Standing Rules of the Senate, do hereby move to bring to a close debate on the conference report to accompany H.R. 1815, the National Defense Authorization Act for fiscal year 2006.

Bill Frist, John Warner, Mel Martinez, Lisa Murkowski, Mitch McConnell, Bob Bennett, George Allen, John Thune, Michael B. Enzi, Jeff Sessions, Johnny Isakson, Judd Gregg, Tom Coburn, Ted Stevens, Conrad Burns, Kay Bailey Hutchison, Pat Roberts.

DEFICIT REDUCTION ACT OF 2005—CONFERENCE REPORT—MOTION TO PROCEED

Mr. FRIST. I ask unanimous consent to now proceed to the consideration of the conference report to S. 1932, the omnibus deficit reduction bill.

The PRESIDING OFFICER. Is there objection?

Mr. CONRAD. Objection.

The PRESIDING OFFICER. Objection is heard.

Mr. FRIST. I now move to proceed to consideration of the conference report.

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

The PRESIDING OFFICER. Is there a sufficient second?

There is a sufficient second.

The question is on agreeing to the motion.

The clerk will call the roll.

The bill clerk called the roll.

Mr. McCONNELL. The following Senators were necessarily absent: the Senator from North Carolina (Mr. BURR) and the Senator from Arizona (Mr. McCAIN).

Mr. DURBIN. I announce that the Senator from Delaware (Mr. BIDEN), the Senator from New Jersey (Mr. CORZINE), and the Senator from Connecticut (Mr. DODD) are necessarily absent.

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

The result was announced—yeas 86, nays 9, as follows:

[Rollcall Vote No. 361 Leg.]

YEAS—86

Akaka	Domenici	McConnell
Alexander	Dorgan	Mikulski
Allard	Ensign	Murkowski
Allen	Enzi	Nelson (FL)
Baucus	Feinstein	Nelson (NE)
Bayh	Frist	Pryor
Bennett	Graham	Reed
Bingaman	Grassley	Reid
Bond	Gregg	Roberts
Boxer	Hagel	Rockefeller
Brownback	Hatch	Salazar
Bunning	Hutchison	Santorum
Burns	Inhofe	Sarbanes
Byrd	Inouye	Schumer
Carper	Isakson	Sessions
Chafee	Johnson	Shelby
Chambliss	Kennedy	Smith
Coburn	Kerry	Specter
Cochran	Kohl	Stabenow
Coleman	Kyl	Stevens
Collins	Landrieu	Sununu
Conrad	Lautenberg	Talent
Cornyn	Leahy	Thomas
Craig	Levin	Thune
Crapo	Lieberman	Vitter
Dayton	Lincoln	Voinovich
DeMint	Lott	Warner
DeWine	Lugar	Wyden
Dole	Martinez	

NAYS—9

Cantwell	Feingold	Murray
Clinton	Harkin	Obama
Durbin	Jeffords	Snowe

NOT VOTING—5

Biden	Corzine	McCain
Burr	Dodd	

The motion was agreed to.

DEFICIT REDUCTION ACT OF 2005—CONFERENCE REPORT

The PRESIDING OFFICER. The clerk will report the conference report.

The assistant legislative clerk read as follows:

The Committee of Conference on the disagreeing votes of the two Houses on the amendments of the House to the bill (S. 1932), to provide for reconciliation pursuant to section 202(a) of the concurrent resolution on the budget for fiscal year 2006 (H. Con. Res. 95), having met, have agreed that the Senate recede from its disagreement to the amendment of the House, and agree to the same with an amendment, and the House agree to the same, signed by a majority of the conferees on the part of both Houses.

The PRESIDING OFFICER. The Senate will proceed to the consideration of the conference report.

(The conference report is printed in the proceedings of the House in the RECORD of Sunday, December 18, 2005.

The PRESIDING OFFICER. Who yields time?

The Senator from New Hampshire.

Mr. GREGG. Mr. President, we are now on the deficit reduction conference report. We have 10 hours of debate, 5 hours equally divided. I know my colleague from North Dakota wants to speak tonight.

Just for the edification of our membership, we will run some time off the clock tonight—I think about 2 hours—and then come back tomorrow and continue the debate and hopefully wrap this up tomorrow.

This bill is a culmination of a lot of work done in the Congress, by the President, and by the Members of the Republican Party, to try to put some discipline into the fiscal accounts of the Federal Government. This bill represents the first time in 8 years that the Federal Government has attempted to control the rate of growth in entitlement spending. People who watch this debate understand this issue, but just to frame it again, Federal Government spending is divided into basically three different areas.

There is interest on debt, which we have virtually no control over.

There is the discretionary spending, otherwise known as the appropriations process, which means every year we spend a certain amount of money. It is really up to us how much we spend, and it is for specific programs. The majority of it goes to the defense spending, but other money goes to education, it goes to environmental issues, it goes to highways—things for which every year we appropriate, saying we are going to spend this much. We can change that number arbitrarily from year to year, and we do.

The third element of Federal spending is called mandatory entitlement spending. This spending occurs as a matter of law because certain people have come to certain situations in their life which allows them to receive a benefit from the Federal Government. They may be veterans who have served us well; they, therefore, get benefits. They may be persons of low income who need assistance, especially a child in a low-income family who needs assistance. They may be a retired citizen who paid into Social Security, who gets health care under Medicare, or a low-income person who gets health care under Medicaid, especially nursing care. These are entitlements. They make up the vast majority of Federal spending. Discretionary spending only makes up 30 percent of the Federal accounts, and half of that is defense spending.

Entitlements are also the fastest growing part of the Federal Government. We know because the baby boom generation is going to retire, and spending on entitlements, specifically on Social Security, Medicare, Medicaid, the health care accounts especially, is going to increase radically over the next generation's 30 years as the baby boom generation begins to retire. It is estimated today by the Comptroller General that there is a $44 trillion—that is trillion dollars with a ''T''—$44 trillion unfunded liability, which means we don't know how we are going to pay for it. The obligation is in place already for the cost, primarily for health care programs for retired people who are going to be the baby boom generation.

The practical effect of having that high an obligation out there and unpaid for is our children are going to have to pay the price. The practical effect of that is our children and our children's children, these wonderful young people who work here as pages, when they become earners and have kids of their own are going to have to pay so much to pay for programs which are already on the books to support our generation, the baby boom generation, they are essentially not going to be able to have as high a quality of life as we have. They are not going to be as comfortable in sending their kids to college, buying a car, buying a home, or just doing the day-to-day activities of life because they are going to have to pay a huge tax burden for our generation, unless we do something about it.

That is what this bill is about. For the first time in 8 years, the Federal Government has stepped up and said: We are going try to do something—the Republican side of the aisle—about this huge burden we are going to put on our children through entitlement accounts by addressing those accounts. We have been aggressive on the discretionary side. We have essentially frozen nondiscretionary spending, but on the entitlement side it continues to grow at a dramatic rate. This bill is a step, really more than a toe, but putting our whole foot up to our ankle in the water of trying to control entitlement spending, mandatory spending. It amounts to almost $40 billion in savings in Federal spending.

If this bill passes, it will reduce the debt of the Federal Government which will be passed on to our children by $40 billion. That is a big number. It is a big number in New Hampshire, and I know it is a big number in the State of every Member of this Senate. In the context of overall Federal spending, regrettably it is not as big a number as I would like, but it is still a big step forward on the road toward fiscal responsibility, and it is the first attempt to do this in 8 years. And this is an important point to stress. This is the only opportunity any Member of this Senate is going to have in this session of this Congress to try to control spending, to try to reduce the debt of the Federal Government.

We are going to hear a lot of talk from the other side saying: Well, you have a tax relief bill out there which is being reconciled, and it is twice the size of the spending restraint here. The tax bill isn't being voted on tonight or tomorrow; the deficit reduction bill is being voted on tonight or tomorrow. If you want to reduce the deficit, if you want to reduce the debt of the Federal Government, reduce the costs that will be passed on to our children and our children's children, this is your opportunity to do it. If you want to vote against the tax relief bill, go ahead.

I note as an aside that the tax relief bill has as its major function commitments to programs which I think have vast support across this Congress. In fact, I have heard other Members on the other side of the aisle say: Why aren't we passing a patch to the AMT so 20 million people do not fall under the alternative minimum tax? That is $30 billion of the tax bill. Why aren't we extending the deductibility of State and local sales taxes? That is a big chunk of the tax bill. Why aren't we extending the R&D tax credit, which causes us to create jobs in this country by giving entrepreneurs an incentive to go out and invest in R&D?

We are hearing that from the other side of the aisle. The majority of the items in the tax relief package of $70 billion are items which have very broad support in this Congress—Democratic and Republican support. So it is a bit of a straw dog—in fact, it is a very large straw dog, maybe a Newfoundland straw dog—to claim that extension of the tax bill for some reason, the majority of which is supported on both sides the aisle, is somehow reducing the effort on the deficit in this bill.

The two don't have that much relationship, and furthermore the tax bill already has broad support on the main elements of it. The only ones at issue are dividends and capital gains, which do not even impact this year or next year because that part of the tax relief package doesn't kick in until 2009 or 2010.

This is it, folks. It is your one chance as Members of Congress, as Members of the Senate, to actually do something about the debt we are going to pass on to our children. You have an opportunity to reduce that debt by almost $40 billion.

In addition, I would note, there is a net number, the $40 billion.

There are initiatives in this bill which are fully paid for which make a lot of sense and which are pretty good policy. We decided to put them in after we had saved money to pay for them.

For example, the Pell Grant Program is expanded dramatically to low-income kids. This is a program to encourage low-income children who are especially interested in math and science to be successful in our schools. We know it is the seed corn for our productivity and our competitiveness as a Nation to promote math and science skills.

There is an expansion of Medicaid to low-income children. About 1 million—over 1 million—needy kids today who are low income, who do not have health coverage will get health coverage.

There are efforts in this bill to assist the people in the gulf coast, significant efforts. It would be very hard, I would think, if I were from the gulf coast to vote against this bill because there is a tremendous amount of funds being focused on the gulf coast, to address the needs of the gulf coast in the area of education and in the area of Medicaid. Literally billions of dollars, all paid for.

In addition, there is money for LIHEAP, $1 billion. Those from cold regions of the country know because of the runup in the price of gas and oil it will be very hard for a number of low-income families to make it through the winter. They will have to make some tough choices. We want to fund the low-income energy assistance program. This bill does it; it pays for it with spending reductions.

In addition, there is significant and positive welfare reform language which the Governors are asking for, bipartisan governorship is asking for, as well as Medicaid reform language—again, with bipartisan, strong support from the Governors—giving the Governors more flexibility and allowing them to deliver more service to more low-income people at less cost.

This bill has a lot of good policy in it as well as saving $40 billion. It is the first and only opportunity—not the first opportunity because we voted on it a few times—the last opportunity to cast a vote to save $40 billion and not pass the debt on to our children.

It is a positive bill. I hope my colleagues will support it.

I yield the floor.

The PRESIDING OFFICER. The Senator from North Dakota.

Mr. CONRAD. Mr. President, I thank the chairman for his spirited defense of this package. He is quite right. There are elements of this package that are positive. There are elements of this package that at some point we will adopt. Perhaps we will adopt them this year.

The chairman has left out certain chapters in the book of reconciliation. Reconciliation was part of this year's budget process. There are three chapters in the book. The first chapter is the spending cuts that have now come back from the conference report, deliberations between the House and the Senate, that cut spending $40 billion over 5 years. That is $8 billion a year when the budget is $2.5 trillion. If my math is right, that is one three-hundred-fiftieth of the spending for a year.

But what is left out of the chairman's presentation is the other chapters of the book. Chapter No. 2 is the tax cuts. He is quite right, they are not before the Senate today, but they are coming. They are part of this package. They are part of this book. They are the second chapter. The second chapter cuts $70 billion of taxes. Put the two together, a $40 billion spending cut and a $70 billion tax cut, and guess what. You have increased the deficit, not reduced it.

This is all part of a package. It is part of the budget process, three chapters that one has to read to reach a conclusion on the meaning of the book. The third chapter is the one they really do not want you to read. The third chapter increases the debt of the country by $781 billion. That is the third chapter. We do not hear them talk about that chapter at all. There is a reason for that.

If we go back and look at what the President has said—in 2001, when we enacted his economic program, he said:

> [W]e can proceed with tax relief without fear of budget deficits, even if the economy softens.

Mr. SARBANES. Will the Senator yield?

Mr. CONRAD. I am happy to yield.

Mr. SARBANES. That was in March of 2001. At that time, wasn't the Federal budget running a surplus?

Mr. CONRAD. The Senator is exactly right. The Senator from Maryland, a valued member of the Senate Committee on the Budget, remembers very well the budget was in surplus. In fact, we had a projection from the administration that we were going to have almost $6 trillion of surplus.

Mr. SARBANES. So at the time we were running this surplus—and let me just note, it had taken a lot of work to get out of an earlier deficit into surplus—and there was some concern expressed that the excessive tax cuts the President was proposing would throw us into a budget deficit and we would lose that surplus, the President told us in no uncertain terms that there was no reason to fear budget deficits; is that correct?

Mr. CONRAD. The Senator is exactly correct. The President told us there was no concern about the possibility of budget deficits. In fact, the Senator may recall this chart provided by the Congressional Budget Office and the

Office of Management and Budget of the President that said this was the range of possible outcomes going forward with the fiscal affairs of the country. They adopted the midpoint of this range of possible outcomes showing very dramatic surpluses, all above the line, dramatic surpluses throughout this entire period coming to 2005.

Look what actually happened. At that time, the worse case scenario was this bottom line. We can see for the most part it was all in surplus territory. This is what they said was the best case scenario. They adopted the middle of the range of possible outcomes.

I can remember very well our Republican friends saying to me: Don't you understand, Senator, it will be way above this midrange because the tax cuts will generate greater economic activity and more revenue.

Now we can look back and test that theory and see what happened in the real world. Here is what happened in the real world: This red line, it is far below the worst case estimate of what might happen. In fact, it represents massive deficits, the biggest in our history. That is what really happened.

Then the President said the next year, in the State of the Union Address:

> . . . Our budget will run a deficit that will be small and short-term . . .

That was after saying there would not be any deficits. That proved to be wrong.

Mr. SARBANES. Will the Senator yield?

Mr. CONRAD. I am happy to yield.

Mr. SARBANES. So the previous year the President was saying there would be no deficit, and a year later, in the face of what obviously would be a deficit, he said, well, it will be a small and short-term deficit.

Mr. CONRAD. That is exactly what he stated in 2002, small and short-term deficit. Now we are able to check that record.

He made that claim in 2002, the first year we were into deficit, after running surpluses in the years leading up to that.

In 2001, the first year he was in office, the budget from the previous administration had a surplus. The next year, after his policies were adopted, we plunged into deficit. Then he told us that year the deficits were small and short term.

The chart shows what has happened. The next year the deficit got much worse. In 2003, it was approaching $400 billion. In 2004, the deficits actually exceeded $400 billion. This year, the deficit is over $300 billion. Of course, much of the Katrina costs have not been included in this year's deficit because it will be coming next year.

It is very interesting, the President was wrong about saying no deficits. We saw that in 2002. So in 2002 he said they will be small and short term. He was wrong again. Instead of small and short term, they are large and long lasting; in fact, the biggest deficits we have ever had in the history of the country.

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

Mr. CONRAD. Yes.

Mr. SARBANES. In 4 years, after the President said there would be no deficits, we have incurred deficits of, according to my quick calculation, over $1.2 trillion; is that correct?

Mr. CONRAD. The Senator is correct.

If you go to the next step, what we have is a situation that is more serious even than that. The deficit does not capture the increases in the debt. The deficit last year was $319 billion. I say ''last year'' because we are now in Federal fiscal year 2006. That started October 1. So the 2005 deficit ending the end of September, the year ending the end of September, was $319 billion. But here is how much got added to the debt: not $319 billion but $551 billion. All of it has to be paid back.

Of course, as the Senator knows, the big difference between the two calculations—the deficit and what got added to the debt—the biggest difference is the money being taken from Social Security to pay other bills.

Last year, the last Federal fiscal year, $173 billion of Social Security money was taken to pay for other things. The result is, when you add that with the deficit and other trust funds that are being raided—another $59 billion—what got added to the debt was really $551 billion.

If we look back on the relationship between spending and revenue expressed as a share of gross domestic product—and we do it in that way because economists tell us that is the best way to make these comparisons—the red line on this chart is the spending line. You can see, the spending had come down substantially until we reached the year 2000. Spending had come down each and every year of the Clinton administration as a share of gross domestic product. Now we have had a substantial uptick because of defense costs and homeland security, rebuilding New York.

But look at the revenue line. The revenue line, which was at a peak when the President came into office—he said this was a record high. He was right—but look at how the revenue plunged with the President's policies. Most of this is tax cuts. And the other, of course, is economic slowdown. The result is, we have opened up a chasm between the revenue line of the United States and the spending line. We see that gap going forward, and really at the worst possible time because this is before the baby boomers retire.

In looking at that, the President told us—the next year, after his 2002 address—in 2003:

> [O]ur budget gap is small by historical standards.

So first he told us there would be no deficits. Then he told us the deficits would be small and short term. Both of those proved to be wrong. Then he said to us, well, they will be small by historical standards.

Let's check that assertion because here is what we see: They are not small by historical standards. In fact, they are the biggest deficits we have had in the history of the United States. I know the President likes to say, well, as a share of GDP they are not as big as the deficits in the 1980s. But that is because he excludes the money he is taking from Social Security. Back in the 1980s, there was no money to take from Social Security, or very little. Now there are large amounts to take from Social Security, and the President is taking it all, every penny; last year, $173 billion.

Over the next 10 years, under the President's plan, he is going to take $2.5 trillion of Social Security money and use it to pay for other things. This is at a time when he says there is a shortfall in Social Security. Well, he is helping create the shortfall in Social Security because he is taking the money and using it to pay for other things. Then the President told us in 2004:

> So I can say to you that the deficit will be cut in half over the next five years.

Let's review. In 2001, he told us there were going to be no deficits. He was wrong. In 2002, he said it was going to be small and short term. Wrong again. The next year he told us, in 2003, the deficits were going to be small by historical standards. Wrong again. They are the largest deficits we have ever had in dollar terms. And if you measure appropriately, as a share of GDP, it is as large as the deficits in the 1980s, when you include the money from Social Security that he is taking to pay for other things.

Now he says he is going to cut the deficit in half over the next 5 years. Well, let's examine that claim. Here is what the President says is going to happen: The deficit is going to get cut in half over the next 5 years. But he has really left out a lot of things to make that assertion. He has left out the war cost past September 30 of this year. There is nothing in his budget for that. He has left out the money to fix the alternative minimum tax, the old millionaire's tax that is rapidly becoming a middle-class tax trap. It costs $700 billion to fix. He has no money in his budget to do it. And, of course, his Social Security plan, which is the biggest budget buster of all, he has no money in his budget to do that.

When you put all those items back in, you see quite a different picture emerge. In fact, past this 5 years, you see the deficit growing dramatically. Of course, the biggest reason for that is, the cost of the President's tax cuts absolutely explodes in the second 5-year period.

Now, the President told us, back in 2001, how important it was to pay down the debt. He said at the time:

> . . . [M]y budget pays down a record amount of national debt. We will pay off $2 trillion of debt over the next decade. That will be the largest debt reduction of any country, ever. Future generations shouldn't be forced to

pay back money that we have borrowed. We owe this kind of responsibility to our children and grandchildren.

So the President, back then, was telling us he was going to pay down the debt. Well, there is no paydown of debt occurring here. The debt is exploding. It was $5.7 trillion back in 2001. It is $8 trillion today. And here is where it is headed: By 2010, under the terms of the budget that we are discussing, the debt is going to reach $11.3 trillion. So on this President's watch, the debt will have doubled. All the while, he was telling us he was going to have maximum paydown of the debt, and that we owed it to future generations to pay down debt. There is no paydown of debt going on here. The debt is skyrocketing.

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

Mr. CONRAD. I am happy to yield.

Mr. SARBANES. This reconciliation process really is a package, in which you have to consider not only the spending cuts but the tax cuts they are pushing through, as well as the increase in the debt. Am I correct that this reconciliation package includes raising the debt limit by some $800 billion?

Mr. CONRAD. The Senator is correct. This package really does have three chapters. The first chapter is the spending cuts, $40 billion over 5 years. There is only $8 billion a year in a $2.5 trillion budget. It is so insignificant. But then the second chapter is cutting taxes $70 billion, which, if you put the two together, there is no deficit reduction going on here. They are increasing the deficit. And the third chapter is extending the debt limit of the United States by $781 billion.

That is what happens if you read this whole book. It is not a pleasant ending.

Mr. SARBANES. If the Senator will yield further?

Mr. CONRAD. I am happy to.

Mr. SARBANES. I want to tell the Senator one story. I was in a shopping center over the weekend, and I saw a bumper sticker on a car. The bumper sticker said: ''Mr. Bush, we will be forever in your debt.'' Just then, the person whose car that was came along, and I said to them: What was it you were thinking about that the President has done when you say we are going to be forever in his debt? I thought it was for something he had done. The person said: Think about it. I meant exactly what it says. Mr. Bush, we are going to be forever in your debt.

Here is the debt, which the Senator from North Dakota is pointing out. I think the person is right. We are going to be forever in this debt. This is what is being handed to this generation, the next generation, and the generation after that.

As the Senator pointed out in the previous chart, they have doubled the debt over this very short time period.

Mr. CONRAD. They have doubled it. And the amazing thing to me is our colleagues are out here with a bill that is headlined, ''Deficit Reduction.''

If you read the fine print and look at their own estimates of what happens if this budget is finally approved and implemented, here is what it does to the debt. Anybody see any reduction of deficit here anywhere? This is taking us from $7.9 trillion of debt at the end of fiscal year 2005 and it is going to run it up to $11.3 trillion in 5 years. Each and every year, according to their estimates of what their budget does, the debt of the country is going to increase by $600 to $700 billion a year. They are out here talking about a deficit reduction package. Please. Do words have no meaning? Do we make phrases up in order to fool people? People aren't going to be fooled because each and every year they are going to be able to see what has happened under the claims that are being made. Have the deficits been reduced? Has the debt been reduced? Or is it skyrocketing?

I make the assertion today that if this budget is actually implemented for the next 5 years, for which it has been approved, at the end of the time, the debt will be dramatically larger than the debt today. The kind of stunning result of all this is that our country is borrowing more and more money, much of it from abroad. I went and looked at the external debt of the country. It took 42 Presidents—here are their pictures, all of these Presidents—224 years to run up a trillion dollars of external debt. In fact, it was $1.01 trillion of external debt. This President has more than doubled it in 5 years. This President has run up more debt that is held by foreigners than 42 Presidents did in 224 years. That is a remarkable accomplishment. I hesitate to call it an accomplishment because accomplishment suggests something positive. There is nothing positive about it.

The result is, here are the countries to which we owe money. We owe Japan almost $700 billion. We owe China almost $250 billion. And my favorite is the Caribbean Banking Centers. We owe them over $100 billion. One would think, in the midst of all this, Congress would want to actually do something to reduce the deficit.

Mr. SARBANES. Will the Senator yield for a moment?

Mr. CONRAD. Yes.

Mr. SARBANES. Let me go back to this external debt that is being held outside the country. Isn't it important to understand, as difficult as the deficit and debt problems are, that when the debt is held internally, it is Americans owing it to Americans. But when the debt is being held externally, it means that as a nation, we have to service this debt which is being held outside of the country. So that amount becomes a charge, as it were, against our own standard of living; isn't that correct? Would not our standard of living be lowered as a consequence of having to meet this external debt-servicing requirement?

Mr. CONRAD. The Senator is exactly right. What is happening now is, we used to borrow the money largely from ourselves. Now we are borrowing from abroad. Since the President took over, the debt of the country has gone from $5.7 trillion to $8 trillion. That is a $2.3 trillion increase. Look at this: The debt has increased by $2.3 trillion, but a trillion of it has come from abroad. Over 40 percent of the debt that has been increased under this President is coming from abroad. Again, I go back to the historic record. It took 224 years and 42 Presidents to run up a trillion dollars of debt held abroad. This President has exceeded that amount in 5 years.

During the President's term, the debt has increased $2.3 trillion, a trillion of it coming from foreigners.

Mr. SARBANES. Will the Senator yield? I note from his chart, in 2001, we had $5.7 trillion in debt, of which $1 trillion was held abroad.

Mr. CONRAD. Right.

Mr. SARBANES. So about a sixth, maybe 17 or 18 percent, was being held abroad.

Mr. CONRAD. That is correct.

Mr. SARBANES. This President has added $2.3 trillion in debt, of which $1.1 trillion is being held abroad. So there has been a dramatic shift in who is holding this debt and what that represents in terms of a burden on our society.

Mr. CONRAD. It is very dramatic. You can see the trend continuing. Now, when we have a bond auction, about half of the debt is being bought by foreigners.

Mr. SARBANES. There is a wonderful line in a Tennessee Williams play where Blanche DuBois says: I have always depended on the kindness of strangers. It seems to me that is what is happening to the fiscal situation of the United States. We are becoming increasingly dependent on foreigners and in particular foreign countries, since this debt now is being purchased largely by the central banks and not by individual investors. There has been a dramatic shift in terms of who is holding our debt. We are becoming increasingly dependent on others for our fiscal survival. It is a dramatic and deeply concerning development.

Mr. CONRAD. I spoke to the student council leaders of my State. There were 900 to 1,000 of them in the room. I pointed out this fact about more and more of our debt being held externally. I asked them: How many of you think this is a sign of strength and how many think it is a sign of weakness? Some people say this is a sign of strength that people will loan us this amount of money. And I would say 98.9 percent of the students said they saw it as a sign of weakness, not a sign of strength. Maybe one reason is they realize they are the ones who will have to pay this bill.

Now we have this bill before us. Here is the total spending we are going to do over the next 5 years—$14.3 trillion. Our friends come here with $40 billion of spending cuts. That is one three-hundredth, less than one three-hundredth, in fact, one three-hundred-fiftieth of the spending that is going to occur over the next 5 years, one three-hundred-fiftieth of the spending. Of course, it is going to be completely topped by the tax cut that they are proposing, a tax cut of $70 billion that is going to occur. It is interesting. Why do we have this package before us? Here is what the chairman of the Ways and Means Committee said in the House. He told a group of lobbyists that the spending cuts are necessary to make room for tax cuts. The spending cuts are $40 billion over 5 years. The tax cuts in the Senate are $70 billion. In the House, the tax cuts are even bigger. In the House, the tax cuts over 5 years are $95 billion.

Some people have said to us: Senator, who knows what is going to happen in 5 years? How about this next year? What is the comparison in this package between the spending cuts and the tax cuts? Here you have it. In the Senate package, the spending cuts are $5 billion for the year and a $2.5 trillion budget. That is one five-hundredth of the spending. And the tax cuts are $11 billion. So in the first year, they are $6 billion under water. They are adding to the deficit, adding to the debt by $6 billion, not cutting it as they claim here in their speeches. But when you put the whole package together, they are increasing the deficit.

If you look at the House package and their proposed tax cuts, it's much worse. Five billion dollars of spending cuts, $21 billion in tax cuts in the first year. So they are adding to the deficit by $16 billion in the first year alone, adding to the debt.

(Mr. TALENT assumed the Chair.)

Mr. SARBANES. Will the Senator yield for a question on that chart?

Mr. CONRAD. I am happy to.

Mr. SARBANES. Is it not also important to ask the question, who is being affected by the spending cuts and who is benefitting from the tax cuts, because that gives you a sense of what the priorities are? It is my perception that the spending cuts are affecting those who have little—working people, or people in difficult circumstances, such as young people trying to get a college education. The tax cuts for which these spending cuts are being imposed—as the chairman of the House Ways and Means Committee said, to make room for them—are going primarily to benefit those at the upper end of the income and wealth scale. So aren't those the priorities that are being set here? People have to make the connection. They say we are doing the spending cuts to reduce the deficit. Of course, then they admit they are trying to hold the deficit down through spending cuts in order to make room for the tax cuts.

So you have to ask, who is being hit by the spending cuts? Who is getting the benefit of the tax cuts? Those priorities, it seems to me, are standing completely on their heads. They are just the wrong set of priorities. We have to make that connection, don't we, to understand what is happening?

Mr. CONRAD. We do. I have in my hand a report from the Center on Budget Policy Priorities, a group the Senator knows well, a very well respected group in this town. This is the headline: ''Budget Conference Agreement Contains Substantial Cuts Aimed at Low-Income Families and Individuals.''

One of the points they make is that this budget agreement increases the copayment and premiums for those who are on Medicaid. Those are the least fortunate among us. They say:

> A large body of research has found that such cost-sharing increases are likely to lead many low-income Medicaid patients to forego various health care services and medications or not to enroll in Medicaid at all.

Second, it provides for benefit reductions. They go on to report that the conference report retains about a third of the House-passed cuts that, for many Medicaid beneficiaries, would eliminate the Federal standards which assure that they receive comprehensive health care coverage.

It goes on. Some of the cuts are for, stunningly enough, child support enforcement. So they are cutting funds for child support enforcement. The CBO estimates show the conference report includes a billion and a half in cuts in Federal funding for child support enforcement efforts. That is funding that States use to track down absent parents, for child support orders, and to collect and distribute child support. The Congressional Budget Office has estimated that this loss in Federal child support funding will result in child support going uncollected over the next 5 years of $2.9 billion.

Some of those advocates for this say they are friendly to families. What is friendly about letting deadbeat dads escape their responsibilities to their kids and their families? That is part of what is done here. If this package were really reducing the deficit, that would be one thing. It doesn't reduce the deficit. This package, when you include the tax cuts, dramatically increases the deficit. When you look at this package, not only does it cut child support enforcement and Medicaid for those who are the lowest income among us, it also badly underfunds child care because also buried in the package is reform of welfare.

The Congressional Budget Office estimates that it would cost $8.4 billion for the States to meet the new work requirements. Only a billion dollars is provided. So if we are going to have these people go to work, one of the things that happens is the cost of childcare goes up. The cost of childcare goes up by $8.4 billion, and they shortfunded it by $7.4 billion. We all know who gets the benefit of the tax cut. The tax cuts on the House side go overwhelmingly to the wealthiest among us. The average tax cut just on the capital gains and dividend provisions in the House bill provides those earning over a million dollars a year a $35,000 tax cut.

I don't find this in any religious teaching that I have been exposed to. But the message is very clear. We take from the least among us to give to those who have the most among us. That is what this bill does. On top of that, when you put the whole reconciliation package together, it increases the deficit, increases the debt, and in chapter 3 expands the debt of the United States in one fell swoop by $781 billion.

Mr. SARBANES. Will the Senator yield?

Mr. CONRAD. Yes.

Mr. SARBANES. In light of what we previously looked at as to how this debt is being financed from outside the country, in effect what is happening is that in order to give tax cuts to very wealthy people, we are borrowing from Japan, China, Korea, and the Caribbean money centers, and so forth and so on. That is where we are finding the money to fund this debt that is being created and run up in order to give tax cuts to wealthy people, is it not?

Mr. CONRAD. I was speaking to people in my State, and one person in my audience said: You know, the President says that it is the people's money and we ought to give it back to the people. Well, that is absolutely true. This person in the audience said: But it is turning out that it is the Chinese people's money, the Japanese people's money. That is whose money we are giving back. We are having to borrow from them to give it back.

This is a bizarre situation that we are in, but that is what is happening. Some say, well, if you borrow the money, somehow it will pay off. Let's make sure that Chairman Greenspan doesn't believe that. He said this before the Joint Economic Committee:

> We should not be cutting taxes by borrowing.
>
> We are borrowing in huge amounts.

This is his statement on restoring the pay-go provisions that we tried hard to get restored, which say you can have additional tax cuts, but you ought to pay for them. You can have new spending, but you ought to pay for it.

He said this on March 2 before the House Budget Committee:

> All I am saying is that my general view is I like to see the tax burden as low as possible. And in that context, I would like to see tax cuts continued. But as I indicated earlier, that has got to be, in my judgment, in the context of a pay-go resolution.

That is what we offered to our colleagues, but they didn't accept it. Here are the major provisions in this package. It cuts low-income beneficiaries in Medicaid. It cuts child support. It cuts foster care. I mean, really, is this the priority of the country to cut child support enforcement, foster care, and medical help for those who have the least among us?

It delays Social Security supplementary benefit income payments for poor, disabled individuals. Now there are new work requirements imposing unfunded mandates on the States.

Mr. President, I think these are the wrong priorities for the country. The reconciliation bill unfairly targets Medicaid beneficiaries. The Senate proposed no increase in cost sharing for these very low income people. The House insisted on $2.4 billion from those same very low income people. The conference report included 80 percent of what the House proposed.

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

Mr. CONRAD. Yes, I will be happy to yield.

Mr. SARBANES. The way the Medicaid Program is structured, as I understand it, is that in order to be a Medicaid beneficiary, in order to receive Medicaid to meet your health care needs, you have to be adjudged to be at an income level that is so low it is clear you can not afford medical care. In order to get Medicaid to begin with, don't you have to meet that requirement?

Mr. CONRAD. Absolutely. The Senator is correct.

Mr. SARBANES. And now they are proposing to take people who get Medicaid because their income is so low that they can't meet their health care needs in any other way, and they are imposing additional burdens on these Medicaid recipients.

Mr. CONRAD. I say to my colleagues, it is not just in Medicaid. They are cutting foster care. They are cutting child support enforcement. You have to ask yourself: What can they be thinking?

The President's 2006 budget cites the child support program as one of the highest rated block/formula grants of all reviewed programs government-wide.

This is a program that epitomizes the value of parental responsibility—increasing family self-sufficiency, decreasing public assistance use, reducing out-of-wedlock births and discouraging divorces.

That is what the Center for Law and Social Policy said on November 17 of this year. And we have a bill before us that cuts child support.

One has to wonder, What are they thinking? What are the priorities that are contained here, priorities that cut the spending $40 billion by targeting those who are the least fortunate among us—$40 billion over 5 years. It is only $8 billion a year. The first year it is only $5 billion of savings in a $2.5 trillion budget. That is one five-hundredth of the budget, and then they cut the taxes, especially for the wealthiest among us, much more. So, when you put the two together, they have increased the deficit, not reduced it; they have increased the debt, not reduced it at the very time the debt is exploding before the baby boomers even retire, which will put even more pressure on our budget.

This is a budget that makes no sense. It makes no sense. I have never seen this town more disconnected from reality than we are with this budget.

This bill hurts companies, farmers, and workers, repeals the antidumping provision, eliminating assistance that benefits U.S. companies, farmers, and workers who have been targets of unfair and predatory trade practices.

I conclude as I began. This package does not make sense. When you put together all of the elements of reconciliation, it increases the deficit, it increases the debt at the very time the debt has already been dramatically increased, at the very time we are borrowing more and more money from abroad to float this boat, and this budget and this budget plan pushes us down the road to more deficits and more debt, and they have labeled it deficit reduction, but nothing could be more misleading.

This is a package, when you put it all together, that increases deficits and increases debt and at the worst possible time—before the baby boomers retire—and puts even further pressure on these fiscal imbalances that are leading us to borrow more and more money from all around the world.

At some point, we have to stop and we have to get on a firmer fiscal course. We have to restore fiscal discipline to our country.

I thank the Chair and yield the floor.

The PRESIDING OFFICER. Who yields time?

Mr. GREGG. I ask the Senator from Maryland how much time he wishes to speak?

Mr. SARBANES. Five minutes, at most.

Mr. President, I first thank and commend the very able Senator from North Dakota for a very powerful presentation and also for his work, day in and day out, as the ranking member on the Democratic side on the Budget Committee. I don't think there is anyone in the Senate who understands the fiscal situation better or has a more perceptive analysis of what has happened than the very distinguished Senator from North Dakota. I thank him for his leadership on this issue.

I will be very brief. I simply want to say that this conference report before us is worse than what the Senate passed, significantly worse. It will cut crucial assistance to working families, to students, and to the elderly, amongst others. I think these cuts will move the Nation in the wrong direction. I particularly disagree with imposing these cuts on low- and moderate-income Americans, supposedly to bring our budget deficit under control but actually to make room to give tax cuts to very wealthy people.

The budget resolution provides for reconciliation protection for both the spending bill and a tax bill. So to see the impact of the reconciliation process, one has to take the two together. Although we only have the spending bill now, the tax bill will follow along as surely as the night follows the day.

The budget resolution requires almost $40 billion in spending cuts. The same budget resolution tells the committees to report tax cuts of $70 billion. So we have a reconciliation process supposedly intended to reduce the deficit—in fact, they call it the Deficit Reduction Act; where is George Orwell when we need him?—which, when both the spending bill and the tax bill are considered, is going to increase the deficit, not reduce the deficit.

So these spending cuts are being made not to address our budget deficit, they are being made to make room for tax cuts—the quote from the chairman of the House Ways and Means Committee was absolutely on point. This legislation is a clear example of a fiscal policy that places a higher priority on tax cuts than on funding needed services and reducing the deficit. This is clearly a misplaced priority, regrettably one that has characterized this administration.

We have seen this incredible swing in our fiscal position over the last 5 years. When President Bush came into office, we were projecting, over the next 10-year period, a surplus in the Federal budget of $5.6 trillion. Today, after a series of excessive tax cuts, we are projecting a deficit over 10 years of $4.5 trillion. This is a swing in our fiscal position of $10 trillion in the wrong direction, from a $5.6 trillion projected surplus to a $4.5 trillion projected deficit.

We are risking our fiscal future. We are targeting tax cuts to those who need them the least and we are cutting programs for those who need them the most.

This is an incredibly wrong set of priorities. I am very much opposed to this conference report, and I very much urge my colleagues to reject this conference report when it comes to a vote.

Mr. President, I yield the floor.

The PRESIDING OFFICER. Who yields time? The Senator from New Hampshire.

Mr. GREGG. Mr. President, I want to respond briefly to a couple of the comments that were made, and then I think what we will do—I have talked with the Senator from North Dakota and he has been very accommodating—I think we will deem 2 hours off the bill equally divided as of this evening, which means he gives up 15 minutes and I give up 45 minutes. That is how negotiations are almost every time we get together.

A couple points were made. First, that the antidumping language was taken out. Actually, the antidumping language is still in the bill.

So that item of concern by the Senator from North Dakota has been addressed, and I would think that that would cause him to vote for the bill.

The second item was the issue of child support enforcement. Now, the House bill did have some initiatives in there which the Senate spoke on relative to a motion to instruct, and the final language came very close to the Senate position on child enforcement. In fact, essentially what the bill says is that we are not going to reduce the effort on child support again. What we are not going to allow States to do, however, is game the system where they take Federal funds, use those Federal funds, claim them to be State funds and then ask for a Federal match to Federal funds when they should be using State funds. That sounds a little confusing but the way it works is this: The State has to match $100 to get $1,000 from the Federal Government. What they will do is take $100 from the Federal Government—instead of coming up with $100 from the State, they will say they got their $100 from the Federal Government and they are going to claim it is a State $100 and then they are going to match and then they ask for another $1,000. Well, that is gaming the system and it is not appropriate. I think there is general agreement that that is bad policy.

In fact, what the bill does in the area of child support is increase child support under the current TANF laws. There is welfare reform in this bill, and it is pretty positive in the area of child support, in expanding child support. So I think that, again, there is positive child support language in here. Some of the language which was referred to is reflective of the way the original House bill was but is not reflective of the conference. The same is true for the foster care area. To the extent foster care is addressed, it is addressed in a very reasonable way, dealing with Federal-eligible children who are living with unlicensed relatives in another ineligible setting or who have not yet entered foster care. So basically, again, there is an issue of gaming the system by the States, but it does not impact—and in fact, again, this bill specifically addresses, in a positive way, the foster care issue.

So those three items were raised. There were a lot more which were raised, but those three items need to be addressed. More importantly, on a broader scale, this bill, rather than, in my opinion, impacting low-income individuals in a negative way, actually has a pretty positive impact on a lot of low-income accounts. As was mentioned earlier, there is a very large expansion of the Pell grant program for low-income students. There is a very large expansion of something called the SMART Program for low-income students who are going to participate in math and science. There is a significant expansion of Medicaid assistance. Over a million children will be picked up under this bill. The Medicaid proposals which are in this bill will basically protect the integrity of the system so that it can be expanded rather than be gamed by people who spend down inappropriately and basically pass their burdens on to the Federal taxpayer when they can actually afford some of the costs of their nursing home care, and it will give the State Governors much more flexibility.

That is why I believe it was the Governor of Virginia, Governor Warner, who came out strongly for the flexibility language and the spend-down language because, and I believe I am representing this correctly, he saw this as a positive step to be able to deliver more child care to more kids who are low income by having more flexibility and doing it with less of an increase in dollars.

Remember, we are not talking about cutting anything in Medicaid. Medicaid will spend $1.2 trillion during this 5-year window. It will grow at 40 percent. We are talking about a $5 billion cut on a $1.2 trillion base. Essentially, it does not even show up if one does a chart—because the lines are so close together—as being a significant reduction in the Medicaid accounts.

What is important about Medicaid is the policy that comes with that proposal, which policy specifically will give the Governors what they have asked for in a bipartisan way. They came to the Congress and said: This is what we would like to deliver this program more effectively to more people. This bill carries that type of language with it and that is the way we should approach this. So it is a good bill relative to low-income individuals, especially those on Medicaid and those wanting to go to college.

There are initiatives in here which will benefit those people and be positive. But it is also a good bill for all Americans. The idea that we are going to actually, if we pass this bill, reduce the debt by $40 billion is a pretty good idea. Most Americans would like to see the Federal debt go down, and they would like to see us do something to discipline Federal spending in some way, and this is not a dramatic way.

The Senator from North Dakota held up a chart to point out that it was not dramatic. He made our case for us. One cannot say all of these things are egregious and then hold up a chart that says there is $14 trillion of spending that is going to occur in the next 5 years and only $40 billion of cuts and look how small that cut is—it is not a cut but a reduction in rate of growth—compared to all the spending that is going on, so it is not relevant, and then turn around and say but the $40 billion is inappropriate because it does too much.

Well, it does not do too much. It is a step forward. It has some policy which will hopefully drive the outyears in a very positive way, give the Governors more flexibility in the Medicare area, do a number of things in a number of other accounts which will be positive. As a result, most importantly, we will have for the first time put not our toes but at least up to our ankles in the waters of trying to put some fiscal responsibility into the area of mandatory and entitlement spending, which is the single largest driver of our deficits and our outyear problems relative to being able to pay the cost of the Federal Government.

So I certainly hope we will pass this bill because it is the responsible thing to do in my view.

I ask unanimous consent that we deem 2 hours have been used on the bill and that those 2 hours would be equally divided between the parties.

The PRESIDING OFFICER. Is there objection?

Mr. CONRAD. Mr. President, I would like 1 minute to respond to two points that were made and then I would be happy to agree.

The PRESIDING OFFICER. The Senator is recognized.

Mr. GREGG. I will reserve until the Senator has used his 1 minute, which I hope the Chair will discipline very precisely.

Mr. CONRAD. Mr. President, on the question of foster care, the bill includes $343 million in net cuts in foster care funding, including two cuts that will make it harder for some States to provide federally funded foster care benefits to certain grandparents who are raising their grandchildren. That is not the right priority for the country.

On the question of child support enforcement, the Congressional Budget Office estimates show the conference report includes $1.5 billion cut in Federal funding for child support enforcement efforts over the next 5 years. This is funding that States use to track down absent parents, establish legally enforceable child support orders and collect and distribute child support owed to families.

CBO has estimated that this loss in Federal child support funding will result in $2.9 billion in child support going uncollected over the next 5 years. These cuts are smaller than in the House bill. It will nevertheless take billions of dollars out of the pockets of mothers and children who are owed child support.

This report goes on to say the conference agreement also contains some modest improvements in child support but the cuts in Federal support for the program and the associated loss of child support collections far outweigh the very modest benefits that some families would see as a result of a few improvements.

I ask unanimous consent that this report from the Center on Budget and Policy priorities be printed in the RECORD after my statement.

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

(See exhibit 1).

Mr. GREGG. Mr. President, I renew my request.

The PRESIDING OFFICER. Is there objection?

Mr. CONRAD. I reserve the right to object for another 30 seconds. On the Byrd antidumping proposal, the Senator is correct that the repeal is not immediate but the repeal is still in the bill. It is postponed by 2 years. So I say on these issues we have a difference of position. I think this goes in the wrong direction. I think it expresses the wrong priorities for the country. Most seriously to me the whole reconciliation package increases the deficit and increases the debt. We ought to be doing precisely the opposite.

EXHIBIT 1

[From the Center on Budget and Policy Priorities, Dec. 18, 2005]

BUDGET CONFERENCE AGREEMENT CONTAINS SUBSTANTIAL CUTS AIMED AT LOW-INCOME FAMILIES AND INDIVIDUALS

(By Edwin Park, Sharon Parrott, and Robert Greenstein)

Some are claiming that the conference agreement on the budget reconciliation bill is closer to the Senate-passed bill in the low-income area than to the House bill and does not harm low-income Americans to any significant degree. While some low-income cuts in the House bill have been dropped, the conference agreement contains numerous cuts in various low-income areas—including Medicaid—that are much closer to those in the House-passed bill than to the provisions of the Senate bill.

Taken as a whole, the provisions in the conference agreement would cause considerable hardship among low-income families and people who are elderly or have disabilities. This is due in no small part to action by the conferees to shield certain powerful special interests—principally pharmaceutical companies and the managed care industry—and to extract deeper savings from low-income families instead.

MEDICAID

The CBO estimates show that conference agreement retains the majority of the Medicaid cuts contained in the House-passed bill that directly affect low-income beneficiaries.

According to the preliminary estimates issued by the Congressional Budget Office (no legislative language is yet available), the reconciliation conference report achieves much of its Medicaid savings by retaining a number of provisions in the House-passed reconciliation bill that would require low-income Medicaid beneficiaries to pay more out-of-pocket for health care or reduce the health care services for which many beneficiaries are covered. The conference report forgoes the Senate reconciliation bill's more balanced approach; the Senate had avoided changes that would harm low-income beneficiaries by achieving larger savings in the area of Medicaid prescription drug pricing and by reducing excessive payments made to Medicare managed care plans. Key aspects of the Medicaid component of the conference report include the following:

Increases in co-payments and premiums. The conference report leaves largely intact the House-passed cuts that would allow states to increase substantially the co-payments that many Medicaid beneficiaries are required to pay to access health care services and medications, as well as the premiums they can be charged to enroll in Medicaid in the first place. The cuts in the cost-sharing area in the conference report (i.e., the cuts resulting from increases in co-payments and premiums) are 80 percent of the size of the House-passed cuts in this area over five years, and 90 percent the size of the House cuts over ten years. A large body of research has found—and CBO has concluded—that such cost-sharing increases are likely to lead many low-income Medicaid patients to forgo various health care services and medications or not to enroll in Medicaid at all.

Altogether, the conference report includes cuts related to co-payments and premiums that total $1.9 billion over five years and $10.1 billion over ten years (as compared to $2.4 billion over five years and $11.2 billion over ten years in the House-passed reconciliation bill). The Senate bill included no increases in co-payments and premiums.

Benefit reductions. The conference report retains about one-third of the House-passed cuts that, for many Medicaid beneficiaries, would eliminate the federal standards which assure that they receive comprehensive health care coverage. Under the House bill, many beneficiaries could lose access to various medically necessary services, possibly including therapy services, personal care, eyeglasses, hearing aids, and crutches. The conference agreement includes benefit cuts of $1.3 billion over five years and $6.3 billion over ten years from a scaling back of the health care benefits that Medicaid covers. (The House bill contained $4 billion in benefit cuts over five years and $18.5 billion over ten years. The Senate included no reductions in benefit coverage in its bill.)

Overly restrictive asset transfer rules for people who need nursing home care. The conference report appears both to adopt all of the provisions in the House-passed bill to restrict eligibility for Medicaid long-term care services and to contain additional provisions not included in the House bill that would yield further savings in this area. Under the conference agreement, the savings in this area would be 11 percent larger than under the House bill, and seven times larger than under the Senate bill.

Preventing more-affluent individuals from sheltering assets that could be used to pay for their long-term care is a laudable goal. The provisions in the conference agreement, however, appear to go well beyond that. For example, one provision of the House bill that appears to have been retained in the conference report would penalize many non-affluent individuals who make modest gifts to relatives or contributions to charity, and then experience an unexpected decline in their health several years later that causes them to need long-term care. The conference agreement includes Medicaid reductions in this area of $2.4 billion over five years and $6.4 billion over ten years (higher than the $2.2 billion over five years and $5.8 billion over ten years in the House-passed bill). The Senate's more targeted and carefully designed provisions in this area would have produced savings of $335 million over five years and $890 million over ten years.

The conference report's health care provisions also move toward the House bill in another respect: they cater to powerful special interests—in particular, the pharmaceutical and managed care industries—at the expense of low-income beneficiaries.

No increase in drug manufacturer rebates. The Senate bill avoided harmful co-payment and premium increases and benefit reductions in part because it achieved much of its Medicaid savings by restraining the amounts that Medicaid pays for prescription drugs. To ensure that Medicaid gets the best prescription drug prices, the Senate bill increased the minimum rebates that drug manufacturers are required to pay the Medicaid program for drugs dispensed to Medicaid beneficiaries. The Senate bill also applied the rebates to drugs provided to Medicaid beneficiaries through managed care plans. The Senate drug rebate provisions produced Medicaid savings of $3.9 billion over five years and $10.5 billion over ten years, which helped the Senate reach its savings target without harming low-income beneficiaries.

In a victory for the powerful pharmaceutical industry, the conference agreement fails to include the Senate's significant rebate provisions. The conference agreement includes only two minor provisions related to drug rebates already included in both the House-passed and Senate-passed bills; these provisions generate savings of only $220 million over five years and $720 million over ten years.

No elimination of the Medicare stabilization fund. The conference report also protects Medicare managed care plans. It drops a Senate provision that would have eliminated a wasteful $10 billion slush fund to encourage participation in Medicare by regional Preferred Provider Organizations (PPOs). The Medicare Payment Advisory Commission (MedPAC)—the official, independent advisory body to Congress on Medicare payment policy—recommended this summer, in a nearly unanimous vote, that this fund be eliminated because it is unnecessary and unwarranted and provides an unfair competitive advantage to PPOs over traditional Medicare fee-for-service and other managed care plans such as Medicare HMOs. Nevertheless, the conference agreement leaves this fund fully intact, forgoing $5.4 billion in savings over five years (and twice that over ten years) that were contained in the Senate bill. The removal of this Senate provision likely was done at the behest of the managed care industry and the Administration, which threatened to veto the budget bill if the Senate provision was included in the final conference agreement.

Partially gutting another provision to curb overpayments to managed care plans. There is near-universal agreement among analysts that the current Medicare payment structure provides excessive payments to managed care plans, and the Administration announced earlier this year that it would act administratively to eliminate a feature of the payment formula that is responsible for a significant volume of excessive payments. MedPAC endorsed the Administration's action, and the Senate reconciliation bill wrote the Administration's planned administrative action into law, for a savings of $6.5 billion over five years and $26 billion over ten years, according to CBO. Under the conference agreement, however, the ten-year savings have been lowered from $26 billion to $4.1 billion, according to the CBO estimates. While the conference report language is not yet available, it appears that the conference agreement is written so the part of the Medicare payment formula that would be reformed would revert to its current, problematic status after five years, and after that time, managed care plans would again receive the overpayments this provision is supposed to curb.

In short, in place of the Senate's reasonable savings from eliminating the wasteful Medicare stabilization fund and lowering the prices that Medicaid pays pharmaceutical companies for prescription drugs, the conference agreement includes a hefty share of the House Medicaid provisions on cost-sharing and benefits, which the research indicates are likely to reduce the affordability and accessibility of health care for large numbers of low-income patients.

LOW-INCOME PROGRAMS OUTSIDE THE HEALTH AREA

The Senate reconciliation bill did not include cuts in any low-income program other than Medicaid, and did not seek to rewrite the welfare rules in a reconciliation bill. The conference agreement, by contrast, includes sizeable cuts in child support enforcement, SSI, and foster care, as well as highly controversial TANF provisions that would impose expensive, unfunded work requirements on states and result in the loss of child care for many low-income working families not receiving TANF cash assistance.

1. Child Support Enforcement: The CBO estimates show that the conference report includes a $1.5 billion cut in federal funding for child support enforcement efforts over the next five years and a $4.9 billion cut over the next ten years. This is funding that states use to track down absent parents, establish legally enforceable child support orders, and collect and distribute child support owed to families, CBO has estimated that this loss in federal child support funding will result in

$2.9 billion in child support going uncollected over the next five years, and $8.4 billion going uncollected over the next ten years. These cuts are smaller than those in the House bill, but will nevertheless take billions of dollars out of the pockets of mothers and children who are owed child support. (The conference agreement also contains some modest improvements in the child support program. The cuts in federal support for the program and the associated loss of child support collections, however, far outweigh the very modest benefits that some families would see as a result of a few improvements in other child support provisions.)

2. TANF: Despite representing the largest change in welfare policy since 1996, the nature of the TANF provisions in the conference report has been a closely guarded secret. CBO analyses show, however, that the conference agreement would impose very expensive new work requirements on states. Moreover, in a major change in policy that goes well beyond anything in any prior TANF bill, including the House budget reconciliation bill, the conference agreement would remove from states the flexibility they now have to apply different types of work-related requirements to people receiving assistance funded entirely with state ''maintenance of effort'' funds. (These are state funds that a state must expend to draw down federal TANF funds.)

CBO estimates that if states attempt to meet the work requirements in the conference agreement by placing more parents in welfare-to-work programs (rather than by reducing the number of poor families receiving assistance at all), the cost to states would be $8.4 billion over the next five years, which is slightly more than the cost would have been under the House reconciliation bill. CBO projects that some states would not meet the new mandates and would face fiscal penalties as a consequence.

It is widely known that there was a concerted effort in the conference to redesign the House bill's work requirements so that the Congressional Budget Office would conclude that some states would not be able to meet the requirements and thus would be subject to fiscal penalties. This was purposefully done to get around the ''Byrd rule,'' a procedural rule that generally prohibits the inclusion in a reconciliation bill of changes in policy that do not significantly reduce or increase federal costs or revenues. The goal here appears to have been to secure an estimate from CBO that the changes in the work requirements would, in fact, save money for the federal Treasury and to do so by making the new requirements sufficiently unrealistic that some states would not be able to meet them. (It remains unclear whether the TANF work provisions in the conference agreement succeed in meeting the Byrd rule test.)

3. Child Care: The conference report includes $1 billion in additional funding for child care, which is $7.4 billion less than CBO estimates to be the cost to states of meeting the new work requirements, and more than $11 billion less than what states will need both to meet the new work requirements and to ensure that their current child care programs for low-income working families not on TANF do not have to be scaled back as a result of the impact of inflation on child care costs. This means the conference agreement includes no new funding for states to help meet the intensified work requirements that will be imposed upon them or to provide child care for children whose parents will newly be placed in work programs.

To come up with the funds to meet the new work requirements and provide child care for the children of mothers placed in these excluded work programs, many states will have little alternative but to scale back child care slots for working poor families not on welfare and shift those slots to TANF families instead. As a result of the under-funding of child care in the conference agreement, we estimate that by 2010, some 255,000 fewer children in low-income working families not on TANF will receive child care assistance than received such assistance in 2004.

The $1 billion in child care funding in the conference agreement is higher than the $500 million in the House-passed bill. It is $5 billion lower, however, than the amount included for child care in the bipartisan TANF legislation approved by the Senate Finance Committee earlier this year.

4. SSI: Under the conference agreement, poor individuals with disabilities who have waited months for the Social Security Administration to review and approve their applications for SSI (a common occurrence in SSI), and consequently are owed more than three months of back benefits, would have to receive these benefits in installments that could stretch out over the course of a year. The first installment would include no more than three months of back benefits. By contrast, under current law, most such disabled individuals receive their back benefits in a single lump sum payment. Individuals owed more than 12 months' worth of benefits receive benefits in installments, but the first installment is equal to 12 months of benefits.

This provision of the conference agreement means many poor SSI recipients with disabilities would have to wait longer for benefits they are owed, making it more difficult for them to pay off arrears in bills that have built up during the period when they were unable to work due to their disability and were not receiving monthly SSI benefits because SSA was still processing their application. Under the conference agreement, some poor individuals with disabilities could die before receiving the full back benefits they are owed. (With two minor exceptions, if a person dies before being paid SSI benefits they are owed, the SSI benefits are not paid to the person's relatives or estate. These back benefits are not even available to help family members pay for funeral costs.)

This SSI provision is largely a budget gimmick; it would make most of the affected beneficiaries wait longer for the benefits they are owed, thereby shifting costs from one year to the next and providing savings in the five-year budget ''window.'' (Some ''true'' savings apparently would be achieved, as well, as a result of some individuals dying before receiving the back benefits they are owed.) CBO estimates the savings from this provision at $425 million over five years. This is an example of a budget gimmick with a real human cost, since many impoverished individuals with disabilities will face a more difficult time making ends meet as a result of the delays they will be forced to experience in receiving SSI payments that they are owed.

5. Foster Care: The bill includes $343 million in net cuts in foster care funding, including two cuts that will make it harder for some states to provide federally funded foster care benefits to certain grandparents who are raising their grandchildren.

The PRESIDING OFFICER. The Senator from New Hampshire has the floor. He repeats his unanimous consent request. Without objection, it is so ordered.

The Senator from New Hampshire.

Mr. GREGG. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. GREGG. 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. JOHNSON. Mr. President, I express my concerns about the fiscal year 2006 Budget Reconciliation Conference Report currently pending in the Senate. I intend to vote against the conference report because I believe it sets the wrong budget priorities for our nation.

This omnibus spending reduction bill mandates a five-year spending cut of $39.7 billion. The vast majority of the cuts enacted as a consequence of this conference report will impact poor and middle-class Americans.

While the budget reconciliation pulls out all the stops to protect the interests of insurance companies and drug manufacturers, the package makes several changes to the Medicaid program that will have a devastating impact on the health of the most vulnerable individuals in South Dakota. Low-income Medicaid recipients will see cuts in health coverage while at the same time facing increased cost-sharing through the program. Increased copayments and premiums for our poorest citizens will likely mean that many individuals will forgo necessary care until emergency services are needed, costing our health system a great deal more in the long run.

The bill also establishes very strict asset rules for seniors applying for Medicaid coverage for their nursing home care. While some adjustments to the asset tests are needed, this package goes too far and will negatively impact many average to low income earners in their final years. Finally, the payment methodology changes proposed for pharmacies are shortsighted and will reduce access to Medicaid coverage in the future. The conference package reduces reimbursements paid to pharmacies for generic drugs by approximately 40 percent by 2007. Under those circumstances, community pharmacies will have a hard time making ends meet and will lose the incentive to provide this service entirely.

I have recently received a letter signed by 142 national organizations expressing their concerns about the Medicaid provisions in this conference report. They understand the devastating impact these health care cuts will have on the poor and elderly.

The conference report also slashes funding for vital farm programs. In fact, commodity programs face the brunt of the agriculture cuts in the bill, and will be reduced by $1.7 billion over the next 5 years. In addition, the conference report cuts $934 million from conservation programs, $620 million from research, and $400 million from rural development programs.

The farm bill that was signed into law by President Bush represented a contract with rural America. Farmers have based their own financial decisions on the provisions and funding that were promised in that bill. To now make changes to the farm bill by enacting steep cuts to commodity and conservation programs undermines our family farmers and ranchers and demonstrates the administration's lack of commitment to rural economic development.

This conference report also contains $12.7 billion in cuts to the federal student loan program. Unfortunately, this marks the largest cut to student financial aid programs in history. While the legislation does contain funding for the creation of the new Academic Competitiveness Grants and the National Science and Mathematics Access to Retain Talent Grants, National SMART Grants, the Senate-passed budget reconciliation legislation contained more than $8 billion in new need-based assistance to supplement Pell Grants.

The Academic Competitiveness Grants Program would limit aid to a small subset of financially eligible students that completed a rigorous secondary school program to be defined by the Secretary of Education. I support students taking a rigorous high school curriculum, but this would be the first time the Federal Government links need-based financial aid to the academic curriculum available to a student.

The National SMART Grants Program would limit aid to only those students choosing to major in math, science, technology, engineering, computer science, or high-need foreign language. While we all want more students to study math and sciences, we also need to find additional need-based aid for students that choose other important academic fields.

Finally, this will be the fourth year in a row that Congress has failed to increase the maximum Pell Grant award from $4,050.

The Republican leadership has argued that these cuts are a necessary step toward restoring fiscal discipline. However, when these cuts are paired with the tax reconciliation bill, they will actually cause an increase in the national debt. Leaders in Congress have made it clear that after the completion of the omnibus spending bill, Congress will consider the extension of investment tax breaks geared disproportionately toward the super rich with incomes in excess of $200,000 annually. Correspondingly, the estimated cost from these tax cuts to the Treasury and the American public far outweigh the savings forecast from the omnibus spending bill. A key intent of the reconciliation process is to reign in the governmental spending or to move through the Congress changes to mandatory domestic programs.

The majority intends to pervert this process by using the omnibus spending bill as a device to free up room in the budget for costly tax cuts primarily geared toward the wealthiest two percent of taxpayers. The end result is that future generations will be saddled with higher borrowing costs and lower economic growth in order to pay off the national debt charges run up by the fiscally irresponsible tax cuts pushed by this Congress. This vote is not for fiscal discipline and reduced deficits. Instead, those pushing through today's spending cut bill are doing so to make room for further tax cuts and billions more to the national debt.

Mr. President, I recognize we must get our fiscal house in order. However, I do not believe that budget cuts should come at the expense of ordinary people and struggling family farmers when huge agribusinesses continue to reap millions without effective payment caps in place, and tax cuts for multimillionaires are being preserved. The priorities set forth in this conference report are wrong; I will vote against the conference report and urge my colleagues to do the same.

COLONEL NORM VAUGHAN

Mr. STEVENS. Mr. President, I rise in tribute to COL Norm Vaughan who accompanied ADM Richard Byrd to Antarctica. He celebrates his 100th birthday today. The Anchorage Daily News has printed an article by Carol Phillips talking about Vaughan as a great man and good friend. I ask unanimous consent to print the article in the RECORD.

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

[From the Anchorage Daily News, Dec. 19, 2005]

VAUGHAN IS A GREAT MAN, GOOD FRIEND

(By Carol A. Phillips)

On a February day in 1964, I hurried down to the main street of my little town where the annual sled dog race was about to start. Excited about this sporing event that had always intrigued me, I lingered near the starting line as the racers made last-minute preparations and the dogs leaped and yelped their impatience to hit the trail.

Suddenly I head a voice in an accent that was music to my ears—a Bostonian here in Interior Alaska. Having emigrated recently from Maine, I was compelled to trace the source of that unmistakable accent. That was the day I met Col. Norman Vaughan, then a young 58, who was working as a handler for a New Hampshire racer. That meeting was the beginning of a beautiful friendship.

The achievements of Vaughan's extraordinary career are familiar to his legion of friends. He returned in the mid–1970s to make his home here and became such a legend in his own time that it's hard to realize he has not always been an Alaskan.

His adventures and accomplishments are diverse. He played an essential role as dog handler on the 1927 Byrd Antarctic expedition; served with distinction in the military; airlifted supplies to Dr. Wilfred Grenfell's Labrador mission; coordinated the rescue of 25 airmen stranded on the Greenland icecap; retrieved the top-secret Norden bombsight so critical-to the United States during World War II; ran in several Iditarod races; spearheaded the effort to resurrect World War II P–38s interred in Greenland's ice; drove a team of huskies in President Reagan's inaugural parade in Washington, D.C.; gave Pope John Paul II a lesson in dog mushing during the pontiff's 1981 visit to Anchorage; initiated the annual re-enactment of the 1925 Nenana-to-Nome serum run; wrote a couple of books; and ascended 10,302–foot Mount Vaughan, named for him by Adm. Richard Byrd.

Even more memorable to me are some personal experiences involving Vaughan. When my family was vacationing on a Maine island in 1966, Norman drove up from his Massachusetts home to visit us, enthralling my children with a fascinating repertoire of stories and a supply of his famous homemade root beer. When he first lived in Anchorage he walked from his tiny downtown apartment to and from his night-shift janitorial job at the university, with never a complaint.

Through his friendship with the Dr. Schultz band, I came to know those talented musicians who brightened the Anchorage scene in the late 1970s. When Joe Redington Sr. sold one-square-foot parcels of his Knik land to raise money for the creation of the now world-famous Iditarod race, Norman presented each of my four children with a landowner's deed, prompting my youngest to observe that if they pooled the deeds, ''we could build a very small but very tall house.''

Recently, one of my young grandsons, having seen Norman in a TV ad, was awestruck to learn that I knew Norman personally. He was further awed when I took him to visit the Vaughan home, where Norman talked with him not about his own accomplishments but about the child's interests, experiences and ambitions, encouraging him to pursue his special dreams.

Today, Col. Vaughan attains another remarkable goal—his 100th birthday. During that century he has enjoyed more spectacular adventures and significant achievements than the average person can imagine or aspire to. He had hoped to spend his 100th birthday atop his eponymous mountain in Antarctica, a lofty goal which could not be realized. It is said that when he was advised that the trip was not going to happen, his typically positive response was, ''Oh well, just not this year.''

It is a privilege to call this great, good man my friend. Happy birthday, Norman!

CLIMATE CHANGE NEGOTIATIONS AND IMPACTS

Mr. REID. Mr. President, with a sense of continued disappointment and dismay I read accounts of the administration's performance at the recent international climate change meetings in Montreal, Canada.

The President has been crystal clear in his complete rejection of the Kyoto Protocol treaty that all other major industrialized nations have signed, except the United States and Australia. Yet he has regularly failed to put forward a constructive alternative that will ever result in stabilizing greenhouse gas concentrations in the atmosphere. Worse, his negotiators have disrupted other nations' efforts to begin binding discussions for the post-Kyoto Protocol period.

This is not and cannot be a partisan issue. But the President's stubborn insistence on ignoring credible science and his administration's efforts to water down clear scientific evidence of manmade global warming has hobbled many Republicans' ability to act sensibly on this matter.

We have a moral obligation to take on our enormous share of responsibility for this global problem before it