton	Murkowski
Biden	Graham	Murray
Bingaman	Grassley	Nickles
Bond	Gregg	Reid
Boxer	Hagel	Roberts
Breaux	Hatch	Rockefeller
Brownback	Hutchinson	Roth
Bryan	Hutchison	Santorum
Burns	Inhofe	Sessions
Campbell	Jeffords	Shelby
Chafee	Johnson	Smith (NH)
Cleland	Kempthorne	Smith (OR)
Coats	Kerrey	Snowe
Cochran	Kohl	Specter
Collins	Kyl	Stevens
Conrad	Landrieu	Thomas
Coverdell	Lautenberg	Thompson
Craig	Leahy	Thurmond
D'Amato	Lieberman	Torricelli
Daschle	Lott	Warner
DeWine	Lugar	Wyden
Dodd	Mack	

NAYS—18

Bumpers	Glenn	Kerry
Byrd	Gramm	Levin
Durbin	Grams	Reed
Faircloth	Harkin	Robb
Feingold	Helms	Sarbanes
Ford	Kennedy	Wellstone

NOT VOTING—2

Hollings	Inouye

The bill (H.R. 2014), as amended, was passed, as follows:

[H.R. 2014, as amended and passed, can be found at the end of the Senate proceedings for today.]

Mr. MOYNIHAN. Mr. President, I move to reconsider the vote.

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

The motion to lay on the table was agreed to.

Mr. LOTT addressed the Chair.

The PRESIDING OFFICER. The majority leader is recognized.

ORDER FOR MORNING BUSINESS

Mr. LOTT. Mr. President, I ask unanimous consent that following the wrap-up of the chairman and ranking member, there be a period for the transaction of morning business with Senators permitted to speak therein for up to 5 minutes each. I know there are some Senators here wishing to speak. I don't know if the Senators have any wrap-up that they need to do from the Finance Committee. But once that is done, we can continue on to the 5-minute order for morning business.

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

Mr. ROTH. Mr. President, I would like to express my sincere gratitude to my colleagues and good friends who have been instrumental to the successful culmination of this important budget reconciliation process. I am gratified by the results. I think we have indeed made history. We have passed a reconciliation package that balances the budget, while offering American families their first real tax cut in 16 years.

I am happy to say that we have done it in a bipartisan way. It never could have happened, in my humble judgment, without the good will, cooperation, and intelligence of the many Members who have contributed to this important piece of legislation.

In the process, Mr. President, we have made significant progress in our ongoing efforts to preserve and strengthen the Medicare Program, a program of critical importance to our senior citizens, and to give State governments greater voice and authority in the administration of Medicaid. We have increased the ability of families and individuals to save their money, to become more self-reliant, and to invest in the future of America. We have passed significant proposals to help our youth and their families with their education. And we have saved who knows how many family small businesses and farms from extinction wrought by death taxes.

We can go home during this Independent Day recess with our heads held high. We have done what our constituents sent us here to do. As I said, we have accomplished these important objectives in a bipartisan spirit.

Mr. President, the Senate's success of the last few days would not have been possible without the leadership and example of my distinguished colleague and close friend, Senator MOYNIHAN. He is a scholar, a statesman and—perhaps, most important—a gentleman and trusted friend.

I appreciate the other Members of the Senate Finance Committee. It was interesting to watch the process as the cooperative spirit on that committee worked to refine and build rather than denigrate and destroy. The cream indeed rose to the top through our days, weeks, even months of hearings, conferences, meetings, and debates. I am proud of every member and, if time permitted, I would give specific examples of how each one of them rose to the challenge that has resulted in the success we produced today.

Mr. President, I would like to thank, again, the many professional staff members whose work and expertise made this possible. No one appreciates these men and women more than those of us who watch their tireless efforts and depend on their support. Our gratitude to them as individuals, and for their work, is perhaps best demonstrated by the incredible trust we place in their judgment and by the way we depend on their advice and support.

Particularly, Mr. President, among our professional staff, I would like to thank: Lindy Paull, Frank Polk, Mark Prater, Rosemary Becchi, Doug Fisher, Brig Gulya, Sam Olyck, Tom Roesser, Joan Woodward, Ashley Miller, Mark Patterson, Nick Giordano, Patricia McClanahan, Maury Passman, Bill Fant, David Podoff, and also Ken Kies and his capable staff at Joint Tax.

These men and women, along with the leadership of the members on the Finance Committee, share in the tremendous success, a success for which I give them my most sincere thanks and a success, Mr. President, that will bless the lives of all Americans.

Mr. MOYNIHAN addressed the Chair.

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

Mr. MOYNIHAN. Mr. President, it is characteristic of our revered chairman that he would spend this precious moment at the end of a triumphant legislative process thanking others. It is the part of him that brings us together and brought us together to an extraordinary 80 to 18 vote. I would presume to speak for every member of the committee, and certainly for the Democratic members who have been unanimous on both of these measures in committee, and on the floor today, in expressing our profound appreciation to him, our profound admiration, and our conviction that we will now go on to a successful conference and write some history in our Nation this year.

We shall have a balanced budget. We shall have a health care program for adults and children. And not least, we have had in fact 77 votes in favor of a successful and permanent Amtrak program in this country, a matter of particular concern to him, but both attributable to him. And I thank him.

Again, I thank the Chair, and I yield the floor.

(At the request of Mr. DASCHLE, the following statement was ordered to be printed in the RECORD.)

• Mr. HOLLINGS. Mr. President, I rise today in opposition of S. 949, the Revenue Reconciliation Act of 1997. I was necessarily absent and unable to vote on the final passage of the bill, but I would like my statement to be recorded in the RECORD.

There has been a great deal of congratulations about how this is the first major tax cut since the Kemp-Roth tax cuts in 1981. I would like to remind everyone of the consequences of that particular measure. Since 1981, our deficits have exploded, growing to as high as $403 billion. Our national debt has soared from under $1 trillion in 1980 to $5.4 trillion this year. The interest costs on this debt have skyrocketed during that period from $74.8 billion to $360 billion, representing spending of $1 billion a day. This money does not go to purchase any new bridges, roads, airports, or any other public good. Instead, it is wasted on servicing this debt. These interest payments, in essence, represent a mammoth tax on the American people which will continue

to rise until we can get our fiscal house in order.

Since 1993, we have made substantial progress toward reducing our deficit. Despite the opposition of every Republican in the Senate, we passed a tough deficit reduction bill which included unpopular tax increases and spending cuts. The results have been clear. Our deficit has fallen for 5 years in a row, unemployment is at a 24 year low, inflation is minimal, interest rates are down, 12.1 million new jobs have been created, and business investment is at a post-war high. Yet, instead of building on this progress, we have chosen to abandon ship and engage in the political temptation of tax cuts.

Mr. President, our Nation is experiencing a period of prosperity, partially because we were courageous enough to make the right choice in 1993 and begin to reduce our deficit. We should stay on this course until we truly balance our books. Instead, this year's budget deal engages in the same old trickery of back loaded tax cuts, borrowed trust funds, and unrealistic economic assumptions. Rather than doing what is right for the American people, we have chosen to do what is right to get us past the next election. I fear, however, that the results of this measure will be felt long after then.●

MORNING BUSINESS

The PRESIDING OFFICER. Under the previous order, the Speaker will now be in a period for morning business.

The Senator from Maine.

THE TAXPAYER RELIEF ACT OF 1997

Ms. COLLINS. Mr. President, I rise today to commend the members of the Senate Finance Committee, ably led by chairman ROTH and ranking member MOYNIHAN, for their willingness to work in a bipartisan fashion to bring meaningful and much-needed tax relief to the American people.

The Taxpayer Relief Act of 1997 is extremely important legislation. While it makes many significant changes, I want to focus my remarks on the provisions that will provide long-overdue estate tax relief for family-owned businesses and farms and on those that will help lower- and moderate-income families put their children through college.

The first bill I sponsored as a U.S. Senator was targeted death tax relief for family-owned businesses and farms. This was no accident, for I firmly believe that small, family-owned enterprises hold the key to our economic future. It is these family businesses that will create two-thirds of all new jobs for the people of the United States in the 21st century.

Regrettably, our current tax code penalizes family-owned businesses by making it difficult, if not impossible in some cases, for families to pass the business down from generation to generation. In fact, fewer than one-third of all family-owned businesses survive the transition from the first generation to the second.

Our tax policy should produce the very opposite result, and I am gratified that a strong, bipartisan majority of the Senate Finance Committee recognized this problem and supported action to put us on the right track. Specifically, S. 949 establishes a $1 million exemption from Federal estate taxes for closely-held family businesses, thereby making it easier for parents to pass their business along to their children. My estate tax relief bill, S. 482, contained the very same provision, and I commend the Finance Committee for including it in their legislation which we just passed.

The Finance Committee's proposal will help to make real the dreams of those Americans who work long hours to build a business so they can turn it over to their children. It will help individuals like the potato bag manufacturer in northern Maine who would expand his business and hire more new employees were it not for the money he has to invest in estate planning and insurance. And it will help the small businesswoman in Portland, ME, who wishes to leave her restaurant to her son and avoid the problem she faced when her father died and the family had to sell 24 of their 25 restaurants to pay the estate tax bill.

Mr. President, by preserving family-owned enterprises, we not only strengthen American businesses, we also strengthen American families.

Mr. President, I also want to commend the Finance Committee for including several very important provisions that will help lower- and middle-income families finance college educations for their children. Many of the provisions are similar to those in my legislation, the College Access and Affordability Act of 1997.

For the last 30 years, the Federal Government has helped make post-secondary education available to millions of high school students, thereby giving them a chance to fulfill their potential to the greatest extent possible. The primary vehicles for this invaluable Federal assistance to lower-income and middle-income families have been the Pell grant and student loan programs, both of which I wholeheartedly support.

But our student aid programs have had the unintended consequence of punishing those families who struggle to save for their children's education and then become ineligible for Federal assistance because of their savings. To its credit, the Finance Committee recognized that with the greatly increased cost of a college education, these families also are deserving of help, and it took several important steps in that direction.

First, the bill that we just passed also establishes education investment accounts to help families save for their children's college education. Under this plan, families can contribute up to $2,000 a year to a special savings account and not have to pay taxes on the account's earnings if they use the money for qualified educational expanses, such as room, board, and tuition. Along similar lines, the Finance Committee approved a proposal that allows families who have created Individual Retirement Accounts [IRA's] to withdraw funds for post-secondary and graduate education without penalty.

Second, the Committee's bill allows annual dedications of up to $2,500 for interest paid on student loans. This will help to soften the financial burden on students like the young woman in my State who recently graduated from college with $18,000 in debt and who returned to her home town in rural Maine where high-paying jobs are simply not available.

Finally, the Committee adopted a permanent extension of the section 127 program, which allows employees who receive up to $5,250 in employer-provided tuition assistance to exclude this assistance from their taxable income. We live in times of rapid change when workers may often need new skills to remain employable, and the section 127 program can be the key to making this possible.

Taken together, these proposals represent a major step forward in our efforts to help lower-income and middle-income families finance higher education for themselves and their children. These changes will benefit not only our students but also our Nation, for a better educated population will be better able to compete in our global economy. By making education more affordable for all, we also reaffirm that America is the country of opportunity, where success is there for all who are willing to work for it.

Mr. President, let me conclude my remarks with the observation that S. 949 is notable not only for what it provides but also for how it was produced. Led by their Chair, the members of the Taxation Committee put aside partisan concerns and crafted a bill which can command widespread support both in Congress and in the country. Despite the rhetoric of those bent on sowing the seeds of division, the legislation benefits all Americans, as reflected in the fact that a family of four earning $30,000 will receive a 53 percent tax cut under the plan.

Mr. President, the people of my State want results and not rhetoric, cooperation and not confrontation. The Family Tax Relief Act of 1997 shows what we can accomplish when we honor the wishes of those who sent us here.

Mr. BUMPERS addressed the Chair.

The PRESIDING OFFICER. The Senator from Arkansas.

TAX CUTS FOR COLLEGE EDUCATION

Mr. BUMPERS. Mr. President, let me say first of all that in the Senate in 1981 there were only 11 votes cast