

been withholding a gradually increasing portion of the USPTO's user fees each year. Examples of recent withholdings include \$108 million in Fiscal Year 1999 and \$116 million in Fiscal Year 2000. Last December, consistent with the President's budget request, legislation was passed that provides the USPTO with a budget of \$1,039 million. Of the \$1,039 million, \$784 million will be derived from Fiscal Year 2001 and \$255 million from a carryover from past years and any fees received in excess of \$784 million will not be available to the USPTO in Fiscal Year 2001. With a projected revenue of \$1,152 million for Fiscal Year 2001, this means an overall USPTO withholding of approximately \$368 million for Fiscal Year 2001.

As you know, I have long opposed the diversion of patent fees as a debilitating tax on innovation. In my view, such a tax flies in the face of the Constitution's patent clause and its vision of government as a promoter, rather than an inhibitor, of innovation. I was pleased to work closely with you to sunset the patent surcharge fee in FY 1998, which for several years had been the source of the patent fee revenue subject to diversion and rescission. Last year, I was encouraged that the President's budget for the first time did not include fee diversion or rescission as a means of funding unrelated spending.

Statutory withholding of fees paid for services undermines the integrity of the USPTO's fee-funded agency model and restricts the USPTO's ability to provide service to its customers and to promote American innovation and competitiveness. Withholdings are being made at a time when the USPTO is experiencing unprecedented growth in its workload. In the last five years, patent and trademark filings have been on the rise. Last year, patent filings were up twelve percent and trademark filings were up a staggering forty percent. Reduced availability of fee revenue will prevent the USPTO from replacing and hiring examiners to handle the increased workload. As a result, waiting times for patents and trademarks could drastically increase in 2001 and years to follow and there could be significant delays in bringing important new technologies and products to the marketplace. Companies in high-technology, biotechnology, and many other vital industries depend on prompt and high quality patents and trademarks to protect business investments in R&D and new product promotion. Moreover, fee diversion will force the USPTO to defer certain imperatives in automation, electronic filing, and other implementation of technology to improve the current ability and efficiency of the USPTO to handle increased workload and increasingly complex technologies.

As I understand it, what makes this practice possible is the fact that, in past years, the Budget Committee has delineated a portion of the USPTO's fee revenue as income subject to the discretionary authority of the Committees on Appropriations—an artifact of the patent fee surcharge created by the Omnibus Budget Reconciliation Act of 1990 (OBRA '90), which expired on September 30, 1998. OBRA '90 segregated a portion of fees that were subject to the appropriation discretion, and the remainder of the USPTO fee income was appropriated to the agency on a dollar-for-dollar basis.

With the lapse of the patent fee surcharge, the Judiciary Committee fashioned a modified fee system in which there was no longer a "surcharge" component to patent fees. We set the level of the fees to recover the cost of processing applications and intended that all of the fee revenue would be appropriated to the USPTO on a dollar-for-dollar basis, as was done for the majority of fee income under OBRA '90. We did not intend that there

should be any discretion to withhold any portion of the fee revenues.

Accordingly, I recommend that in the upcoming budget all fee revenue of the USPTO be classified in a manner that requires that it be appropriated to the USPTO on a dollar-for-dollar basis. Thus, none of the fee revenues should be considered as discretionary expenditures for the purposes of the appropriations process. I have appreciated working with you on this particular issue in the past. If legislation is necessary to ensure this result, I am pleased to work with you in that regard.

Thank you again for contacting me on this matter and for your consideration of these views. I look forward to working closely with you on this matter and other issues.

Sincerely,

ORRIN G. HATCH,
Chairman.

FEDERAL EMPLOYEE PAY PARITY

Mr. SARBANES. Mr. President, I would like to commend the chairman of the Budget Committee for addressing the issue of Federal employee pay with the senior Senator from Virginia and me today.

The House-passed fiscal year 2002 budget resolution contains important provisions to ensure parity between the pay raises granted to civilian Federal employees and those provided to members of the armed services. Disparate treatment of civilian and military pay goes against longstanding policy of parity for all those who have chosen to serve our Nation—whether that service is with the civilian workforce or in the armed services. In fact, a comparison of military and civilian pay increases by the Congressional Research Service finds that in 17 of these last 20 years military and civilian pay increases have been identical.

Mr. WARNER. In the 106th Congress, an overwhelming majority of the United States Senate agreed, and approved a bipartisan pay parity amendment by a vote of 94 to 6 during consideration of legislation I introduced providing important pay increases for the military—S. 4, the Soldiers', Sailors', Airmen's, and Marines Bill of Rights. I know that Chairman DOMENICI supported that Federal employee pay parity amendment, and has been an advocate for pay parity through his position on the Budget Committee.

Mr. DOMENICI. As the chairman of the Armed Services Committee and the Senator from Maryland know, the Budget Committee has included language assuming parity between the raises granted to Federal employees and members of the armed services in the Committee Report on the Budget Resolution for the past 2 years.

Mr. WARNER. I thank the chairman of the Budget Committee for his strong past support. Would the Chairman explain what provisions regarding Federal employee pay have been included in this budget resolution?

Mr. DOMENICI. In drafting the budget resolution for fiscal year 2002, we have assumed that the historic pay parity between civilian and military employees will be maintained, and that the President's proposed 4.6 percent

raise for military personnel will be similarly provided to all Federal workers next year.

Mr. SARBANES. I thank the chairman, and the distinguished Senator from Virginia for their interest and support. I am sure we all agree that a talented Federal and military workforce is crucial to getting the work of the American people done skillfully and efficiently. In many instances, Federal civilian and military employees work side-by-side doing the important work of the Nation, and Congress has recognized that we should not undermine the morale of these dedicated public servants by failing to bring them in line with military personnel. Continuing pay parity is one way to ensure the Federal Government is able to attract and retain qualified public servants.

ORDER OF PROCEDURE

Mr. REID. I ask unanimous consent the Senator from Iowa be recognized to speak as in morning business, and the time not be charged against either party on the resolution.

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

The amendments are laid aside. The Senator from Iowa is recognized as in morning business.

Mr. GRASSLEY. Did the Senator from Nevada have a closing statement to make?

Mr. REID. I also checked with staff who, as you know, know more about what is going on out here than most of us. I am sorry to admit that. They indicated that would be read upon the completion of your statement.

The PRESIDING OFFICER. The Senator from Iowa.

TAXES

Mr. GRASSLEY. Mr. President, I want to address the issue of tax cuts. It is an issue on which Republicans and Democrats all agree. We may not agree on how much taxes should be cut, but we do agree that the Federal Government is collecting too much tax. The current and projected U.S. tax receipts are far in excess of the amounts needed to operate the Federal Government. The most troubling news is that the bulk of these excess collections come from individual taxpayers. By coming from individual taxpayers, I mean through the individual income tax.

The Congressional Budget Office projects that the Federal Government will accumulate over \$3.1 trillion in excess tax collections over the next 10 years. These excess collections are projected at the time when overall Federal tax receipts are at one of the highest levels in the history of the country. You will see from the charts that, even worse, individual income tax collections are near an all-time high, even higher than some levels imposed during World War II.

I have a series of charts to illustrate our present situation. The first chart I

have shows total Federal tax receipts as a percentage of gross domestic product for the last 40 years. As you can see from this chart, tax receipts have fluctuated frequently since 1960. But they have escalated very significantly since 1993. The increase in receipts from 1965 to 1969 was attributable to the Vietnam conflict. The runup in receipts from 1976 to 1981 was caused by bracket creep, which occurs when inflation causes wages to increase, forcing people into ever higher rate brackets. We corrected the problem of bracket creep from inflation years ago.

However, the most shocking spike in tax receipts began, as you can see, in 1993. The Congressional Budget Office's January 2001 report to Congress shows that, in 1992, total tax receipts were around 17.2 percent of GDP. However, since that time, Federal receipts have spiked upward very rapidly. By the year 2000, Federal tax receipts had exploded to an astronomical 20.6 percent of GDP. The significance of this percentage can only be appreciated in a historical context.

In 1944, which was at the height of the buildup during World War II, taxes as a percentage of gross domestic product were 20.9 percent, only one-half percent higher than they are this very day. By 1945, those taxes had dropped to 20.4 percent of GDP, which is lower than the collection level this very day.

It is simply unbelievable to me that in times of unprecedented peace and prosperity, the Federal Government should rake in taxes at a level that exceeds the level needed to defend America and the rest of the world during World War II. It simply does not make sense that the Federal Government should be collecting this record amount of taxes.

As bad as what I said sounds, it is not the whole story. That is because Federal agencies are required to exclude a significant piece of Federal collections. I am talking about user fees that taxpayers pay in order to obtain Federal services. These are fees but are still money collected from the people of the United States by the Federal Government.

For example, when someone visits Yosemite or Yellowstone National Park, they pay an entrance fee. Businesses are often required to pay user fees to obtain services of the Federal agencies. The dirty little secret on user fees is that, under our budget laws, they are not included as Federal receipts. Instead, they are treated as an offset to the expenses of the Federal agency collecting those receipts. So you heard me right, they never really show up on the Federal books as money that the Federal Government collects. Under this treatment, user fees, then, are a stealth receipt, one that understates Federal revenues and understates Federal outlays by offsetting the agency's operating expenses. These fees I just mentioned are not insignificant. During the year 2000, they accounted for nearly \$212 billion in hidden rev-

enue and expenses. You see on this chart that with user fees, we soon get to an unprecedented tax level of 22.76 percent of gross domestic product.

The most sorry part of this whole story is that this huge increase in taxes has been borne almost exclusively by the individual American taxpayer. As this next chart shows, over the past decade, tax collection levels for payroll taxes, corporate taxes, and all other taxes have been relatively stable.

Just look, every color on that chart—other taxes, corporate taxes, payroll taxes—have been constant over the last decade. But look at the very significant increase in income taxes during that period of time. Corporate taxes during the past 10 years have increased from 1.6 percent of GDP to 2.1 percent. Estate taxes have remained essentially unchanged. Collections of individual income taxes have soared.

As this chart shows, in 1992, tax collections from individual income taxes were 7.7 percent of our gross domestic product. That percentage has risen steadily each year and, as of the year 2000, was an astounding 10.2 percent of gross domestic product. Any wonder, then, why the President and most Members of Congress believe there ought to be a tax cut? That is why the President and most members of his party believe there ought to be a significant tax cut and it ought to be concentrated on reducing income taxes.

Individual income taxes now take up the largest share of gross domestic product in history. Even during World War II, collections from individuals were 9.4 percent of the gross domestic product, nearly a full percentage point below the current level.

So, as you can see, the main source of the current and projected surpluses is from the huge runup in individual tax collections that have occurred since the passage of the biggest tax increase in the history of our country—the 1993 tax Clinton tax increase.

Admittedly, some of this increase is due to our booming economy. A portion of this increase is attributable to real gains in wages, which has forced people into higher tax rate brackets. This real wage growth increase is not compensated for by the usual indexing of income tax brackets.

Since 1992, total personal income has grown an average of 5.6 percent a year. In contrast, however, the Federal income tax collections have grown an average of 9.1 percent a year, outstripping the rate of personal income growth by 64 percent.

That fact alone is outrageous. And it is a simple enough reason why we need to do something about individual income taxes and let American working men and women keep more of their resources.

Again, this started with the biggest tax increase in the history of the country under President Clinton in 1993. The results of these increases are obvious from the charts that we have re-

viewed. Each chart shows a large increase in taxes from 1993 to the year 2000. The Joint Committee on Taxation, at the request of the Joint Economic Committee, estimated that just repealing the revenue-raising provisions of President Clinton's 1993 tax hike would yield tax relief of more than \$1 trillion over 10 years.

So I think the Democrats and Republicans alike can agree, and should agree, that individual taxpayers deserve relief from the Federal Government's overtaxation.

We have a tax surplus. That tax surplus should go to the people who earned it in the first place. It should be retained by the taxpayers. It will do more economic good in their pockets than in the pockets of Federal bureaucrats and Members of Congress, and letting them make a determination of how that money is spent. Sometimes it burns such a hole in our pocket that we do not know how to get rid of it fast enough.

President Bush has offered a plan to reduce individual income tax rates across all rate brackets, and to reduce the number of brackets. This benefits all income tax payers across America. We hear, however, a hue and cry from some on the other side of the aisle that not all taxpayers should receive a rate reduction. We hear that the President's plan is disproportionately benefitting upper income taxpayers, and does not provide enough relief at the lower end of the income scale.

That is a bunch of baloney. We have some news for our colleagues: None of those allegations are true. To begin with, we need to first understand the current distribution of tax burdens in America. We have a highly progressive income tax system. According to the Congressional Budget Office, the top 20 percent of income earners pay over 75 percent of all individual income taxes. Now, by contrast, households in the bottom three-fifths of the income distribution pay 7 percent of all individual taxes.

The President's plan not only preserves this progressive system, but it actually makes it more progressive. Now that is going to sound strange to people who have been concentrating on the rhetoric coming from the other side of the aisle that somehow only the rich are benefitting from the tax cut. But I say—and I can justify through the reports of the Joint Tax Committee—that once the President's program is passed, we are going to end up with an even more progressive system.

So to all those who are trying to engage in class warfare over the President's proposal, I want you to pay special attention to the following two charts.

As this first chart demonstrates, the President's marginal rate reductions, when combined with his increase in the child credit, the additional deduction for lower earning spouses, and his refundable tax credit for individual health insurance, provide the greatest

reduction in tax burden for lower income taxpayers. Just see the charts. The \$0-to-\$30,000 categories actually come out with a 136-percent decrease in taxes.

The upper income taxpayers receive an 8.7-percent reduction in their burdens. Compare a 136-percent reduction at the low income end to the high income end where the reduction is 8.7 percent.

Now, there has to be some reason for a 136-percent reduction in taxes. This is because we take 4 million taxpayers off the income tax rolls. A four-person family earning \$35,000 a year will no longer have any income tax burden.

As this chart also shows, a large portion of tax burden reduction is targeted towards taxpayers making between \$30,000 and \$75,000 a year. These taxpayers will experience relief ranging from 20.8 percent to 38.3 percent of their current tax burdens. This is an important range of benefit because most small business owners and farmers operate their businesses as sole proprietorships, partnerships, limited liability corporations, or S corporations. The income of these types of entities are reported directly on the individual income tax returns of the owners, and a rate reduction for individuals reduces rates for farms and small businesses.

The Department of Treasury has estimated that at least 20 million farmers and small business owners will benefit under the President's tax relief plan when it is fully phased in.

Remember, I also said that the President's plan actually makes our tax system more progressive.

The next chart provides the proof. This is a very important chart for those who are constantly demagoguing the President's proposal on the basis of income differences. This is the class warfare that we hear about.

As this chart clearly demonstrates, under the President's proposal, the overall tax burden goes down for all taxpayers earning below \$100,000. For taxpayers making \$100,000 and above, their share of the Federal tax burden will actually increase under the President's program. That demonstrates the statement I made earlier that based upon a Joint Tax Committee study, when the President's program is in place, the tax system will be more progressive than it is today.

Now, I will give some "for examples."

The share of the tax burden for taxpayers earning between \$30,000 and \$40,000 will drop from 2.5 percent to 1.8 percent. For those earning between \$50,000 and \$75,000, their burden share drops from 12.2 percent to 11.3 percent.

This is not the case for taxpayers earning \$200,000 or more. Their share of the overall burden will increase by a full 3 percentage points. So as you can see, as I have said now for the third time, the President's plan not only retains the progressivity of our tax system, it actually enhances it. The President's plan gives tax relief to all income-tax payers, and it does so in a

fair manner, one that requires more from those who are most able to pay and provides the greatest relief to those with the most need.

Moreover, this tax cut is needed to redress any longstanding slowdown in the economy. No one can witness the events of the past few weeks and not be concerned about where the economy is headed. I was startled by what I read in the Congressional Budget Office's 2001 Budget Options report. The Congressional Budget Office stated that a typical estimate of the economic cost of a dollar of tax revenue ranges from 20 cents to 60 cents over and above each dollar of taxes collected. Based on these numbers, the negative economic effects flowing from the current historically high levels of overtaxation obviously cannot be ignored.

We know from the Finance Committee hearing a few weeks ago that marginal rate reductions are the most efficient means of disbursing the benefits of any tax cut. Just think of the stimulative effect that could be achieved with a broad-based tax reduction that benefits all who pay taxes and targets the benefits to those who need them the most. That is what President Bush's tax plan does. I hope before this budget resolution debate is completed, we will have passed a budget resolution that gives my Finance Committee the ability and the flexibility to get the best possible tax reduction we can in a bipartisan way.

I want to run through a hypothetical calculation of a tax cut agenda and look at each number to see if it accommodates the agenda of its proponents. That is the work of the Senate Finance Committee. I will look at Senator CONRAD's number of \$900 billion. The proposal Senators DASCHLE, CONRAD, and the Democratic leadership have been talking about is their stimulus and rate reduction package. Under Joint Tax Committee scoring, the proposal loses \$506 billion over 10 years. That leaves about \$394 billion for tax cuts that Senator CONRAD and others have said they support. We are talking about other bills beyond what is in their stimulus and rate reduction package.

The Finance Committee's Democratic alternative on marriage tax relief without a sunset contains a revenue loss of \$197 billion over 10 years. The Democratic alternative on death tax relief creates a revenue loss of \$64 billion over 10 years. So using the Democratic proposals and last year's revenue estimates, which would only go up this year because of the higher revenue baseline, we have less than \$133 billion left. Keep in mind, these are only the Democratic proposals we are talking about.

Now let's go to the bipartisan tax cuts that have passed either or both Houses recently. There is a retirement security bill; Senator BAUCUS and I will soon be introducing that. That is a bipartisan bill. A similar bill passed the House almost unanimously. That bill

will run about \$52 billion. A bill to repeal the 104-year-old Spanish-American War phone tax passed the House last year by an overwhelming vote. That will run about \$50 billion. Then there is the small business and agriculture tax cuts that everybody supports in a bipartisan manner. That package adds up to about \$70 billion. Then we have the Educational Tax Relief Act that passed out of our Finance Committee unanimously in the last couple weeks. That runs about \$20 billion.

You have Democratic proposals that eat up more than the tax cuts they say they want. Then we have bipartisan proposals that are out there, that are very popular, and which have to fit into a package. These bipartisan tax cuts are left over from last year, and also exceed what is left in the Democratic budget.

Now we have heard a lot of pointed criticism of President Bush's tax cut plan from Senator CONRAD and other leaders on the other side who are handling the Democratic management of the budget resolution. We have heard them talk about the issue of the alternative minimum tax, sometimes referred to as the AMT. Senator CONRAD has said it will take \$200 billion to \$300 billion to fix this AMT problem under the Bush plan. Remember, under current law, 10 percent of the taxpayers will have to deal with the alternative minimum tax. Senator CONRAD is correct that the President's plan could make the problem worse. As I have said, our Finance Committee should be addressing that problem. Please note, however, that the Senate Democratic economic stimulus package does nothing with the AMT and will in fact make the problem worse.

According to the Joint Tax Committee, by the year 2011 about 21 million taxpayers will be subject to AMT under current law. The Democratic bill will add about another 7 million taxpayers to the AMT hit. So if the Democratic leaders who make such a point of the AMT issue, then let them practice what they preach. These leaders will have to raise their budget tax cut numbers to deal with this alternative minimum tax situation.

Under the tests I have laid out, the Democratic budget number does not accommodate their own tax priorities. We have all of these Democrat proposals before us. We have all the bipartisan proposals, some of them actually having been voted on by both Houses of Congress. These are all ideas that everybody wants passed. But the number put forth for tax reduction by the other political party will not accommodate all the ideas they propose. I know there are a lot of people on the other side of the aisle, such as Senator BREAU, who know this.

I think those who have proposed numbers in the range between \$2 trillion and \$4 trillion are also pushing a wrong number. Most of those people are on my side of the aisle or, if not in the Senate, in the House of Representatives. That tax cut number does not

balance our priorities of paying down the debt and targeted spending increases.

I believe this brings us back to a low Democratic number that doesn't even accomplish all the tax policy they want adopted. The other extreme is people saying \$1.6 trillion is not enough, it ought to be up near \$2.5 trillion. This brings us to the point of President Bush's number that he proposed as being very appropriate. It is not appropriate just because President Bush proposed it. It is appropriate because it will allow us—particularly the Senate Finance Committee—to accommodate the bipartisan tax cut priorities that are before us.

Senator BREAUX's number is better than the Democratic number because it allows more tax cuts to be addressed. It is, however, not enough—it does not provide enough flexibility for the Senate Finance Committee to do its work. Unlike the Democratic number, though, Senator BREAUX's number might be enough to cover Democratic priorities, plus a little bit more. But it would ignore the President's priorities. In considering the number, I want to give you my angle, as Chairman of the Senate Finance Committee. Senator BAUCUS and I need the full \$1.6 trillion to make the tax cuts that all of the Members of Congress are interested in doing and may have voted on.

I think that many in this body are looking at the 1.6 trillion number in terms of a win or a loss for President Bush, rather than whether it is the right policy. Many Republicans are tending to look at the number, or anything higher, as a win for the President. Democrats are looking at anything less than the number as a loss for President Bush. Senator CONRAD and Senator DASCHLE have been explicit in their objective. They have worked very hard to try to defeat the President's tax cut.

Let me give you an example. I just talked to my staff on a piece of legislation that I am trying to get budget authority for. I had 20 Democrats lined up for the Family Opportunity Act—a bill that last year had 78 cosponsors—and we are getting close to that number this year. But we weren't taking the money for the bill out of the tax cut. So the message went out: Don't help GRASSLEY.

Now, thank God, the main leader on the other side in that effort who is working with me, Senator KENNEDY, has assured me he is going to be with me on what we ought to do. We are going to do the right thing. But that is how desperate the other side is to make sure that there is some victory of subtraction from the \$1.6 trillion, just so the President can be defeated. We have to look at the numbers, whatever those numbers are, in terms of the tax cut agenda that is out there, including the President's and our own.

So, Mr. President, when Senator BREAUX's amendment comes up tomorrow, while it is well-intentioned, it just

doesn't provide the Finance Committee with the tools necessary to do the job of delivering bipartisan tax relief.

I want to take about 2 minutes—and then I will finish—on another item related to the recent debate.

I was stimulated to give these remarks based upon the overuse of the word "raiding"—the word "raid" or the word "raiding"—like we are raiding the Medicare trust fund. I speak mostly about the leadership on the other side of the aisle. The manager for the Democrats speaks very well and very clearly. But I want to focus his attention on Webster's Dictionary. So I want to speak to Senator CONRAD and others who have suggested that the Domenici budget and the amendments that we have adopted will raid the Medicare trust fund.

I understand how tempting it is to use such colorful language, but I want to point out to my colleagues what the definition of the word "raid" is. As I read from Webster's dictionary, it says, "a sudden hostile attack by an armed, usually mounted, bandit intent on looting."

Well, I suppose we have to use some words from Sol Olinsky's school of political activism—which says that the more extreme you can be, the more attention you are going to get. There are some people in this body who have great aptitude in that respect. But, obviously, any people who study our budget process and who know what a Medicare trust fund is, or what any trust fund is, will know that no one is raiding the Medicare trust fund. I will explain what is really going on.

Under the Domenici budget, Medicare will collect payroll taxes. Those taxes will be credited to the balance in the trust fund. That balance will be reserved for Medicare and is reserved only for Medicare. The Medicare trust fund is just like your bank account. When you make a deposit, your bank account increases the balance in your account, and only you can make a withdrawal from your own personal bank account.

Now, when Senator CONRAD talks about raiding the Medicare trust fund, he is trying to mislead us. He wants people to believe that we are reducing the balance in the Medicare trust fund for some other purpose. That is just not true. The balance in the Medicare trust fund can only be reduced to pay Medicare benefits. That is the law.

Our budget does nothing to change the law. Once you get past the rhetoric, you will see this debate is not about Medicare, it is about debt reduction. In Senator CONRAD's view, we have to use the Medicare surplus to pay down the debt, or else we are raiding Medicare. Now, going back to the example of your own personal bank account, that is like saying your bank has to use your deposit to pay off the bank's mortgage, or else it is raiding your bank account. As everybody who has a bank account knows, that is clearly absurd because when you de-

posit money in your bank account, you rely on the bank's ability to collect on its loans to repay your money. When the Government borrows from Medicare, we rely on the Government's ability to do one of three things—raise taxes, reduce spending, or borrow from the public to repay Medicare.

It might be easier to repay Medicare if we pay down the debt. But the fact is, we are already doing that, as you have heard so many times during these three days of debate. Under our Domenici budget resolution, we are going to pay down every dollar of national debt that can be paid down between now and the year 2001.

Now, I believe that Senator CONRAD knows that is true. So that is why he has stopped talking about public debt and he is now started talking about long-term debt.

"Reducing long-term debt" is a secret code word for Social Security and Medicare reform. Of course, we have not been presented a plan to reform Social Security or Medicare from the other side of the aisle. As a result, we can only conclude that once the Government runs out of public debt to pay down, it will be forced to invest Social Security and Medicare funds in private assets.

Federal Reserve Chairman Alan Greenspan has warned that such investments will disrupt the financial market and reduce the efficiency of our economy. Chairman Greenspan is not the only one concerned about such investment. In fact, in 1999, the Senate voted 99-0 against investing Social Security money in private assets.

I suggest that instead of talking about our budget raiding Medicare, I believe the Senators on the other side of the aisle who use that word need to explain their secret plan to reduce the long-term debt.

I yield the floor.

The PRESIDING OFFICER. The Senator from Colorado.

Mr. ALLARD. Mr. President, I ask unanimous consent that my time be marked against the general resolution and that I have 15 minutes.

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

Mr. ALLARD. Mr. President, I want to recognize the exemplary comments we just heard from the chairman of the Finance Committee, Senator GRASSLEY. That is one of the most complete discussions I have heard on the President's tax policy and how it impacts our total debt goals, actually what we call paying down the public debt and what we are going to do to save Medicare.

Anybody who listened closely fully understands the balance of the President's plan before us. I thought it was an extremely good speech, and I enjoyed listening to what he had to say.

I want to bring a little more discussion to some of the points he made. For example, he talked about the advantage of small business. As a small businessman, I want to talk about some of

my thoughts about how cutting taxes really does help the economy.

Senator GRASSLEY talked about paying down the debt. I also want to take some time to talk about my experience in the Congress in efforts to pay down the debt and add my two bits' worth as to why I think the President is on the right track.

Just as the Presiding Officer of the Senate, I started my business from scratch. I know what it is to have to start a small business from scratch. I remember the frustration the first several years I was in business. I began to build up some revenue. I wanted to do a good job of serving my clients as many small businesspeople do. They have a great idea and want to move forward.

At the end of the year, I found the capital I began to accumulate in my business all of a sudden was taken away because of taxes.

That has a dramatic impact on the growth of a small business, particularly at the early stage of growth and when they are starting.

Small businesspeople, such as myself and the Presiding Officer suffer a disproportionate impact from rules, regulations, and taxes on our small business.

I point out to the Members of the Senate, most of the innovative ideas in America and in democracy really start at the small business level. If we can put incentives out there that allow individual businesspeople to retain more of their income, to capitalize their businesses for growth, that means we create more jobs. The end result is that we begin to strengthen our economy.

I do believe these tax cuts will help the economy, and if we make the tax cuts even retroactive starting at the first of the year when they begin to have an impact even on the paycheck that goes home, it will help us.

I encourage Members of the Senate to work hard to put in place the \$1.6 trillion tax cut that is proposed by the President.

Let me talk a little bit about my experiences in trying to pay down the debt. I probably have worked harder than any Member of the House or the Senate to try to put in place a plan to pay down the debt. When I first brought a plan forward, I was a Member of the House of Representatives, and as a Member of the Senate I introduced several plans.

When I was first elected to the Senate, I introduced a bill to pay down the debt within 30 years. I had a plan somewhat similar to an amortization schedule. I had a schedule of how we would pay down more money each year so that, over a 30-year period, the Federal Government would have paid down the debt. That was 4 years ago.

Two years ago, I looked at the amount of revenue coming in to the Federal Government, and I was amazed. So I introduced a bill that had a plan to pay down the debt within 20 years.

What I see now is that we are going to be able to pay down the public debt within 10 years and still be able to have the \$1.6 trillion tax cut the President is proposing.

That is a reasonable plan he has put together. He is taking a quarter of the surpluses for tax cuts. It is reasonable and certainly a much better proposal than what I hear coming from the Democratic side where they want to take \$60 billion and redistribute it to everybody. The President's proposal is that those people who pay taxes are the ones who will get a tax cut.

With the \$60 billion plan on the other side, they are talking about a redistribution of income, so everybody gets a rebate, whether you pay taxes or not. It ends up being a massive redistribution income plan basically.

What we need to pass in the Senate is a real tax cut plan that gives a tax cut to the American taxpayer.

I remind Members of the Senate and Americans who might be watching right now that a record amount of their dollars is being sent to Washington. We saw some figures presented on the other side which indicated that as a percentage of gross domestic product, GDP, our tax burden is as low as it ever has been, but the growth in our gross domestic product has been so phenomenal for the last 5, 7, 8 years that any figure one compares to the gross domestic product is going to look low in comparison.

I prefer to look at actual figures. Looking at the actual figures—the amount of money being sent to Washington—the American taxpayer is sending a record amount of money to Washington, DC.

When we look at the plan that is being proposed by the President, it is a very modest tax cut. As was pointed out in testimony before the Budget Committee and other speeches made on the Senate floor, President Kennedy had a greater tax cut than this tax cut. President Reagan's tax cut was greater. In fact, as was pointed out by my colleague from Iowa, the largest tax increase in the history of this country, which was in 1993, with a Democrat Congress and Democrat President, was more than the tax cut that is being proposed by President George W. Bush.

We have to keep in mind that when taxpayers send money to Washington and then we have some sort of scheme where it is sent back to the taxpayers, one might want to call it a grant or maybe call it a rebate or revenuesharing or earned-income tax credits or just a gift. The fact is, when you send your money to Washington and we send it back, there is a passenger charge. The subtle message is somehow or another it is the Government's money. In reality, it is the taxpayers' dollars. That is where it starts. They are the ones who originally send the money to Washington.

We need to institute a policy that recognizes hard work and productivity of the American taxpayers.

I also point out that some of the phenomenal growth we are getting in revenues to the Federal Government is a consequence of having reduced the capital gains tax a couple years back. When you reduce the capital gains tax, historically the revenues to the Federal Government have always increased. We have reduced capital gains rates from 28 percent to 20 percent. What happened? We opened the floodgates of commerce.

With these new dollars coming into the Federal Government from more commerce, you end up having more revenue. I think that is a tax cut. It has been taxpayers who got that advantage. The result is more revenue is coming to the Federal Government. I don't think we have recognized that phenomenon enough on the Senate floor, and I want to take a moment to point that out.

The proposal being suggested by the President is a very balanced proposal. I think it has the right amount of tax cuts. I think it addresses debt reduction.

Now, on debt reduction, as I have looked at the issue of how much you can pay down the debt when you get down to the bottom trillion dollars—that is a lot of money still—there are some fundamental issues at which this Congress needs to look.

For example, in some of the testimony we had before the Budget Committee, the Fed, in managing the money supply of this country, uses debt. There is about \$500 billion they use to manage that debt. If we are to completely pay down the debt, there has to be a fundamental discussion as to what you want the role of the Federal Government to be. Do you want the Fed to still have that ability to manage the supply of the dollar? If you want that, we will have to keep some debt in there so they can manage it. If you want to turn the dollar completely free on the market without any opportunity for the Fed to regulate supply, then perhaps the proper solution is to go ahead and pay the debt even further. That is a basic fundamental public policy that I think needs to be discussed in the Congress. I think we need to have some discussion among ourselves about how important that is.

For some people who don't want to turn in their war bonds or their Treasury notes—they have become a collector's item—we find it is costing more today to pay down, in some cases, perhaps as much as 43 percent more than the value of the bond to retire.

The President, again, I think has a right balance on tax relief, on debt reduction. He takes care of basic needs, which I think can be supported. He has overall spending for the 10 years at 4.7 percent. He has very significant increases in education in 2002, an 11.5-percent increase, a significant increase in defense, 4.5. We passed an amendment here that provides another \$8.5 billion for that. He has increases for

health. I supported doubling NIH research dollars. There is money in there for transportation and veterans health.

I think this is a good budget. It is a good starting place. I am disappointed today we chipped away at some of that tax cut. I think that means there will be less opportunity for economic growth for people, particularly in the small business sector, who look for a reduction in the burden of taxes in order to be able to grow their business and to create jobs.

I thank the chairman of the Appropriations Committee, Senator STEVENS, for allowing me to speak. This is an important issue.

The PRESIDING OFFICER. The Senator from Alaska.

Mr. STEVENS. I ask my remarks be charged similarly to those of the Senator from Colorado.

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

IN MEMORY OF SENATOR JOHN HEINZ

Mr. STEVENS. Mr. President, 10 years ago today Pennsylvania lost a great U.S. Senator, America lost a future President, and I lost a very dear friend. On April 4, 1991, Senator John Heinz was tragically killed in an airplane crash. He was not only a close personal friend. I was chairman of the campaign committee when he was elected. We sat by each other on the floor for years. We traveled together. We fished for blues together off Nantucket. And we worked on many issues together in the Senate.

Tonight I make these few comments in remembrance of my colleague. John Heinz was an extraordinary man. A person of great personal wealth, he was a Senator who cared deeply and deeply about average men and women, a Senator that fought to tear down antiquated age discrimination laws which failed to recognize and value the importance of older workers, a Senator who championed trade relief and adjustment for working men and women, as well as business, who fought any administration to ensure that workers hurt by our trade laws would not be victims of poverty or despair, a Senator who clearly recognized that our Nation's Medicare program was in desperate need of overhaul. But he knew his colleagues on each side of the aisle were not then, and are still not today, prepared to fix Medicare.

He was a Senator who believed we could address the myriad of environmental concerns of our Nation while still maintaining a balanced recognition of America's needs for resources and business development, and a Senator who cared deeply and loved his family.

John Heinz left three sons and a marvelous wife, Teresa. Tonight, I believe John Heinz looks down upon his family and, with that big smile he had which so many of us remember, he must be very, very proud. His family has con-

tinued his commitment to his values. John Heinz IV has started a school to help children who are on the verge of being discarded by the public school system realize their value and importance and that people really do care about them. Andre Heinz is pursuing his environmental interests advocacy by helping businesses across the globe understand how they and the environment can coexist and in many instances make larger returns for investors and working men and women. Christopher Heinz is finishing his MBA degree at the same school from which his father graduated. Christopher is likely to follow a business path, as his father did when Jack left Harvard.

But his greatest untold story, the untold story of the family, concerns Jack Heinz's wife, partner, spirit, and true love. Teresa Heinz is a personal friend of mine and my wife Catherine, someone we have known for many years. "Extraordinary" is the word I use to describe Teresa. Following John's death, she assumed the helm of the many Heinz family philanthropies and has nurtured them since then. They were among the most innovative and pioneering foundations in this Nation.

Teresa made sure that none of us forgets John or the visionary work he was pursuing by ensuring the Heinz family philanthropies and the Howard Heinz Foundation and endowment continue the pioneering work started by my friend, Jack Heinz. To honor Jack, Teresa created the Heinz Awards in 1993, a program to remember Jack, as Teresa said then, "in a way that would inspire not just me, but the rest of us." When she announced the program, Teresa explained:

I view the Heinz Awards in a sense as the awards of the 21st century because they recognize the very qualities we must embrace if we are to create the sort of future we would want to live in. . . . The Heinz Awards will measure achievements but also intentions.

I gave the first of those Heinz Awards to Andy Grove to show just how important they have been to our economy.

In 1996 Teresa tested in Pittsburgh her idea on how best to ensure early childhood education development was not just talked about but actually pursued. With a coalition of business leaders, the Heinz endowments launched Teresa's early childhood initiative, called ECI, to begin to tackle the issues of early childhood education and make sure that no family was left behind. In 1998 Teresa founded the Women's Institute to secure retirement, called WISER, to ensure that women, whether they work in or out of the home, would understand pension and retirement issues. Through a partnership with Good Housekeeping magazine, a magazine and supplement entitled "What Every Woman Needs to Know About Money and Retirement," women are better able to be informed and educated on how to prepare for their financial future. That supplement has reached more than 25 million readers and is available in English, Chinese, Portuguese, and Spanish today.

Perhaps the most notable is the work that Theresa has done to help explain to legislators at the State and Federal levels, Jack Heinz's vision which he articulated, by the way, more than 14 years ago, that we need to make available a prescription drug benefit to all people 65 and over.

Through her work at Heinz family philanthropies, Terry has spearheaded an effort to help legislators understand this complex issue and how States can design solutions to solve this problem—now reaching a crisis state in our country. Dubbed HOPE, the Heinz plan to meet prescription expenses is used by many States such as Massachusetts, Maine, Mississippi, and Pennsylvania, which work with the foundation on strategies to provide prescription drugs for the elderly.

That is perhaps the best example of what I believe is the spirit of John Heinz, designing a blueprint to help States determine whether and how they can and whether they will address such a crisis.

Because of Theresa Heinz, the Heinz Family Foundation pursues efforts to keep Jack's spirit and vision alive. That is why I am here. And for that, each of us should be grateful. I personally thank her for all she has done.

Mr. President, John Heinz, as I said, was my friend. In my own way, I celebrate his spirit each day when I walk on the Senate floor. He is no longer with us in person, but his spirit, his vision, and his unrelenting belief in hope lives with all of us.

I am proud to have known this man, John Heinz, and I am proud he was my friend. To Theresa, I send this message: Jack's spirit is right here on the Senate floor. Be assured we will never, ever forget who he was, what he stood for, or his dream for America.

MORNING BUSINESS

Mr. STEVENS. Mr. President, I now ask unanimous consent there be a period for morning business with Senators permitted to speak for up to 10 minutes each.

The PRESIDING OFFICER. Without objection it is so ordered.

SENATOR JOHN HEINZ

Mr. SPECTER. Mr. President, 10 years ago today a tragic accident occurred in the Philadelphia suburbs claiming the life of a very distinguished United States Senator. In addition, two 6-year-old girls were killed at the Marion Elementary School, as well as four pilots who were in charge of two aircraft which collided in suburban Philadelphia—a small charter plane carrying Senator Heinz from Williamsport, PA, with the destination of Philadelphia, and two pilots on a Sun Oil helicopter which had attempted to observe the landing gear of the small private plane, which, according to the dashboard, were not in place.

Those two planes collided in midair resulting in the deaths, as I say, of the