SENATE—*Monday, June 23, 1997*

The Senate met at 10 a.m. and was called to order by the President pro tempore [Mr. THURMOND].

PRAYER

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

Gracious Lord, we commit this day to making other people happy. So often our prayers are for what we need You to do to make us happy. Now in this quiet time, inspire us to think imaginatively about how we can bring happiness to those with whom we work and those whose friendship we enjoy.

Lord, our tendency is to think of some big, grand thing we could do and then because of the immensity of it, we never get it done. Help us forgo these grandstanding feats of herosim and do something that simply makes life more of a joy to the people in our lives. We want to make this a day free of uncreative, unproductive criticism. Today, we will not be a nagging, fault-finding source of distress. Whatever we do that causes anxiety, help us to change.

We confess that often it is what we fail to do that causes unhappiness. We know people need encouragement and affirmation. Today we give up the control we get by withholding the attitude or the words of approval not just of what people are tying to do, but what they are striving to become. May the end of this day be a time for remembering the happy memories we gave others. That's what it's all about, and that's what we're going to be about today. In the name of Him who called us to serve others. Amen.

RECOGNITION OF THE ACTING MAJORITY LEADER

The PRESIDENT pro tempore. The able acting majority leader, the Senator from Wyoming [Mr. ENZI] is recognized.

SCHEDULE

Mr. ENZI. Mr. President, for the information of all Senators, today the Senate will be in a period of morning business until the hour of 12 noon. By previous consent, at 12 noon, the Senate will begin consideration of S. 947, the budget reconciliation bill. Amendments will be offered to the reconciliation bill today. However, no rollcalls will occur during today's session of the Senate. All votes ordered today with respect to amendments to the reconciliation bill will be stacked to occur on Tuesday, June 24, beginning at 9:30 a.m. Senators should, therefore, be prepared for a series of stacked votes beginning at 9:30 a.m. tomorrow.

Under the rules, the budget reconciliation bill is limited to 20 hours for debate, and it is the majority leader's hope that the two leaders will be able to reach an agreement to yield back some of that time.

Once the Senate completes the action on the first reconciliation bill, we will begin consideration of the second reconciliation bill, which is also limited to 20 hours for debate.

The leader has stated for the past several weeks that Senators should be prepared for a busy week of session. It is the leader's intention to remain in session until both reconciliation bills are completed. The Senate will adjourn for the Fourth of July recess once we finish our business this week. But the majority leader warns his colleagues that we will remain in session into the evening throughout this week and into the weekend, if necessary, until the reconciliation process is completed.

I thank all Senators for their attention.

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

The PRESIDENT pro tempore. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. THOMAS. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER (Mr. ENZI). Without objection, it is so ordered.

MORNING BUSINESS

The PRESIDING OFFICER. Under the previous order, there will now be a period for the transaction of morning business, not to extend beyond the hour of 12 noon, with Senators permitted to speak therein for up to 5 minutes each. The Senator from Wyoming is recognized to speak for 60 minutes.

Mr. THOMAS. Thank you, Mr. President. Don't be alarmed, I expect to have some of my associates here to share in that time.

TAX RELIEF

Mr. THOMAS. Mr. President, we do want to talk this morning, however, about an item of great importance to all of us—the citizens and to all of us as Members of the Senate—and that is taxation, the question that will be before the Senate this week, as the Finance Committee has completed their work on the reconciliation bill, and we will now be addressing that.

We will be talking about tax relief, which I suspect is perhaps one of the most important topics we will talk about this entire year, not only because of the tax aspect of it because, as you go into the budget process, it seems to me that budgets are much more than just numbers, they are much more than various spending proposals, they sort of set the parameters of what we will be doing in Government for at least the coming year; in this case, at least 5 years.

These decisions will frame the size of the Government over time. If you prefer smaller governments or larger governments—I happen to prefer smaller ones—the budget has to do with that. The budget has to do with the kinds of priorities that we will set among programs, among the kinds of things that we do. Of course, if we are going to be responsible, as we should be, over time to pay for what we want—which we haven't done for 25 years—and seek to balance the budget, then revenues and expenditures and tax relief are all part of this package, and probably, in the broad sense, are the most important decisions that we will make with respect not only to taxpayers, but program recipients and everyone else over this next 5 years.

(Mr. ROBERTS assumed the chair.)

Mr. THOMAS. So, Mr. President, we will be talking about the taxes that are generally going to be in the reconciliation bill, such as some relief on the cost of education, in terms of deductions, in terms of credits for parents who have youngsters in school. We will be talking also about the family credit, the $500-per-child credit, so that families can retain and then use that money in their own way to raise their children. We will be talking, hopefully, about capital gains tax relief, the idea that investments would not be taxed at as high a level as they have been, the idea of encouraging investments so that we create jobs and so that we strengthen the economy, and capital gains has a good deal to do with that.

Hopefully, we will also be talking about estate taxes, the kind of taxes that are levied on property and assets that people have worked their entire life to accumulate and then, in many cases, have to spend more than 50 percent of the value of those assets in taxes and are unable, often, to pass them on to their families. They are particularly important, I think, Mr. President, in areas such as your State of Kansas and my State of Wyoming, where small business and agriculture is very prominent. Often the assets of families, small businessmen, ranchers,

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

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farmers, are tied up in fixed assets, such as land and so on, and they have to sell their property in order to pay the taxes.

So these are the kinds of decisions with which we will be dealing. I look forward to it, frankly. It has been a very long time, it has been a very long time since we have had a fundamental reduction in taxes.

The concept in this place, in this Senate, in this Government, until the last couple of years, is let's have more taxes, let's have more money, let's have more Government, and now we have an opportunity to seek to start to turn that around and, hopefully, over time reduce the size of Government, move more and more functions to the State where they belong and can be best implemented, and then give taxpayers a break.

We will be caught up, Mr. President, as we go into this over the next week or more, in great details, as we should be. But I hope we don't forget the concept of what we are seeking to do. We will be caught up in details. We will be caught up in the great political spin that goes on, seemingly has gone on with more fervor in the last year or two than I ever recall. Everything is sort of couched in terms that are designed to package it and sell it. It is not really basic stuff. It is all fluff. We shouldn't do that.

For instance, we will hear the idea that every tax reduction is a tax break for the rich. Well, now, that isn't the case. If it is, then there are an awful lot of us who apparently are rich and didn't know it. People at $40,000 get some kind of tax break, and it is termed then as a tax break for the rich. That is not true.

We need to talk a little bit about really what the facts are. There is a notion that will be talked about, that, "Well, we don't need any tax reductions, we need to keep the revenue coming so we can continue to spend and spend more," and that has been the philosophy. It is not the principle philosophy of this country. The country was to have a constitutional government that does those things that are provided in the Constitution, and those things that are not provided in the Constitution should be done by the States or by the citizens. That is what the Constitution says.

Rather than talk about the facts and philosophy of government, we will be talking about political aspects of it. We will be talking about spin. We will be talking about the message that has come over the last months from the White House with the message merchants that are the result of the polling experts. I hope we can cut through that and just talk like we do in Wyoming, frankly. I was there yesterday. Those folks don't spin it, they just say, "Hey, let's just talk about what it really is," and that is what we ought to do here.

One of the things we ought to understand as we take a look at taxes and tax burden for working Americans is that it is higher than it has ever been. It, as a matter of fact, represents over 30 percent of GDP—over 30 of gross domestic product in taxes. I don't think we imagined that that would be the case in this country with limited government. It is three times as high as the highest tax burden during Roosevelt's New Deal—three times as high. So we ought to be talking about some kind of tax changes philosophically.

We will talk about income tax relief. That is what we are basically talking about, income tax relief. We are talking about people who pay it. You are not going to get income tax relief unless you pay taxes, and there is this idea that whenever we want to do anything to relieve the burden on those people who pay taxes, that somehow it is a big tax break for the rich. Everybody, of course, wants to help folks who need help to help themselves. That is not the issue here. We are not talking about how you do that. We are not talking about welfare; we are not talking about those kinds of things. We are talking about tax relief.

We ought to talk about that. It is very legitimate to talk about helping those who need help, and we should do that and we do that. But we ought not to tie everything together and not be able to clearly look at what we are talking about. We are talking about tax relief. We are talking about tax fairness. We are talking about opportunity. We are talking about encouraging investment to create jobs. Those are the things that we are talking about.

Tax relief is designed to allow people who work hard, people who, because they work hard, are successful to keep more of what they earn. We are talking about the incentive to work harder, the incentive to invest, the incentive to invest to strengthen the economy and to create new jobs. That is what we are talking about. So we ought to strip the other stuff away and really think about it a bit.

Tax relief is part of, it seems to me, a historical American philosophy of limited government, of allowing people to keep what they earn after they have paid the necessary costs of the services they want from government. That is a philosophy that I think is strong.

President Clinton in Denver this weekend boosted, as he should, about this economy, about the growth of a market economy, the growth of a free-enterprise economy, and yet, often the White House ignores the very thing that allows this economy to be stronger than the economies you see around the world, because it is an incentive-driven-private-enterprise-market economy. That is part of what we are talking about when we talk about taxes, when we talk about the level of taxes and when we talk about tax relief.

It is tax relief from that 30 percent of GDP that is collected in taxes. Keep that in mind. Every family pays nearly 40 percent of their income in taxes. That is very hard. I am not opposed, nor is anyone I know of opposed, to taxes. If we are going to have a government which is legitimate, if we are going to do the things in government that needs to be done, we have to pay for it. That is what taxes are for. We raise revenues to pay for those legitimate functions of government and, if we are responsible, we will do that.

We have not been as responsible as we should have been over the years. When we wanted some programs, when we wanted some services, when we wanted something to be done for us, rather than pay for it, we put it on the old credit card, and the credit card is now maxed out, of course. So you have to pay for it. There is nothing wrong with that. But there is a concept of taxation that I hope we will consider, that I hope we will take a look at. Taxation ought to generally be for the purpose of creating revenues to do the things that we are supposed to do to be responsible in government. Let's pay for it.

Unfortunately, over a period of time, it seems to me—and we continue to do that—tax policy is designed as much to influence behavior as it is to raise revenues, so that each tax relief has a great deal of conditions attached. "If you will do this, then we will give you tax relief." "If you behave in this way, we will give you some tax relief." So we have created then a complicated and inefficient and, frankly, unfair tax system which brings about, of course, a great deal of debate about how we simplify the tax system.

We are not going to talk about that much this week. That is OK. That is OK. We are dealing with the short term. We are dealing with something we have not talked about for years, and that is tax relief. We ought to do that. And I am pleased with what has been done in the budget.

I am pleased with what has been done in the Finance Committee to move in that direction. That is not as far as we ought to go. Our next step then ought to be to take a broader look at how we simplify taxes. I do not have a favorite way of doing it. There are a number out there that are possible, whether they be flat taxes, whether they be sales taxes, whatever. But we ought to do that. We ought to see if we cannot move away from this idea that taxes are designed to impact and direct behavior and get to something that is much more simple, much more collectible, much more less intrusive on people's lives. But, as I said, that is not the issue that will be before us this week.

The issue is to seek to get some tax relief for taxpayers in this country. You say, well, that sounds pretty simple. What is so complicated about that?

Just listen over this week and you will hear all kinds of things about tax breaks for the rich, about those people do not need it, we should not have tax breaks because we ought to have more programs. And you will see all that, hear that coming from the White House and hear that coming from all over. And so it is not easy. It is not simple. The idea of tax relief, which sounds very simple, is not.

Most everyone agrees there ought to be some progressiveness in the tax system. And there is. Today's Code is more progressive than it was in 1950. The lower half of taxpayers pay less than 5 percent in total taxes. And 25 percent of the taxpayers pay 80 percent of the taxes. Those that have over $42,000 in income are in that category. So we do have a progressive tax system. And we should have. And we will continue to. But we ought not to confuse tax relief with all of the other kinds of issues that happen.

As I mentioned, the typical family of four forfeits nearly 40 percent of their income, more than they spend on food, shelter and clothing combined. So it is tough. It is tough to raise a family. It is tough to send your kids to school. It is tough to save for retirement. Nearly 3 hours out of every 8-hour workday are spent financing Government—money that is spent on Washington's priorities, not yours.

More taxes, more government—that is one of the things that causes us to take a look at how you make government more efficient, that you require more efficiency, makes us take a look at the idea of private contracting rather than having an increased size of government because it is more efficient, because it costs less, but unless you have some reason to do that, the government continues to get larger.

So we need to balance the budget, but keep in mind that you can balance the budget by raising revenues, that that is not what we ought to do. We ought to balance the budget while controlling and reducing the size of government. That is the challenge. And that is the challenge that we need to undertake.

Unfortunately, we have not balanced our budget. But we now are in a position to do that. We now have a budget in place that will do that over 5 years. We will also allow for some tax relief. And that is what we will be talking about this week.

I think there is a considerable amount of history that we ought to take into account. As we do it, we ought to talk about how long it has been since we have talked about tax relief. It has been a number of years. We ought to keep in mind the fact is, over the last several years that the movements in taxes have been simply to raise them. We ought to keep in mind the fact that there are ways to reduce spending.

We have accomplished a good deal in the last little over 2 years. We have moved to change welfare from an entitlement. We moved to cause it to be moved back to the States where it can be more effectively handled. We have done something about the entitlement of agriculture and farm programs. The Presiding Officer was the Senator who had the most leadership and impact on the changes in the farm bill. That is a fundamental change that we have made over a period of time.

We have talked in the last 2 years, and now, having moved toward essentially balancing the budget—we have not done that for a very long time—this Congress and last year's Congress have caused that movement to where we are now talking about how we balance the budget and when we balance the budget. Prior to that time, there was no talk about balancing the budget.

So we have made a lot of progress. We have made a great deal of progress in the last 2½ years. Does it go fast enough to suit everyone? Of course not. Will this tax bill suit everyone? Of course not.

There will be arguments about whether there is enough in there for capital gains. There will be arguments if there is enough in estate taxes. There will be arguments as to why we do not do something else. I had a call from a lady yesterday in Cheyenne who is retired whose home is valued so it already comes under the estate taxes. She says, "I sent my kids to college and I didn't get a credit." She says, "There's nothing really in there for me much." Well, there are a few things.

But it is true, it is true, it will not suit everyone. But I say to my colleagues, let us move forward with this great opportunity for the first time in several decades that really makes some meaningful kind of adjustments in tax relief, to pursue the idea that Americans should be able to keep their hard-earned money, to pursue the idea that we ought to reduce the size of government and therefore the demand on taxes, to pursue the idea that being able to keep more of the money that you work for and earn is part of the incentive in this system.

So, Mr. President, this will be a very important week, and the week after, when we really decide the direction that we will take on budgets and tax relief and how it will be adjudicated.

Mr. President, I am pleased to be joined by my friend and associate from Nebraska.

I yield the floor to the Senator from Nebraska.

The PRESIDING OFFICER. The Senator from Nebraska is recognized.

Mr. HAGEL. Mr. President, thank you.

I wish to offer my thanks to my friend and colleague from across the prairie from the great State of Wyoming.

People in Wyoming and Nebraska and all over America, I think, rather plainly understand and sense what we are doing this week in this body in this Congress; and that is addressing their issues.

You know, Mr. President, I am amused at much of the debate that has been raging in the Congress the last few months on the budget and taxes. And, you see, I define this down rather simply. Whose money is this? Whose money are we talking about? Is it the President's money? Is it my money? Is it the distinguished Presiding Officer's money? Is it Congress' money? No. No.

You see, this is about the people's money. This is about the hard-earned money of taxpayers. The Government should be accountable to the people. Our taxpayers, our citizens should not be accountable to government. And we are living at a time when we are taxed as highly as at any time, except in World War II, in the history of this country. We are living during a time when we are taxed that highly. A median family of four, total tax paid out, over 40 percent. These struggling young families are paying more in taxes than they are in combined efforts to ensure that they have enough for shelter or clothes or food and other necessities.

At some point, Mr. President, we will not only bankrupt our country, but we will surely bankrupt the opportunities for our young people. These young people starting out in life in our country, a country of promise, of hope, of opportunity—always has been—are looking at a very bleak future unless this Congress steps up and honestly deals with the challenges that take us into this bold new great century.

And it does start with tax cuts. It starts with real tax relief. And what we will be debating this week is tax relief for families, for lower middle-income people, people who need tax relief, people who pay the bills in this country. But let us not also be unmindful of what else is attached to what we will be debating.

Real budget cuts, putting this country on the trajectory for fiscal responsibility, we have an opportunity here for the first time in 30 years to agree to a balanced budget, a budget that would be in balance within 5 years, put this country on a course to balance our budget as far out as the eye can see. We also have an opportunity to cut government.

Government is too big. Government is unresponsive. Government cannot possibly do everything we have asked government to do. We have overloaded our circuits, Mr. President. Not government's fault. But we have asked government over the last 30 years to do everything.

And who has paid the bill? Who has paid the bill? Well-intentioned programs, but this is an era of prioritizing

our resources. And we start with giving our people, our taxpayers, the people who have been doing the heavy lifting and paying the bills in this country the last 30 years, especially, a break, give them some of their money back.

My goodness, they understand how to spend their money better than government does. Let us decentralize power. Let us put power back where the people are. Let us make government accountable and make it responsible. So all of this is a total package.

Mr. President, I serve on the Foreign Relations Committee. Before I came to this body, I was a businessman. I started my own companies, international/national companies. And the opportunities that lay ahead for this country, for our people, and the world, if we are wise enough to understand and seize the moment, the potential for our people is unlimited if—if—we are wise enough to cut our taxes, to cut our spending, to balance our budget, and take the burden of government off the backs of our people who produce.

Oh, we will be able to get along for the next 5, 10 years. But we are entering a time like no other in the history of man. It is a time full of hope; but it is a time of great competitiveness. This next generation coming in behind us will have to compete in a complete global economy. And as we look all around the world, on every continent—and it is not just Asia—South America, Eastern Europe, the former Soviet Republics, all of the areas in the world are doing well and will continue to explode with opportunity. They are disciplined. They are focused. And the movement of most of the governments in the world today is less government.

The countries in trouble today are in trouble because of the burden of taxes and the burden of government. We have an opportunity here, as my distinguished colleague from Wyoming said earlier, to change that. Imperfect? Yes. Do the taxes go deep enough, far enough? No. But it is a beginning. It is a start. It is tangible. It is real.

We can build on that. And we can show America that, in fact, we can govern and lead and do the people's business, that we do not get all tangled up in esoterics, in tactics and nonsense that goes on in this town. But, in fact, we can stay focused and clear-headed and do the people's business, and do what we are required to do on behalf of the people of this country.

Mr. President, I want to also address for a moment some of the weekend television on this issue of tax cuts. I was a little amused that I saw our distinguished Secretary of the Treasury, Bob Rubin, who is a great public servant, who is dedicated, who has done a good job as Secretary of the Treasury, talk about the White House modeling of our proposed tax cuts that show most of the benefits going to the higher income and the wealthy. That is just not true, absolutely not true.

I note here, for example, a press release sent out on Friday from one of the big six accounting firms, Deloitte & Touche. In the first paragraph it talks about:

> Families with household incomes between $20,000 and $50,000 are the biggest beneficiaries on a percentage basis under the Senate tax plan, according to a new analysis by Deloitte & Touche.
>
> The big winners are middle-class families with kids.

And it goes on and on.

The scoring, the methodology, the models that the Members used are the same models that the Congressional Budget Office uses, that we use, that most everybody uses. I want to take issue with my friend, the Secretary of the Treasury, when he talks about some scoring model he referred to over the weekend. That, in fact, is rather bizarre. It imputes income from unrealized capital gains. It talks about rent back income. If you own your house and you actually put that house on the market for rent—that is just nonsense. What we are talking about here is real tax relief for real people. If we do this right, we can give the American public, for the first time in 16 or 17 years, a tax cut, a real tax cut that we can build on.

Mr. President, in my final comments, I will reference my weekend back in Nebraska. I was, on Saturday, in North Platte, NE, the home of Buffalo Bill. Being a good Kansan, Mr. President, you probably understand that and have probably been across the border and paid homage to Buffalo Bill's home ranch. It was amazing to me, all day in North Platte, NE, farmers, ranchers, small business people, and families would come up to me during the day and talk about this issue. Farmers, ranchers, and small business people asked me, "Senator, do you think I consider myself rich because I support capital gains tax or inheritance tax relief? You see I don't think I am very rich. I have an income of $50,000, $40,000, or $60,000, but I would like to leave my children something. Why is it fair, Senator, for the Government to take these big chunks out of an estate that the Government did not do anything to produce? I paid my taxes, and my father and mother paid their taxes all along the way. Yet in the end, the Government automatically comes in and gets half."

Mr. President, being the former chairman of the House Agriculture Committee, you understand what it has done to agriculture in this country, what it has done to devastate farms being passed along from generation to generation, ranches, and small businesses. It is unfair and wrong.

Anybody who has an asset is going to deal with a capital gains tax. You do not have to be a millionaire. It is a sense of fairness, a sense of getting ahead in this country, a sense of doing the right thing. We have a Tax Code in this country that essentially penalizes success. We give disincentive to savings and investment.

Now, are we going to change the Tax Code this week? I doubt it. But this is surely a darn good start. It is a very tangible, real beginning for the people of this country who deserve it most. I hope my colleagues during the debate this week will rivet in on this debate because it will be, as Senator THOMAS said, one of the most important debates not only of this Congress but, I think, of the last 10 years and into the next century because we have an opportunity to truly shape and mold the future of this country, the future for our young people.

We cannot leave them the mounds of debt that we are now leaving them, the burden of regulation, the burden of big Government, the burden of high taxes, and think they are going to succeed. They will not. We must get at it. This is a good start. I strongly support what we have done so far and what has been produced out of the Finance Committee and over in the House Ways and Means Committee.

With that, I yield back my time to Senator THOMAS of Wyoming.

Mr. THOMAS. Mr. President, I just want to say the three of us here, and probably whoever else joins us, have not been in the Senate very long, a couple of years. Most of us came in 1994. I want to say I am very proud of what has happened in these last 2 years, not because of us entirely, but we have been here to see a substantial change in the direction that this Congress has taken. One of the reasons has been people coming, I think, in real close contact with the folks at home who want to see some change, who want to see some change in the Tax Code, who really have been able to communicate the needs that have to take place if we are going to realize the successes that we want.

So I have been very proud of the commitment of the freshman and the sophomore class in this place over the last couple of years. We hope to continue to do that, and one of the areas is the size of government, the cost of government, the opportunity for people to keep the money that they have earned. We are pleased to be a part of that.

One of the persons who has been very effective in doing that over these 2 years is the Senator from Arizona. I am delighted he is here to join us this morning. I yield the floor to Senator KYL.

Mr. KYL. Mr. President, I thank my colleague for organizing this session this morning for us to talk about the importance of tax cuts and the activity that the Senate is about to engage in finally providing the tax cuts to the American people.

Throughout my campaign in 1994, that was one of the central features of

every meeting that I attended—people calling for tax cuts. I will get back to that in a moment.

I was reminded, when the Senator from Nebraska was talking about being in North Platte, NE, this weekend and hearing from his constituents there, that I flew over North Platte, NE yesterday. That is what the pilot of the airplane said, and it reminded me that I had just been to a meeting in Colorado where people from all over the country were saying the same thing. Nebraska is my State of birth, and I literally flew right over the area where I was born. It does not matter whether you are from Kansas, Nebraska, or Wyoming, people around this country have galvanized around a couple of central thoughts these days, one of which is that the Government is taking too much of their money and they would like a little bit more freedom as to how they spend their own money.

It is interesting that the announcement last week by the American Taxpayers Union, a group that identifies a day called Tax Freedom Day, the day that we finally begin working for ourselves and our families rather than the Government, that day has now been moved back. It was April 29 back when I entered the Congress. It is now May 9. What that means is that the average family has to work until May 9 to pay the Federal Government everything it owes, and after that it can begin paying the State governments and other governments and eventually begin working for itself.

It is high time, Mr. President, that the Congress initiate the action and that the President support the action to reduce taxes for hard-working American families. I think we find that throughout the country, whatever State we are from, that is what our constituents are telling us.

Now, we had tax cuts in 1981 and in 1986, but we had big tax increases in 1990 and 1993. Those two tax increases were ostensibly for the purpose of balancing the Federal budget. What we found is that the tax increases did not help to balance the Federal budget at all. What has really helped to move us toward a balanced budget are two things. One, a robust economy producing wealth, producing jobs, and producing revenues to the Treasury, and also a Congress that has been more willing to hold the line on spending. Through a combination of those two things we can achieve a balanced budget, and that is what the budget agreement was all about.

Unfortunately, we are not spending enough of that revenue generated by a robust economy on the tax relief that should be provided to American families. As a result, the budget agreement only provides for $85 billion over a period of 5 years in tax relief to American families, not nearly enough to do the job we should be doing. That represents about 1 percent of the $8.6 trillion that will be coming into the Federal Treasury during this 5-year period. So, clearly, we could use more of the increase in revenues to offset the tax burden on the American family.

But at least the negotiators who put this together in the Finance Committee, which has put together a good package of tax relief for American families, has recognized that a thriving economy is one of the keys to not only continued economic growth but also getting rid of the deficit, that the economy producing wealth also translates in revenues to the Treasury that will enable us to achieve a balanced budget. What they have also recognized is it will enable us to provide tax relief.

Now, there is another aspect of good news in this, Mr. President. Not only does a thriving economy bring in more revenue and therefore enable us to balance the budget and provide tax relief, but that very tax relief helps to fuel the economy to grow even more, produce even more jobs, produce even more wealth, and therefore more revenues to the Treasury. So, it is a very positive and constructive cycle—tax relief can assist the economy to continue to thrive to produce more wealth to produce more revenue to the Treasury.

Therefore, we ought to consider that this is just the beginning of tax relief. For those of us who have been preaching this for a long time, I think we should at least get a little bit of credit for the theory that has resulted in the good situation that we are in right now, and that perhaps those who said no, the only way you can have a balanced budget is by raising taxes, will now acknowledge that those of us who have been proposing cutting taxes have had something to say for these last several years.

The original budget agreement here that we are trying to implement calls for $85 billion in tax relief over a 5-year period. That is not enough to do everything that everyone would like. As a matter of fact, the original Republican plan called for a reduction in capital gains taxes, estate tax relief, $500 per child tax credit, and some educational and IRA benefits to American taxpayers. That would cost about $188 billion over the 5-year period if you do not count increased revenues that would be produced as a result of capital gains reductions. So you can see from a program that would theoretically cost the Treasury $188 billion, trying to squeeze all of that into $85 billion is going to mean that this tax relief is not as robust as we would like it to be, and that is a fact.

But I do compliment the Finance Committee for making the most out of the $85 billion it was provided. I think, as we will see as this is debated on the floor this week, the benefits to the American taxpayers, as the Senator from Nebraska has pointed out, are significant. Most of them go to working families. There are some that go to the risk-takers in our society, but after all, if there is not some reward for risk-taking in our economy, people are not going to take risks, they will not make those investments that eventually produce the great companies that hire the people that produce the wealth and end up creating revenues for the Treasury.

So it is a combination of providing most of the tax relief for American working families and, in addition to that, some reward for the risk-takers in our society.

The American Council for Capital Formation has estimated that the capital gains relief that is provided for in our bill would reduce the cost of capital by at least 8 percent. What that would do is permit the creation of 150,000 new jobs each and every year. So that is one of the benefits of this capital gains reduction we are talking about, Mr. President. It is to enable capital to be more efficiently used in our economy. Instead of having $7 trillion in pent-up assets that nobody wants to sell or dispose of because they will have to pay a big tax on it of 28 percent, if we reduce that to 20 percent for higher bracket taxpayers and 10 percent for lower bracket taxpayers, that is an incentive for them to finally sell that asset that they have been holding on to, and by that sale we actually not only help to put the money into more productive enterprises but also eventually create more revenue to the Treasury as a result of the tax that is paid every time one of those assets sells.

A lot of economists today will criticize the current capital gains policy because what it has done is to tie up capital in older industries, in businesses that were created a long time ago. People do not want to sell when they have to pay the capital gains tax on it and invest it in a more contemporary kind of business. But America has led the world in enterprise, in new businesses—in our high tech computer industry, for example—and if we are going to continue to maintain that lead, we need to have the capital to invest in these new and emerging industries. The only way that will be possible is if there is an incentive for people to get rid of the investment in the older industry or business and invest that in one of the new emerging businesses.

Interestingly enough, this American Council for Capital Formation notes that the cost of capital would be reduced by 8 percent, which would create new jobs. It will also help the Treasury. It should be noted, between 1978 and 1985, the top margin of tax rate on capital gains was cut by almost 45 percent—it went from 35 percent down to 20 percent—but total individual capital gains receipts tripled, from $9.1 billion to $26.5 billion annually.

Obviously, a capital gains tax cut is a winner for investors, for job seekers, as well as for the U.S. Treasury. That is why we believe that the capital gains components of tax relief, as the Senator from Nebraska pointed out, has to be one of the critical components and will benefit all American families as well as the U.S. Treasury.

We have talked about the other aspects of this tax proposal, my colleagues have, but I wanted to specifically single out the capital gains tax because it does not help just the wealthy, as some folks say, but will provide benefits to all taxpayers in this country and all workers.

One last word, Mr. President. I have sponsored the bill to repeal the estate tax, or the so-called death tax. My bill has more cosponsors than any of the other bills relating to the estate tax in the Senate and, likewise, the corresponding bill in the House. The Senator from Nebraska, the Senator from Kansas, and the Senator from Wyoming have all been very supportive because of the impact on farms and small businesses in their States. It is the same throughout the country. We need to do something about this.

Unfortunately, because of the original budget agreement limiting the tax cuts to only $85 billion over the 5-year period, or 1 percent of tax revenues, the administration made sure that there wasn't too much tax relief in the agreement. The Senate leaders were trying to push for more, but because there was an agreement we are not going to be able to do everything we should. All we are going to be able to do on estate tax relief is very, very modest relief. I regret that. All of us do.

Basically, what we are doing is raising the exemption from $600,000 up to a million dollars over a 10- or 11-year period. Inflation alone will mean that not even this legislation will keep pace with inflation. So that is totally inadequate. In order for us to do what we do in the other areas, I guess we are going to have to be willing to accept that. What it means, Mr. President, is that there is still going to be a big incentive for those people concerned about the estate tax to come in with a second round of reforms, beginning next year.

As a result of an amendment I was able to get passed in the budget, and which stayed in the budget, we are not precluded from offering additional tax relief beginning next year. One of the first things I am going to do—and I think my colleagues will support me on this—is get additional estate tax relief beyond that which is agreed to in this bill. We all recognize that it is totally inadequate in this bill. We support the tax relief, but we don't, for a minute, contend that it is adequate.

So those are the two points I wanted to make—first, that the capital gains relief in this legislation will be enormously beneficial to working families, to the risk-takers in our society, and even to the Treasury, which will enable us to continue to be on a track to balance the Federal budget.

Second, this whole package is just the beginning. We begin the process of reducing the tax burden on working Americans, but even beginning next year we will have proposals to continue that process. It is the right thing to do. It is what our constituents asked us to do, and for future generations it is the only thing we can do to fully comply with our obligation to leave this country a better place than we found it. I thank the Senator from Wyoming for the time.

Mr. THOMAS. Mr. President, we are joined by the Senator from Alabama, who is also new here. I yield the remainder of our time to the Senator from Alabama, Senator SESSIONS.

The PRESIDING OFFICER. The Senator from Alabama is recognized.

Mr. SESSIONS. Thank you, Mr. President. It is an honor to be here to talk about one of the most important issues facing this country, and that is the tax burden on working Americans. Many people think that it is just a political gimmick when we talk about the need to reduce taxes. They think that is just a gimmick to get votes, that we are trying to appeal to the people in a way that somehow is less than honest and forthright, or that we are seeking to buy votes by promising a tax cut. Mr. President, it is much, much deeper than that.

The problem in this country is that we are reaching a tax burden that is unacceptable. An excessive tax burden has the capacity to diminish our competitiveness in the world, while an easing of that tax burden has the potential to increase our productivity as a nation. All we have to do is let people keep more of their hard-earned money. Taxes are, in a way, a penalty, a punishment on hard work. If you want to reduce something, you tax it. If you want to encourage something, you subsidize it. One of the problems with our country is that we have been penalizing good behavior. We have been penalizing people who work hard—husbands and wives who have jobs, or maybe they have two jobs each. They work and make money to take care of their children. We are taxing them to a degree that we have never taxed them before. We have diminished their strength and hurt those families that are struggling to get by. We subsidize people that don't work, give money to people who choose not to work, and we have wasted money on programs that are actually counterproductive. The U.S. Government is not an efficient entity. We do not use dollars wisely. But families do. They are struggling to get by.

Let me ask you, how bad is the situation we are currently dealing with? First of all, I don't think anybody would be surprised to know that this Government brings in more money today than it ever has in its history. Every month, every year that goes by, we bring in more money than the month and the year before. That will not change, even when we pass these tax breaks for working Americans. So we are bringing in more money. We are not trying to shut down this Government. We are going to allow it to bring in more money. We are going to allow this Government to bring in more money, even with these tax cuts. So this is not an extreme position.

What you may not know is this: When President Clinton took office in 1992, 19 percent of this Nation's gross domestic product went to the Government. That is a very large sum, no doubt about it. Since that time, and since his 1993 tax increase—the largest tax increase in history—we have gone from, last year, 20.9 percent of the gross domestic product—the gross domestic product is the total of all goods and services produced in this Nation—going to government, to, this year, over 21 percent. This 21 percent is paid by the taxpayers and working citizens of this Nation to the Government in the form of taxes.

I think it is important, Mr. President, for us to think about this in historical terms. What does this mean?

Bruce Bartlett of the National Center for Policy Analysis wrote recently about this. He made this point: Never in the history of this Nation have we reached the point where 21 percent of the Federal gross domestic product is paid to this Government in the form of taxes—not during the height of World War II did we reach that level, not during the Korean war did we reach that level, not during the Vietnam war did we reach that level, and not during the recessions when the economy has slowed down did we reach that level; none of those times have we reached the point where we paid the highest level in history—21 percent of the gross domestic product—to this country.

Last year, when I ran for office and I asked people for their support, I talked to them about the future and the direction this country ought to take. They expressed to me their desire to have less Government, a return to local government, and a reduction in the power and influence and waste and mismanagement of the Federal Government. The trends are clear, and the trends are not good.

What this tax proposal does is, it says to this giant bureaucracy of the Federal Government that we want to bring you under control. We don't want 22 percent of GDP going to the government next year, 24 the next, 26 the next, and 28 the next and, finally, a third, or even a half of our money going to the Federal Government. That is not the way to keep this Nation strong. We need to do better.

Taxes are too high. We are not claiming they are too high because we are trying to get people's support by promising some political tax gimmick. This is a fundamental, governmental policy change. That is what I was sent here to do, to be a part of that. I wish that the tax cuts that have been proposed and are being pushed by my Republican colleagues could be bigger. But we know we have to have bipartisan support and be able to overcome a Presidential veto. As a result, we have had to work hard and compromise to reach a significant tax cut. This is significant tax cut, but I wish it were bigger. It is a good tax cut; we need to have it and we need to proceed with it.

One complaint that has been made, Mr. President, is that this is a tax cut for "rich" people. It doesn't help the poor people. Well, a tax cut can only be applied to those who pay taxes. This is a tax cut, not a welfare program. We have welfare programs. We still have our Food Stamp Program. We still have our Aid to Families With Dependent Children. We are going to provide more money this year than ever and provide health insurance for those who don't have it. We are going to continue Medicare and strengthen that and make it a sounder policy to help poor people in America. This is not a welfare program. We are talking about a tax cut for people that are working and paying taxes. That is who needs a break right now—middle America. We need to be right up front about it. This is not a welfare program. It is a tax cut for people who are paying more taxes than they ought to pay.

Federal income taxes are graduated. The highest income people do pay more taxes. A family of four making $20,000 does not pay income taxes. Most families of four will not pay any taxes with a $20,000 income. Our idea is to allow those middle-class Americans, who are working and struggling to get by, to keep more of their money.

I have traveled Alabama in the last few years and I have talked to people. I have seen studies and all of the economic data that we get around here. I have served on the Joint Economic Committee of the Senate and the House, where we have dealt with economic reports from the Department of Labor and various other departments of the Government. We have analyzed those figures, and what my instincts tell me, and what I have learned from campaigning throughout Alabama, as well as from what the statistics show, is that middle-class, working families are struggling to a degree they have never struggled before.

In 1950, 70 percent of a middle-class, average family's income was shielded from Federal income tax. They paid no taxes on 70 percent of the money they earned. Today, only 30 percent is shielded. The percentage that you pay on the amount that you earn is higher. Taxes have gone up. In 1950, the average working family only paid 2 cents out of every dollar to the U.S. Government in the form of taxes—2 cents. Today, it is 25 cents. That is a dramatic change in American policy. I submit to you, Mr. President, that it is unacceptable.

I think it is time for us to be frank with ourselves, to be honest, to realize that we can't keep increasing tax burdens so that we politicians here in this Senate and this Congress can pass programs and pass out money and claim we are heroes. It is not our money we are passing out. It is money that we took from some family that needed that money.

Let's think about this $500 per child tax credit. A family of three, at $1,500 per year, can divide that up per month and it will be over $100 per month, tax free. Tell me a family making $30,000 can't use an extra $100 per month. Frankly, I am concerned about the idea that we ought to mandate in later years, at age 13 or 14, that they be required to apply that tax credit toward college savings. I am telling you that is not realistic. Working families in America today are concerned about getting by; they are not always concerned about college. They have a car that needs tires on it. They might need to fix the muffler. The children might need to go on a school trip. Where are they going to get the money for that? This could provide that. I think we ought to trust the families with these decisions and let this be their tax cut. We, in Congress, should not try to manage what they are going to do with it. A lot of kids don't go to college. A lot of kids work their own way through college. Maybe that family desperately needs that money now for personal items just to get by. That is who we ought to be supporting.

So, Mr. President, I feel very strongly about this. I am most proud to be associated with a group of Senators who are committed to realistically reducing the tax burden on America.

I was so proud to be associated with Senator KYL from Arizona who spoke previously. Senator KYL has been a champion for estate tax reduction. And I was pleased to join with him as an original cosponsor on his bill to eliminate this estate tax. I think that is an unfair tax. The estate tax only brings in about 1 percent of the Federal Government's income. Considering the amount of money it brings in compared with the cost of administering that program and the great gymnastics that people go through to try to avoid it, the estate tax is just inefficient and unfair. We could eliminate that tax and make this country and this economy more healthy.

Total Federal Government and State government taxes now amount to over 30 percent of the gross domestic product. In my opinion, measuring the tax rate to the growth domestic product is a good and just way to determine just how significant our tax burden is.

Finally, Mr. President, I want to share this story. I think it is a very important story. I serve on the Joint Economic Committee. Alan Greenspan, Chairman of the Federal Reserve System, testified at one of the first committee hearings I attended. It appeared he was about to raise interest rates, and everyone was most anxious. The economy was going along well. We were all pleased about the growth of the economy. There were a number of discussions about why the economy was doing so well. Some joked that it was President Clinton, and some said it was Mr. Greenspan. It was just a lighthearted conversation.

When it came my time to ask him questions, I asked him about an article that I had read in USA Today. They interviewed business people from Germany, England, and Japan. They asked them why the American economy was doing better than the economies of those three nations. When you boiled it down, those representatives from those three nations gave three reasons. They said the American economy is stronger because we have lower taxes, less regulation, and a greater commitment to the market economy, to the free market.

I asked Mr. Greenspan if he agreed with that. He said, "Yes, I absolutely agree with that." He said that without hesitation.

Those are the cornerstones of a strong and vibrant economy. We cannot keep raising our taxes every year so that we take a larger and larger portion of our gross domestic product. We will end up like Germany with unemployment over 12 percent instead of around 5 percent. That is what we will be heading to.

So this drive, this imperative to reduce taxes is not just to see if we can buy votes for letting people have more money; it is to try to invigorate and maintain the competitive capacity of this Nation. That is why we are doing better than the rest of the world.

I don't know who you could say deserves credit for this economy. We could have a lot of different ideas. But I would say that the Republican Party and Presidents Reagan and Bush, who spent a whole career fighting to reduce regulations and to contain the growth of taxes, even reduce taxes, played an important role in this economy. We need to remember that and maintain our historical position as a nation that will fight to keep its tax burden from going up.

So, Mr. President, I am pleased to be here today to express my excitement and primacy of support for legislation that will allow Americans who work hard every day to keep more of their money. They can spend it on the things they want to spend it on and not on

something that somebody in Washington wants to spend it on. It will be good for them. It will be good for their families, and it will be good for the competitive and productive capacity of this Nation.

I think this is an extremely important issue. We should not minimize it. Lower taxes will make us a stronger and more competitive Nation. We will have a greater increase in our economic growth. And out of that growth, we will have the capacity to serve those who are less fortunate. If we kill the goose that laid the golden egg, if we continue to tax this economy to the degree that it drives its growth down, we will not have that strength and that capacity to meet the challenges of our Nation.

Just look at the economies of Europe and Japan. You will see what can happen to us if we are not careful.

I am excited about what is happening. I look forward to having the opportunity to vote on many of these issues. I hope that the result will be that this economy will be free from further taxation, that we will have more growth and more productivity, and that we will be more competitive in the world.

Thank you, Mr. President.

I yield the floor.

THE VERY BAD DEBT BOXSCORE

Mr. HELMS. Mr. President, at the close of business Friday, June 20, 1997, the Federal debt stood at $5,331,587,514,810.20. (Five trillion, three hundred thirty-one billion, five hundred eighty-seven million, five hundred fourteen thousand, eight hundred ten dollars and twenty cents)

One year ago, June 20, 1996, the Federal debt stood at $5,108,536,000,000. (Five trillion, one hundred eight billion, five hundred thirty-six million)

Twenty-five years ago, June 20, 1972, the Federal debt stood at $426,219,000,000 (Four hundred twenty-six billion, two hundred nineteen million) which reflects a debt increase of nearly $5 trillion—$4,905,368,514,810.20 (Four trillion, nine hundred five billion, three hundred sixty-eight million, five hundred fourteen thousand, eight hundred ten dollars and twenty cents) during the past 25 years.

THE PROBLEM OF GLOBAL CLIMATE CHANGE

Mr. BYRD. Mr. President, on Thursday, June 19, I appeared before the Subcommittee on International Economic Policy, Export and Trade Promotion to testify on Global warming and on behalf of my sense-of-the-Senate resolution on the same matter which now has 61 cosponsors including myself.

I was pleased to appear on the same panel with my good friend, Congressman JOHN DINGELL. I ask unanimous consent that my testimony and that of Congressman DINGELL on that occasion be printed in the RECORD at this point.

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

STATEMENT OF SENATOR ROBERT C. BYRD

Mr. Chairman, I thank you for the opportunity to appear before the subcommittee to discuss the critically important issue of the negotiations aimed at signing a protocol during the third session of the Conference of the Parties to the United Nations (UN) Framework Convention on Climate Change, which is scheduled to be held in December in Kyoto, Japan. I am concerned that the protocol that results from these negotiations could have a serious impact on American industry and on our economy, while at the same time failing to address a looming threat to the global environment.

On June 12, I introduced a Sense of the Senate Resolution, together with Senator Hagel and a bipartisan group of my colleagues, which addresses the conditions for U.S. agreement to revisions to the United Nations Framework Convention on Climate Change. The resolution has been cosponsored by 60 Senators from both sides of the aisle. This resolution states the Sense of the Senate that the developing world must fully participate in the treaty negotiations and commitments and play a meaningful role in effectively addressing the problem of global climate change.

In essence, the resolution accepts the thesis, which is still the subject of some dispute, that the increasing release of carbon dioxide (CO_2) and its accumulation in our atmosphere are causing a very gradual heating of the globe, which has many adverse consequences for us all. I believe the Administration should be commended for its efforts on this issue, and I commend this subcommittee for its attention to this matter. If substantial steps are going to be taken to influence carbon dioxide and other greenhouse gas emissions, we need to accelerate new technologies, anticipate new developments, and encourage public/private sector participation.

President Bush signed the United Nations Framework Convention on Climate Change, the so-called Rio Pact, in 1992, which was subsequently approved by the Senate, and calls on the industrialized nations to aim to reduce their greenhouse gas (GHG) emissions to their 1990 levels by the year 2000, a goal which will not be achieved by the U.S. nor by the vast majority of the industrialized nations unless further steps are taken.

The parties to the Framework Convention met in Berlin in 1995 to discuss the future direction of the treaty in light of this projected failure to meet the voluntary objectives, agreeing that any new commitments would be binding upon the signatories. Specifically excluded from any new commitments, however, would be the countries that comprise the developing world. The rationale for the so-called Berlin Mandate was that it is the industrialized OECD (Organization for Economic Cooperation and Development) nations that have been the major emitters of greenhouse gases in the past, and will continue to be in the next decade.

There are two intrinsic problems with the Berlin Mandate. First, while the industrialized world is the primary contributor to the current problem, that will not be the case in only a few years. As this chart demonstrates, the emissions of the developing world are rapidly increasing on a sharp, upward slope. These emissions will actually surpass those of the industrialized OECD nations by the year 2015. In short, the developing world is rapidly becoming a clone of the OECD nations.

Let us assume that the current negotiations for a new protocol, which are to be concluded in Kyoto this December, result in a binding commitment that the OECD nations must reduce their emissions to 1990 levels by 2010. This chart demonstrates that under such a scenario the OECD nations will sharply reduce our emissions of greenhouse gases. The price we will pay in order to achieve these reductions is open to debate, as estimates differ. Nonetheless, the key point is that this responsibility will not be shared because of the Berlin Mandate, for the chart clearly shows that the emissions of the developing world continue on their inexorable upward track, even as we in the OECD group make the painful and costly adjustments necessary to force down our emissions.

This demonstrates the second problem with the Berlin Mandate, which is that we gave away the store, and we received nothing in return. Many of the biggest emitters of greenhouse gases in the developing world have refused to even discuss, let alone seriously consider, taking any emissions limitations commitments upon themselves. In what can only be viewed as an act of environmental irresponsibility, the developing nations have adamantly refused to recognize that they will, over the next two decades, become the primary cause of the problem, in terms of annual emissions.

The refusal of the developing world to discuss any future emissions limitations commitments has become a central issue, for any attempt to bring them into the process is labeled by some as a "treaty killer." I have a different perspective. My resolution is not a treaty killer. It is, in fact, a treaty enhancer. It calls upon the Administration not to agree to a protocol, unless it includes new commitments to limit or reduce greenhouse gases emissions for developing country parties within the same compliance period. My resolution improves the treaty. For any treaty that does not include emissions limitations provisions for the developing world is inherently unsound and ineffectual on its face. Environmentally, we are all in the same global boat. What good does it do for the United States and other developed nations to work feverishly to plug the holes in the boat, if the developing nations are drilling holes at the other end just as fast as we plug them? Be assured that the global boat will sink just as rapidly and we are all going to be in for a long, long swim.

Bringing the developing world in under the climate change tent, as part of any future treaty, will not only increase the prospects of Senate ratification, it will also be enormously beneficial for the international environment. Let me further clarify that point. This chart shows the world of 1995, in terms of world carbon emissions in millions of metric tons of carbon. The United States and OECD nations, shown in red, are responsible for a little over half of that total. The next chart projects the world as it might be after the currently proposed treaty is adopted, with only the developed world taking action to reduce greenhouse gas emissions. The difference is startling. The developing world, shown in purple, has assumed the U.S. and OECD nations' place as the biggest global polluters. The problem remains the same, only the names have changed. And again, because of the flawed Berlin Mandate, all of these emissions from the developing world

will be completely uncontrolled, and free to increase even further. From this perspective, it is the Berlin Mandate—and the fact that it lets the developing world off the hook scot-free—that will seriously harm the global environment in future years.

Finally, let us examine the role of China. Despite possessing a strong and growing economic and industrial base, despite possessing the ability to launch satellites into orbit, China is still counted among the family of developing nations. But its industrial growth is matched by its growing contribution to global pollution. This chart compares China's contribution to global carbon emissions to the contribution made by the United States. On the left, we can see that based upon current trends, China will surpass the United States in carbon emissions by 2015. On the right, we can see that if current proposals are adopted, under which we would reduce our carbon emissions to 1990 levels, while imposing no requirements upon the developing world and China, China all by itself will greatly exceed the United States in metric tons of carbon emitted.

I find it disturbing that despite its future role as the world's leading contributor to the problem of carbon emissions, China has indicated steadfast refusal to apply any type of binding obligations upon its own economy and industries. I believe that if the treaty we are negotiating today does not equally commit developing nations like China to binding commitments, there will be no incentive for China and the other nations of the developing world to make responsible and environmentally sound choices as they develop. You can be sure that after China assumes its role as a leading carbon emitter, she will not be very eager to make the tough and costly corrections to retrofit her industries to reduce emissions of greenhouse gases. Indeed, she may expect to benefit from a treaty in which she escapes binding commitments, because it may allow her to import industries from OECD nations that would choose to relocate there rather than change their ways and clean up their acts at home.

My message to U.S. negotiators is that all nations, but particularly those that are making and will make a significant contribution to greenhouse gas emissions, need to (1) make commitments at Kyoto that unequivocally demonstrate an action program to tackle this problem, and (2) to start with aggressive efforts to act on those commitments immediately and not settle for vague promises to return to a future negotiation to get serious. Finally, while countries have different levels of development, each must make unique and binding contributions of a pace and kind consistent with their industrialization. The developing world must agree in Kyoto to some manner of binding targets and commitments which would begin at the same time as the developed world in as aggressive and effective a schedule as possible given the gravity of the problem and the need for a fair sharing of the burden.

In closing, I note that my resolution states than any treaty presented to the Senate be accompanied by a "detailed explanation of any legislation or regulatory actions that may be required to implement the protocol or other agreement and should also be accompanied by an analysis of the detailed financial costs and other impacts on the economy of the United States which would be incurred by the implementation of the agreement." There surely will be costs if the United States is to make the changes to our existing industrial base and to our existing lifestyle necessary to meet the goals of this treaty. Our smokestacks must be cleaner and our automobiles more efficient. There are many ways to achieve these goals. We must be able to tell the American people what will be required to meet any proposed commitment.

Politically, I believe that there needs to be a strong consensus between the President and Congress about any plan of action. The Administration's policy of follow-on multilateral negotiations to deepen the impact of the Rio Pact requires very substantial consensus-building with the Congress, and broad educational activities to bring the American public along. To impose effective, legally-binding measures on the U.S. economy, will mean having the strong support of the Senate. We Senators need to be deeply concerned over the alarm that has been expressed to us by a very broad range of American industry and labor over the impacts on our economy of a treaty which commits the United States to deep emission reductions, and which does not spread the burden of responsibility equitably across the globe. These assessments by bedrock American industry must be taken seriously. I hope that this hearing will result in new Senate attention to the progress of these negotiations, and that this Committee will serve to interact regularly with the State Department and Administration policy-makers as our negotiating strategy is developed and refined.

The resolution that Senator HAGEL and I introduced, and which has won the support of a majority of sixty Senators, is aimed at that negotiation, and beyond. Since carbon and other greenhouse gases can accumulate in the atmosphere and persist for long periods, we will not as a community of nations get a handle on these threats to our global climate unless everyone participates and does their share to solve the problem. We all share our earth in common. We breath the same air, and we are exposed to the same global climate system. We must all accept our share of the responsibility for the global climate. We must keep this fragile boat afloat, together, and the sooner we have commitments from all its passengers to work together in that effort, the better.

TESTIMONY OF THE HONORABLE JOHN D. DINGELL, SENATE FOREIGN RELATIONS COMMITTEE, SUBCOMMITTEE ON INTERNATIONAL ECONOMIC POLICY, EXPORT AND TRADE PROMOTION, JUNE 19, 1997

Mr. Chairman, I appreciate your holding this hearing. I consider it a great honor to testify beside my good friend and highly respected colleague from West Virginia, Senator Byrd.

I do not appear before this Subcommittee as a critic of the idea that we are engaged in climate change negotiations and that we are moving forward. I'm critical of the idea that we are negotiating without the full and proper information that we need.

With respect to the climate change negotiations, I have several questions to which I have yet to receive satisfactory answers.

One: Have we overreached on the science?

The State Department has concluded that current science proves that global warming is "dangerous" and requires immediate emissions reductions. But the official U.N. scientific body has gone only so far as to identify a link between human activity and warming, but their own document on the science states, and I quote, "our ability to quantify the human influence on global climate is currently limited." In other words, we don't know with any degree of precision how big the problem is, we don't know how fast it's moving, or how it can be mitigated.

My friend and former colleague Tim Wirth, who will testify later this morning, agrees on this point. At a public forum this February he said there is "no doubt about the theory" of climate change and that "we don't know where, how much or how fast."

Two: Is what we're seeing here a classic example of mission creep?

We've seen a shift from voluntary to mandatory policies. Initially, the Administration's policy was based on voluntary agreements with industry and reliance on "joint implementation" of mutually beneficial partnerships between U.S. industry and developing countries. For instance, U.S. companies would get credit for helping developing countries build clean power plants. But sometime early in 1996, the tone changed. Mandatory emissions reduction became the goal.

Three: Who is representing America's interests? Are we setting ourselves up for an economic fiasco?

In a letter to me in 1995, President Clinton promised not to agree to anything which would adversely affect U.S. competitiveness. But the State Department has signed onto agreements that are procedurally and substantively disadvantageous. The outcome may be an agreement late in 1997 in Kyoto imposing mandatory emissions reductions on developed countries, and at best only voluntary steps for developing nations.

We've already committed ourselves to steps to control emissions and potentially harm our competitiveness. The developing countries are scot-free. We've gotten not a single, solid, binding commitment from them.

My friends in the Administration argue that they are being hard-nosed because they have rejected the more extreme proposals advanced by groups such as the Association of Small Island States, or AOSIS. But I find scant reason to congratulate our negotiators for refusing the chance to submit our unconditional surrender.

Four: Even if you disagree that climate change is a problem, is the Administration really doing anything to protect the environment?

The theory of global warming holds that greenhouse gases have an effect no matter where in the world they are emitted. This is not like the debate over acid rain or ozone, where emissions from one part of the country were thought to cause problems in another, identifiable region. China will surpass us in terms of emissions early in the next century. If you accept the theory of global warming, those emissions will cause as much harm to the climate as emissions from the developed countries today.

Five: How is all this going to work?

I've yet to see a proposed negotiating text that includes specific dates and numbers. Those are important matters, but there are some other fundamental issues at hand: Who will have to do what? Who will enforce the agreement, and how timely would enforcement be? If we establish a trading system, is China or any other developing country going to be allowed to keep credits for themselves as a country? Or will companies be allowed to use them to offset operations elsewhere in the world? Does anyone seriously believe China, or any other country for that matter, will act on altruistic motives?

This leads me to my sixth and final question. Why are we doing this before we have the most basic information about how climate change policies will affect our economy? In short, has the Administration bothered to do its homework?

We were supposed to have the vaunted analysis and assessment of the impact of climate change policies on the U.S. economy by the end of last year. It has not been completed yet, despite repeated promises to Congress and industry that it would be available before important policy decisions are made. But the State Department formally proposed a cap-and-trade negotiating position in January. In short, the analysis is self-evidently too late to inform the process, and likely will be used to justify what the Administration has already decided to do. Just as clearly, public participation and comment on the analysis and assessment is irrelevant. And the Department of Commerce official in charge of the analysis and assessment has moved on to pursue other career opportunities.

I have asked the Administration whether, when they go to Kyoto next December, they will refuse to sign any agreement that binds the U.S. to new emissions obligations unless it holds our economic competitors in the developing world to equivalent obligations. I cannot in all truth say that I have received a reassuring answer.

My concerns very closely parallel those of American labor, and I am delighted that you will be hearing from Secretary-Treasurer Trumka of the AFL-CIO. I commend to you the resolution on climate change adopted by the AFL-CIO Executive Council, as well as the Senate resolution offered by Senator Byrd.

Let me close by noting again that I am not opposed to our being part of international negotiations on climate change. But I would approach those negotiations the way I would approach a high-stake poker game: with an open mind, but not with a blank check.

CHARLES BEATTY'S DEDICATED SERVICE TO THE SENATE

Mr. BYRD. Mr. President, I would like to commend a fellow West Virginian, Charles E. ("Chuck") Beatty for his significant contributions to the Senate on the occasion of his recent retirement from the Bell Atlantic Telephone Company after more than 32 years of service.

During the past 11 years, Chuck has faithfully served this institution. He was assigned to the Senate in 1986 when he was involved in the digital telephone switch installation. He has worked diligently and tirelessly throughout these years on any project required by the Senate, regardless of the deadline. Some of his other major accomplishments include overseeing the installation of telecommunications service for the last three Presidential Inaugurations and implementation of the state-of-the-art rewiring of the Russell Senate Office Building, which is nearly completed. No job was ever too big or too small or required too quickly. Chuck always provided the Senate whatever was needed as soon as necessary.

Chuck was born in Cheat Neck, West Virginia, outside of Morgantown, where his parents still reside. He frequently returns to a cabin near Moorefield to enjoy the West Virginia scenery and air as well as canoeing on the North Fork of the Potomac River.

I want to take this opportunity to thank Chuck for his dedicated service to the Senate and wish him well in his future endeavors.

SMALL BUSINESS LOANS FOR INNER CITY

Mr. ALLARD. Mr. President, recently, the Rocky Mountain News reported on a new program in Colorado, the Community Entrepreneurial Program, which provides small business loans to inner city Denver entrepreneurs.

The Community Entrepreneurial Program uses private and nonprofit funds, not government money, to fund these micro-loans. It is part of an international effort to set up small businesses around the world, Enterprise Development International, headquartered in Arlington, VA.

As we continue to find ways to help people help themselves, this program is leading the way in helping individuals with the initiative and drive to start a small business.

To quote Wil Armstrong, a Denver business leader who is very active in the Community Entrepreneurial Program, "We're backing one little business at a time, trying to make a difference for just one person or one family at a time."

I ask unanimous consent that the Rocky Mountain News story be printed in the RECORD.

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

[From the Rocky Mountain News, May 25, 1997]

MICRO-LOANS AID DENVER POOR

(By Al Lewis)

Micro-loans have long been heralded as a solution to Third World economic woes. Now a handful of micro-lending organizations are bringing them to Denver.

"We call ourselves the investment banker to the ghetto," said Stephen Rosenburgh, chief executive officer of Arlington, Va.-based Enterprise Development International.

"We seek to enable the poorest of the poor."

Since 1985, his group has helped 660,000 people set up small businesses around the world. It has helped first-time entrepreneurs purchase everything from rickshaws to trucks, hand tools to laptops.

Now the group is contributing to a $240,000 loan pool that will finance small start-ups in low-income areas of Northeast Denver.

The Community Entrepreneurial Program, launched last week, will make 16 to 20 loans of up to $15,000 to entrepreneurs in the Whittier, Five Points, Park Hill and City Park East neighborhoods, said Bill Bridges of Belay Enterprises.

"A lot of inner-city people find it hard to connect with a bank," Bridges said. "But with welfare reform on the horizon, home-based businesses and self-employment are going to become very important."

Belay received $20,000 from Enterprise Development International to launch the program. it also received $20,000 from Agape Christian Church, Church in the City, Jubilee Community Church and Loving Saints Christian Church; and it received $40,000 from a statewide organization called Colorado Capital Initiatives.

The $80,000 from the various groups will be used to secure $240,000 worth of loans from Northwest Bank Colorado.

The three-year loans carry interest rates of just one point above the prime lending rate.

They will help start businesses ranging from painting and carpentry contractors to home-based medical billing and mortgage brokerage services, Bridges said. Loan candidates will be referred by participating churches.

Micro-lending programs like Belay's may be the wave of the future for corporate charity.

Business people sometimes scoff at the idea of a handout, but they are usually happy to donate money to programs that cultivate an entrepreneurial spirit in beneficiaries, Rosenburgh said.

They also offer their time and expertise.

"I want to use business in a way that impacts others," said Wil Armstrong, vice president of Cherry Creek Mortgage Co. Inc.

Armstrong, who once volunteered at Mother Teresa's home for the destitute in India, is director of Enterprise International. His father, former Colorado Republican Sen. William Armstrong, serves on the group's international advisory board, which is chaired by Jack Kemp.

"Mother Teresa was out to change the world for one person at a time," Armstrong said. "In a lot of ways, that's what I believe Enterprise does. We're backing one little business at a time, trying to make a difference for just one person or one family at a time."

Mr. ALLARD. I suggest the absence of a quorum.

The PRESIDING OFFICER (Mr. ENZI). The clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. SESSIONS. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

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

CONCLUSION OF MORNING BUSINESS

The PRESIDING OFFICER. Morning business is now closed.

BALANCED BUDGET ACT OF 1997

The PRESIDING OFFICER. The Senate will now proceed to the consideration of S. 947, which the clerk will report.

The legislative clerk read as follows:

A bill (S. 947) to provide for reconciliation pursuant to section 104(a) of the concurrent resolution on the budget for the fiscal year 1998.

The Senate proceeded to consider the bill.

The PRESIDING OFFICER. The Senator from Alabama.

Mr. SESSIONS. Mr. President, I suggest the absence of a quorum, and I ask that the time be equally divided.

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

The clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. DOMENICI. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

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

Mr. DOMENICI. Parliamentary inquiry, Mr. President. I understand we are on the reconciliation bill?

The PRESIDING OFFICER. That is correct.

Mr. DOMENICI. Time has been running?

The PRESIDING OFFICER. The Senator is correct.

Mr. DOMENICI. How much time has run?

The PRESIDING OFFICER. Thirty minutes.

Mr. DOMENICI. I understand that the leadership has indicated there will be no votes today, which does not mean there will not be amendments offered. We hope that we will take a few amendments and debate them and then put them over in some stacked regime for tomorrow.

I also understand there are 20 hours of debate equally divided on this bill. Is that correct?

The PRESIDING OFFICER. That is correct.

Mr. DOMENICI. And that there is also an agreement between the leaders that we will use 10 hours of that 20 today before we recess. So I think that sort of sets the stage for those who are interested in attempting to modify the bill before us.

I have a couple of technical consents.

Mr. President, I ask unanimous consent that the presence and use of small electronic computers be permitted on the floor during the debate and discussions on this measure.

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

PRIVILEGE OF THE FLOOR

Mr. DOMENICI. Mr. President, I ask unanimous consent that the following staff of the Budget Committee be permitted to remain on the Senate floor during consideration of S. 947 and the list be printed in the RECORD. This list contains both the majority and minority staff.

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

The list is as follows:

MAJORITY STAFF

Victor Block, Scott Burnison, Amy Call, Jim Capretta, Lisa Cieplak, Kay Davies, Kathleen M. Dorn, Beth Felder, Alice Grant, Jim Hearn, Bill Hoagland, Carole McGuire, Anne Miller, Mieko Nakabayashi, Cheri Reidy, Ricardo Rel, Karen Ricoy, Brian Riley, Mike Ruffner, Andrea Shank, Amy Smith, Austin Smythe, Bob Stevenson, Donald Marc (Javits) Sumerlin, Winslow Wheeler.

MINORITY STAFF

Amy Peck Abraham, Matt Greenwald, Phil Karsting, Bruce King, Jim Klumpner, Sander Lurie, Daniela Mays, Martin S. Morris, Sue Nelson, Jon Rosenwasser, Barry Strumpf, Mitchell S. Warren.

Mr. DOMENICI. In addition, we have two others we want to have full access to the floor. I ask unanimous consent the privilege of the floor be granted to Austin Smythe and Anne Miller during the pendency of S. 947 on the day of Monday, June 23.

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

Mr. DOMENICI. Mr. President, might I inquire, am I correct in assuming that Senator ROTH and Senator MOYNIHAN intend to come to the floor early this afternoon with a modification, an amendment?

Mr. LAUTENBERG. We have heard that Senator MOYNIHAN will be here, as will, I assume, Senator ROTH, at about 1:30.

Mr. DOMENICI. That might be the first matter we take up, I understand, since it is the chairman and ranking member.

Mr. LAUTENBERG. That could be very well the case.

Mr. DOMENICI. What I would like to do is make a few opening remarks, yield to my friend and colleague Senator LAUTENBERG, and see where it turns out.

Today the Senate begins consideration of S. 947, the Balanced Budget Act of 1997. Some people wonder, when we had the debate and told the American people that we finally had reached an agreement, 5 years in duration, that would get us to a balanced budget, some people wanted us to tell them precisely what the agreement contemplated when, as a matter of fact, the agreement covered only a portion of what must be done by Congress. Then, in addition, a budget resolution was taken up on the Senate floor. During the discussion of that budget resolution, people would ask questions like, "What changes are there going to be in Medicare to make it solvent for the 10 years that are being promised?" They might ask the question, "What is going to happen to Medicaid under this budget proposal and this agreement?"

Frankly, for the most part, we told them what we knew and we told them that, in due course, a piece of legislation would be coming through that would change various laws of the land and would accomplish the goals, the savings required over the first 5 years and estimated over 10. And now, today, to put it into perspective and so the process is understood better, the committees that were charged under that budget resolution to do things—for the most part to decrease the cost of programs within their jurisdiction, within their authority; in a couple of instances they were asked to increase slightly, the expenditures—essentially those committees, eight in number, have done their work and now what we have is a law, what could be a law, that is a bill, not a budget resolution.

The bill before us is a very special bill. It is called a reconciliation bill. That is significant in the U.S. Senate, more significant than in the House, because in the U.S. Senate this proposed bill, this reconciliation bill, is granted some very powerful immunity from the rules of the Senate. The biggest one is the bill cannot be filibustered. So you see right off, when I asked the question, is it not correct that there are 20 hours of debate on this bill?—and the Parliamentarian answered yes—that is by law. In other words, we came along and said these bills should not be delayed. They are part of getting you the budget changes you need, and they deserve a privilege of being immune from filibusters. So the law set down how much time would be used for debate.

In addition, you will hear throughout the next 2 days some interesting verbiage. We will talk about amendments to the bill. Again, this bill is not an ordinary bill. Either by the statute that created the process or by subsequent enactment of the Congress, we have said that it is very difficult to amend this bill. So, essentially almost anything you try to do to this bill that changes matters of real substance that are in it are generally subject to a point of order and require 60 votes, if the point of order is made on a waiver, to make them germane and thus subject to being added to this bill.

In the meantime, since that law, we adopted another rule for ourselves. The more we did these the more we found that Senators found ways to get around what was contemplated. So, what we did, with the cooperation and assistance of the distinguished Senator from West Virginia, Senator BYRD, we adopted a rule for ourself about this bill and we have now named it after the Senator. It is called the Byrd rule. Essentially what it says is that matters within this bill or matters attempted to be added to this bill that do not substantially decrease the deficit—that is, if you introduce them, for instance, to do away with a commission, but it really isn't there to save money—then the Parliamentarian will rule that it takes 60 votes to pass them.

This is very different from an ordinary bill that comes before this body, which is the most generous parliamentary body in the world in terms of permitting Members to make amendments and argue what one might even call irrelevant matters to a bill pending. So, as an example, you can have a bill coming through here on education and somebody can get up and say, "I would like to debate the troops in Bosnia." They would get up and they could introduce a resolution or a statute on that education bill that says we are going to be out of Bosnia in 6 months. Frankly, it is debatable for as long as the Senate wants to debate it and it cannot be stricken for germaneness or

relevance because, under the Jeffersonian rules that we adopted and parliamentary interpretations, we are free to offer nongermane, extraneous amendments to the bill.

In any event, Members now are familiar enough that they do go ask for some assistance before they up and offer an amendment to just change this reconciliation bill and do things their way. On the other hand, they may offer them even if they are not germane and subject to the Byrd rule, and everybody knows they are apt to be defeated because it requires 60 votes to concur in their adoption.

So that is about where we are. Again, getting back to where we are, this legislation is the first reconciliation bill that was instructed by that budget resolution that we talked to the American people about, in terms of getting to balance. It was about 2 weeks ago we adopted that resolution. It told these eight committees of the U.S. Senate to do some work to change some laws. In a sense, this represents the first leg of a three-legged stool that must be constructed to implement the balanced budget, and the bipartisan budget agreement that attended it, that the Speaker of the House and the majority and minority leaders of the Senate agreed and concurred on on May 15.

I characterize this as the first leg, because that historic agreement, to be fully implemented, requires changes both to entitlement spending, that is this first reconciliation bill; changes to our tax laws, that is the second reconciliation bill; and then, in due course, there will be 13 appropriations bills that are annual spending of money that will have to be kept within the limits prescribed in this agreement and also will have to provide some priority items that were agreed to between the President and Congress for matters that pertain to crime, education, and about 13 different items. Some are small, some are large. We have to try to put those in their appropriate place in the appropriations bills. So, I characterize this as the first leg because the historic agreement, to be fully implemented, requires changes in both the entitlement spending and changes to our tax laws and, also, limits on the annual appropriations spending account.

Obviously, it is complex. I do not know if we could get anywhere near where we are if we did not have these bills, which are privileged, as I indicated, for many of them would go on in debate for 3 or 4 weeks and many of them would be so burdened down with amendments that you would not recognize the bill when you finished. So, we are ready to take the cumbersome nature of it all and work as hard as we can so that by September 1 we have all three legs completed and perhaps the procedural changes that we must get to enforce it, which will come along here shortly, and thus be where we ought to be to reconfirm to the public we are on a path to a balanced budget.

Last week these committees of the Congress completing this bill, this first leg, were quietly adopting spending limits established in the agreement for the upcoming fiscal year. Later in the debate on this reconciliation bill, I will offer an amendment, hopefully with my ranking member, Senator LAUTENBERG, to establish appropriation limits for the next 5 years as required by the agreement. I understand Senator LAUTENBERG is concerned about one aspect of that. We will try to work together on that.

So, before the week is out, the Senate, in rapid succession, will have built the three legs of the stool necessary to carry out the bipartisan agreement which we negotiated over a period, generally now understood to be as long as 5 months of negotiating. Among those three legs, first the entitlement spending bill is before us today and, I repeat, immediately after it the second leg, the tax reduction bill, will follow, and then in due course the appropriations. When completed into law and signed by the President—and I am hopeful the two reconciliation bills will be, and I am hopeful that before September 1 arrives we will have passed all the appropriations bills, thus enabling Government to operate for another year—what we will have is we will have set about to balance the Federal budget by 2002.

If that works, and I have no reason to believe it will not, it will be the first such accomplishment since 1969. Reducing Federal spending compared to current Federal spending projections, spending will slow by nearly $290 billion over the next 5 years. And if the reform policies we adopt this week continue unchanged, we will have reduced Federal spending by nearly $1.1 trillion over the next 10 years, counting the debt service that we will not have to make because of reduced borrowing. Changing the scope of spending measured by the size of a growing economy resulting from this balanced budget plan, Federal spending will decline from 20.8 percent in 1996 to 18.9 percent in 2002.

Frankly, when I started, in 1974, as a member of the Budget Committee, I really was skeptical as to whether we would ever break this 20 or 21 percent of spending versus the gross domestic product. We will be down to 18.9 when this budget agreement is fully implemented. Again, that will be the lowest level since 1974, and, more important, 52 percent of the 5-year savings will be derived from reduced entitlement growth, particularly through the reforms and changes made to Medicare and Medicaid Programs and, in particular, on Medicare, to avoid the bankruptcy of that program.

Funding priority programs will achieve balance in 2002, and the agreement does assume some directing of our limited Federal resources to priority programs, such as children's health, assistance to disabled citizens, education, environment, transportation, crimefighting, and international affairs.

Reducing Federal taxes. When we complete the second reconciliation bill, the agreement will have been achieved to reduce taxes on American families and businesses to provide incentives, savings and investments and to provide relief for families with education expenses.

Enforcing the agreement, when we finally complete work this week, will be extended and strengthened because we are going to add to the Budget Enforcement Act of 1990 and give the American people assurances—as sure as we can—that we will live by these decisions, because to break any of these caps over the next 5 years will require a waiver of this agreement and will require a supermajority of 60 votes.

So, Mr. President, I say to fellow Senators, in short, this could turn out to be a very busy and, hopefully, a very successful week. It will be a week in which the fiscal policy decisions we make will resonate for many years to come. As it relates to the immediate bill before us, I thank the eight committees, their chairmen and ranking members, for acting as quickly as they did to report to the Budget Committee their legislative pieces which will carry out the agreement.

The legislation before us is, in very large part, consistent with the agreement. However, in a few areas, the legislation does not comport with the agreement. An argument can be made that certain provisions are inconsistent with the agreement. Obviously, we will work on those over the next 2 days. Under the Budget Act, the Budget Committee could only bundle the eight committees and the language given to us for this report, and I quote from the statute, "without any substantive revision."

It falls to the leadership and us in the full Senate to attempt, where necessary, and to the extent the rules of the Senate permit, to make changes that might result in it being made more consistent with the agreement and, I also want to mention, to the extent it is not totally inconsistent in some areas. There is one additional opportunity to fix it, and that will be when we go to conference with the House. They will be working on their bills simultaneous with this, and they will be off the mark in a few areas. When we go to conference, we will attempt to reconcile those differences and make them as consistent with the agreement as possible.

I remind all Senators and their staffs, again, that this bill is on a special fast track, as I have alluded to. It is actually the paramount special fast-

track legislation provided for in the laws and rules of the Senate. So amending can be tricky. I have already indicated that germaneness and not being extraneous are very important, and you can violate those standards only with 60 votes.

So over the next 20 hours allowed on this legislation, I anticipate we will have four broad areas of amendments, and not all will be germane and probably many will be extraneous, but nonetheless, we will need to consider, first, as I mentioned earlier, the agreement calls for enforcement under the strict rules of the reconciliation budget process. Enforcement could not be considered in the committee. Any enforcement legislation similar to 1990 and 1993 will need to be considered on the floor. The joint Budget Committee staffs and the administration officials have been preparing such an amendment, and other Senators will probably also offer their amendments to enforce the agreement.

Second, there will be a group of amendments that may need to be considered to bring legislative language into compliance. I will work with the leadership and the affected committee chairmen and ranking members to make sure that these amendments are necessary and consistent with the agreement.

Third, the legislation before us falls short of the deficit reduction target assumed in the agreement. It may be necessary to consider some amendment that would bring the legislation before us into compliance, or modifications to the agreement will have to be considered.

Finally, the legislation before us includes provisions on which the agreement was silent. Some of these in the Medicare area have been controversial, such as means testing of the Medicare deductible or gradually increasing the age when individuals will be eligible for Medicare. I am sure we will have some hearty discussions about these provisions, and there will, obviously, be amendments to them.

So now, Mr. President, the Senate business and work lies before us. It is important work for the country's fiscal future. After nearly 2 years of debate with the administration on how to achieve a balanced budget, it is work that, once completed, I think, will become law and will balance the budget. It has been way too long in coming. I look forward to closing a chapter in the Senate at the end of this week, perhaps as late as Saturday, and immediately upon return from the Fourth of July recess, to reconcile with the House our differences and get this completed as early after the Fourth of July as possible.

I thank the Chair, and I thank the Senators for listening. I yield the floor at this point.

Mr. LAUTENBERG addressed the Chair.

The PRESIDING OFFICER. The Chair recognizes the Senator from New Jersey.

Mr. LAUTENBERG. I thank the Chair. I want to say, Mr. President, this is my first year as ranking member on the Budget Committee to process the budget resolution, and it has been an interesting experience. It is a fairly complicated process. I had a lot of learning to do. I still feel that I am playing catchup in some areas, but it was largely through the good work of Senator DOMENICI that the process moved fairly expeditiously. We work well together. The relationship, on a personal basis, is excellent. We disagreed without being disagreeable, and we completed this arduous task. It has gone on for several months and I think probably will be a milestone mark in the way a budget is developed because of the target that it has, a balanced budget in the year 2002, 5 years hence. There will be enormous change as we go along.

Mr. President, I have to point out that this comes at a time when things are pretty good. Since President Clinton has been in office, we have seen dramatic changes in our fiscal condition. For instance, the annual deficit came down from $290 billion, in round terms, in 1992, to an expected $70 billion level for the year 1997.

So we have had dramatic declines in the deficits. Our unemployment is at a low point in decades. America is very competitive. We are sending out the kind of high-valued products that we like to see being shipped to other countries, in terms of international commerce. We have the lowest deficit to GDP among all countries of the world, running around 1.5 percent, the envy of almost every nation on this globe. Our ratio of taxes to GDP is the lowest of any nation on the globe. We are talking about large societies, advanced societies.

We just saw completion of the gathering of the heads of government in Denver, eight countries, including ours, in which I guess America boasted a little bit because we have been leading the way. Countries that were so envied for so many years, like Germany and Japan, are trying to figure out how we did it and with a tax base that enables people certainly to succeed, acquire, in some cases, incredible fortunes, fortunes far larger than we ever dreamed possible.

There used to be a time in America when if someone was a billionaire, that was a stand-out person. It is not all inflation, but today they are counting billionaires and multibillionaires. There is success after success of people going into the corporate world, from whence I came, and work a few years with a company and walk out with $20 million, $50 million, some people being paid $25 million a year on a regular routine.

It is quite incredible and quite different, by the way, than the guy who works hard every day and tries to support his family and thinks about where he is, whether his kids are going to be able to get an education so they can move up the economic ladder. He worries about his old age, "Will my pension be there when I am ready to retire?" "Will I be able to give a hand to my mother if she falls sick beyond the capacity of the system as it is presently designed to take care of her?" "Will I be able to continue to live on a little plot of land and maintain my home, our home?" Or, "Will my wife and I have to work shifts so that she can be home when I am not, and vice versa, to take care of our kids?"

That is the picture we see in America today, with all the good results. People at the top are doing very, very well, and people at the bottom are doing slightly better but still very worried. The price of a college education, the opportunity for the kind of jobs that can sustain a family—it is quite different in the levels of income.

So, Mr. President, when we look at a bill like this which we will be considering very soon, the tax consequences of our deliberation—and we will be running into some difficult discussions here, because I know a lot of my colleagues are worried about tax breaks for those who don't need them and tax opportunities for those who do.

Today, we are talking about the first of the two reconciliation bills, this one called the spending reconciliation bill. Senator DOMENICI went through some explanatory statements to let people understand what it is about this arcane system of ours—frankly, it is a mystery to most and to many even inside this place—about the budget resolution, the reconciliation, enforcement, and all of the terminology that becomes routine when you are working with it every day, and talking about germaneness and relevance. Around here, relevance, to steal a phrase, when they talk about beauty in the eyes of the beholder, relevance here is in the eyes of the bellower. That is where often debate comes about—relevance. But we have a process by which we determine whether or not something is relevant. So that will be considered as we go along.

So, Mr. President, I want to just say once again that I commend the chairman of the Budget Committee for his hard work and cooperative attitude over the past many months. We have spent long days in tight quarters working on this—by the way, no longer smoke-filled; that's out, as we see now with the tobacco legislation in front of us.

Senator DOMENICI is one of the most competent, serious, hard-working Senators in this body. I enjoyed, as I said earlier, working with him over these past few months. The reconciliation

bill before us includes provisions that have been, as the chairman noted, reviewed and developed by eight different authorizing committees. Our colleagues on those committees deserve real credit for moving fairly quickly to put these pieces together. I commend them for their hard work.

When I look at the final product, there is much in this legislation to be pleased with. It makes some improvements in Medicare solvency and extending the trust fund. It restores some important benefits to legal immigrants. It includes $3 billion to move people from welfare to work. We want that to happen. And it softens the law that denies food stamps to those who try but are unable to find work.

Despite these positive elements, Mr. President, I have serious concerns about this legislation in its current form. It is blatantly inconsistent in parts with the bipartisan budget agreement. Once again, I have to say that we labored long and hard and honestly, I believe, in trying to establish agreements. They did not always go down easy. Some of these were bitter pills to swallow. But we inched our way at first to get there, and finally it evolved into a consensus that we felt we could live with.

The bipartisan budget agreement had some problematic provisions that now we are seeing—frankly, I would have to use the word "attacked"—in some ways. I want to touch on a few examples.

First, I think this bill does challenge or violate the provision in the budget agreement that protects senior citizens with modest incomes from increases in Medicare premiums. The bipartisan negotiators set aside $1.5 billion specifically for this purpose. But the Finance Committee has refused to allocate this money. Now, this must be fixed. I understand they are considering it even as we speak.

Second, the bill violates the provision in the budget agreement that protects those who have come into our country legally, paid taxes, played by the rules, who suffer at a future time from a disability, accident, sickness, or otherwise. The budget agreement clearly requires that these innocent victims be protected. However, the Finance Committee has refused to include that in their agreement and included only a temporary restoration of benefits. This, too, must be fixed.

Third, the bill fails to provide Medicaid coverage for the 30,000 children who are losing SSI benefits under last year's welfare bill. This runs counter to the goal of ensuring that America's children have health care coverage. It is another blatant violation of the bipartisan budget agreement.

Mr. President, it is up to the congressional leadership, not the leadership of the committees, to correct these problems and to bring the reconciliation bill back into compliance with the budget agreement. Senators LOTT and DASCHLE have agreed in writing to do this through bipartisan leadership amendments. I am confident that this commitment is going to be fulfilled. But as I mentioned earlier, Mr. President, I am concerned about other provisions as well in this reconciliation bill that go beyond the bipartisan budget agreement. I want to outline some of these.

First, the bill changes the age for eligibility in Medicare from 65 to 67. Mr. President, that may be a worthwhile subject, but not here, not in this bill. There is no legislation to protect the seniors who will be aged 65 and 66 as they wait for eligibility going from one place to another. For many companies, for many situations, the retirement period is age 65. It is common. I do not think it is right to be in here. The issue was never discussed during the negotiations on the budget agreement. So while there may be an argument for considering related proposals as part of a broad review of health care and entitlements, this is not something that we ought to be doing now on a fast-track reconciliation bill. Our senior citizens deserve more than that, or one day to be senior citizens.

Nor, Mr. President, should we be considering a fundamental change in the universal nature of the Medicare Program as part of a fast-track bill? This legislation would introduce means testing to Medicare. Again, I realize that there are Senators here who support this proposal. But the long-term implications for this move are enormous. They deserve much more thorough debate than is possible in this legislation.

Mr. President, the bill before us also includes several other provisions that go beyond the bipartisan budget agreement that are of concern.

The bill would increase the financial burdens on some of our most vulnerable senior citizens, poor people, people impoverished by establishing a new copayment for home health visits.

It would authorize medical savings accounts, a new approach to Medicare that could, in my view, harm its long-term viability, harm the viability of the whole Medicare Program, because it would give people choices outside the system and perhaps would pull out those who are in good health and leave the rest to those who are not quite up to snuff. It would make excessive burdens for them. It cuts the Medicaid payments. The hospitals also would be curtailed, and they serve a disproportionate share of poor and uninsured patients.

So, Mr. President, these and other problematic provisions should not be in a reconciliation bill—again, I remind you, fast track; this will be done sometime tomorrow—that is designed to implement a bipartisan budget agreement. I hope that many of these things can be eliminated before the Senate has to vote on final passage of the legislation.

I want, Mr. President, to caution my colleagues that they are to get here with their amendments because the time continues to pass. As Senator DOMENICI has said, at some point the 20 hours that is allocated for the debate will be consumed by just wasting time. If that is the case, those who have amendments that they care about will be here in the final moments of the time that we have allocated to this debate and they will not be able to bring them up. They may be able to introduce them and get a vote on them, but they are not going to be able to discuss them, they are not going to be able to argue the merits. I think that is something that people ought to pay a lot of attention to if they are serious about the amendments that they are proposing.

So, I plead with our colleagues, get over here, get your amendments in. The fact that there will be no votes today does not have anything to do with the time schedule. If these issues are going to be voted upon, these amendments, that can be done tomorrow, but the debate will have to be held before we run out of time.

So I conclude, Mr. President, by saying this to my friend and colleague, the chairman of the Budget Committee, that despite the various controversies that have pitted our two parties against each other, we have managed to maintain a spirit of bipartisanship in our efforts to balance the budget in the proper way. I believe that we will maintain that cooperative approach. But if we are going to do it, many of these problems will have to be addressed before this legislation is sent to President Clinton. I look forward to working with Senator DOMENICI and with the leadership on both sides of the aisle to make it happen.

Let us get a bill that we can live with, a consensus bill, much in the manner that we shook hands on; maybe with a grimace or two across the table, but we did it. We arrived at a consensus. I need not go to such elementary teachings to say a consensus really reflects a give-up by all parties to a discussion. A consensus is not I win, you lose; it is we both win a little and we both lose a little. That is what we did to get to where we are. Therefore, I express some disappointment in the changes that have been made in the process of reconciliation and hope that we will be able to change the changes and get on with this bipartisan budget agreement that we concluded here on the floor not too long ago.

I yield the floor.

Mr. DOMENICI addressed the Chair.

The PRESIDING OFFICER. The Chair recognizes the Senator from New Mexico.

Mr. DOMENICI. I just want to thank Senator LAUTENBERG for his observations and his comments. Whatever words he had to say about me, I appreciate.

I say, I have just an evaluation that is mildly different. I think, considering the great bulk of things the committees had to do—and, you know, we had an agreement for the first time that told them they had to do certain things; before it was a very vague instruction—I think they did fairly well. I mean, I think we can count on the fingers of our hands—probably even if we did not have all five fingers, we could even on less than five—the areas that they did not comply with. I think they are going to work with us to try to get those done.

Obviously, there is one that is difficult that has to do with the radio and television spectrum. That is a little more difficult. The administration told us we could get a lot of money and, if we did not go that far, it would not last. It turns out it is very hard to do that. But we are working on that, in a bipartisan fashion also.

I say to Senator WELLSTONE, you have been here for a while. Senator JUDD GREGG has indicated that it was all right with you if he proceeded.

Mr. WELLSTONE. That is correct.

I just want to ask the managers—it is fine with me if Senator GREGG proceeds. It is my understanding that Senator MOYNIHAN will be coming to the floor seeking a modification.

Is that correct?

Mr. DOMENICI. Yes. He and Senator ROTH or somebody.

Mr. WELLSTONE. When do we expect them to come to the floor?

Mr. DOMENICI. I thought it was 1:30 to 2 o'clock. I think we will have some time for statements before that if you want to make a statement before that.

Mr. WELLSTONE. I say to both my colleagues, I potentially am ready to do an amendment or two. But I would rather wait until after some discussions with other Senators. Also, Senator MOYNIHAN and Senator ROTH will be here.

I thank the Senator for his courtesy.

Mr. DOMENICI. I say to Senator GREGG, how much time would you like?

Mr. GREGG. Fifteen minutes.

Mr. DOMENICI. I will yield the Senator 20 minutes.

I wonder if you could do me a favor. I am going to sneak out and get something to eat. Would you manage the floor for about 15 minutes?

Mr. GREGG. Certainly.

Mr. DOMENICI. I thank the Senator. I yield the floor.

The PRESIDING OFFICER. The Chair recognizes the Senator from New Hampshire for 20 minutes.

Mr. GREGG. First, I rise to congratulate the Senator from New Mexico and the Senator from New Jersey, the chairman and ranking member of the Budget Committee, for getting us to this point where we are in the process of voting on and hopefully reaching a conclusion on two very important reconciliation bills which deal with the critical elements of how we manage entitlement spending and how we manage tax policy here at the Federal level, and which lead, hopefully, to a conclusion that we can say with certainty that the balanced budget agreement which was reached has been met and that we will therefore have a balanced budget which our children can look to as a benefit and which we can look to as a success.

I want to speak specifically about two elements of the reconciliation bill which I consider to be important, two different bills, the one that deals with the spending, the entitlement bill, and the one that deals with tax policy, and talk about the Medicare Choice Program, reform program, and the pension language within these two bills, because I think these bills have made giant strides in both these areas toward addressing some fundamental public policy needs.

I commend Senator ROTH and the Finance Committee for including these important provisions on both Medicare and on pension reform.

Earlier this year I introduced S. 246, the Choice care bill. It was essentially similar to legislation that I had introduced in the last Congress, which was included in the Balanced Budget Act that year, which unfortunately was vetoed by the President. The Medicare savings achieved in this reconciliation bill represent only a tentative start, however, toward placing the Medicare system on a path toward long-term solvency. But they are an important start. There are still trillions of dollars of unfunded Medicare liability awaiting us, and this legislation does not address it all, but it does get us off on the right foot.

I am pleased we have taken this opportunity to enact some of the structural reforms that are key to real substantive Medicare reform and the stabilization of the Medicare trust funds. In my Choice care bill and in the provisions contained in this legislation, seniors will be able to choose from a large variety of health care purchasing options. They can remain in their traditional Medicare plan, they could instead buy an HMO, or they could buy from a competing medical plan provided that it meets the benefit standards of the present Medicare system. So seniors will have a wide variety of new and exciting choices.

When we offer seniors this great array of choices, we benefit not only the seniors but the system as a whole by bringing it into the marketplace. Traditional Medicare must then effectively compete for the right for seniors' health care spending in the marketplace and the people in the marketplace who are willing to give other options to seniors. Suppose, for example, there are plans that can deliver services more effectively and more efficiently than Medicare in a particular region of this Nation. If they can do that, then they can offer a more substantial package of benefits for the same costs, and, therefore, seniors will have an incentive to buy from these plans.

Take, for example, if a plan was able to offer the seniors not only the basic Medicare benefit but also maybe an eyeglass benefit or a prescription drug benefit. That option is now going to be available to the seniors. This benefits the health of the system because, at the same time, this legislation gains control over the rate of growth of the per capita spending in the Medicare Program. So whenever seniors move into these plans that can offer them a better benefits package, the entire system will save money because the Medicare system will be spending less money per capita on these seniors than it would under the traditional Medicare system.

If they are getting a stronger package, you might say, how can that be? It is called the marketplace, it is called capitalism, it is called what is happening in the private sector today, in the health care system generally. But, unfortunately, it is not helping Medicare, which was designed for a 1960's health care delivery system, which simply is not operable in the 1990's or as we go into the year 2000.

This legislation begins to flatten the wide disparity in reimbursement levels that exist between geographic regions in this country by gradually blending over time local and national reimbursement rates. If we do this, then we make spending patterns in Medicare more fair and reward those regions of the country that have already done well in holding down costs. The disparity between regions is really excessive. For example, in some parts of this country, like New Hampshire and Oregon, and I suspect in Wyoming, where the Presiding Officer is from, the costs of Medicare benefits are significantly lower than in areas like Staten Island. In fact, it is lower by almost $500 a month.

It is imperative we include such reform as a component of the Medicare Choice Program because only by doing so can we be sure that seniors in low-cost areas will ultimately have access to a wide array of benefit packages. As long as reimbursement rates in some parts of the country are unfairly low, it will be difficult to entice plans into those regions to compete for seniors' dollars even though the health care benefits in those areas today are being maintained at a high level.

I believe we should have increased the incentives available to seniors to become cost conscious by offering

them opportunities to save money in the manner in which they buy Medicare. That is the incentive that truly moves shoppers, and I believe that Medicare Choice would be a greatly strengthened reform if we had included a cash-rebate incentive. Under my original bill, S. 246, every time a senior bought from a less expensive plan, even though the benefit package in that plan had to meet the same benefit package or exceed the benefit package of the present Medicare system, if the plan costs less because of competition and efficiencies within that plan, then 75 percent of the savings would have gone to the individual, and the remaining 25 percent would have been deposited in the trust fund. Thus, the trust fund would never lose money due to such rebates.

On the contrary, the trust fund would receive money every time a senior sees this incentive to make a cost-conscious decision. Unfortunately, this language was left out of this bill, and, in fact, there is some language in this bill which undermines the ability to create incentives in the Medicare system under the Medicare Choice plan. I expect I will be offering an amendment to correct this, an amendment to strike that section which limits the ability to offer incentives, because lacking that important incentive we cannot, in my opinion, create the huge marketplace forces which we need in order to significantly control the costs of health care and to create marketplace forces within the health care systems.

Even considering that, this package still offers the incentive to seniors that where their plan can be more efficient, they will be offered an enhanced package of benefits. That is a significant incentive. While perhaps not as powerful a purchasing incentive as an actual cash rebate, for example, it is my hope that the prospect of strengthened benefits will prove a powerful enticement that allows seniors to move more comfortably into buying Medicare Choice plans.

I am reminded of the old saying that you begin a trip, a long journey, with one small step. Well, this package that has been brought forth by the Finance Committee is a series of small steps. It has gotten us well into the journey. It has not gotten us to the end, but it has gotten us down the road by giving seniors more choices and more opportunities in the way they purchase their health care.

At the same time that the Finance Committee has made significant strides in the area of Medicare by making Choice care available to them in the Choice care plan which I introduced, it is also contained in the tax resolution which will be coming forward later in the week, a significant incentive to increase retirement savings. I congratulate, again, and thank Senator ROTH, the chairman of the Finance Committee, for including so many of the ideas and initiatives which I was able to participate in pulling together as chairman of the Retirement Task Force. I also want to particularly thank Senator BOB GRAHAM and other members of the bipartisan working group for their aggressiveness in promoting pension reform which will promote savings.

Some months ago, I was asked by Majority Leader TRENT LOTT to chair the Republican task force on retirement security, and in that capacity I worked with Senator ROTH and the rest of the task force to develop a package of proposals introduced a week ago as Senate bill S. 883.

I will not use this time here to describe again the dire circumstances of this Nation with respect to retirement savings. When we introduced S. 883, we detailed the vast gap between our Nation's retirement income and the inadequate amount of funding we are currently putting aside to meet those retirement needs. Approximately $7 trillion of unfunded liability sits in our different retirement accounts. I am very pleased to note that no fewer than 13 of the provisions, 13 of the provisions of S. 883 have been included in some form in this budget reconciliation package. While many of them are small or technical corrections without significant revenue impacts, enacting these reforms will do much to improve the prospects for expanding pension coverage and retirement savings.

Because time is limited, let me list only a few of the reforms that have come to be included in this package which I think are positive for encouraging people to save for their retirement.

This budget reconciliation package includes the first title of the WISE bill, S. 260. This part of the WISE bill—the WISE bill being a bill directed at giving more equity to women in the area of being able to save for their retirement—strengthens the homemaker IRA. I, personally, have placed a higher priority on this provision than on any other of our task force savings initiatives, so I am particularly pleased to see it was included. This provision received the active support of a bipartisan group of Senators, including, most notably, Senator CAROL MOSELEY-BRAUN from the other side of the aisle.

This provision, Mr. President, will sever the link between the homemaker's ability to make a fully tax deductible contribution to IRA and allow her to make that contribution whether or not her husband or her spouse who is in the workplace has a pension plan. This is an important provision not only because it will stimulate additional savings but because it will enable homemakers, especially women, to generate additional savings in their own name. It is about time we do that. I especially want to congratulate, of course, Senator ROTH, the chairman of the Finance Committee, who has been a tireless advocate for this idea.

This reconciliation bill also will gradually raise the income limits on the tax deductible contributions to IRA's. Our Republican task force endorsed the Roth-Breaux legislation that would have completely phased out the income limits so that every American will be eligible to fully deduct their IRA contributions. I believe that Finance Committee Chairman ROTH exerted every effort to achieve as much as he could in this area, and I am pleased he included at least a version of the language from the task force bill, gradually phasing up the income limits, doubling them by the year 2004. This will do a tremendous amount to spur savings in our marketplace and as people head toward retirement.

This budget reconciliation package also includes the backloaded IRA, an important new option in retirement savings in which the contributions are not tax deductible and the tax advantages come up upon withdrawal. This expands the capacity of individuals to take advantage of retirement incentives in a way that works best for them. It also limits the revenue loss in the short term from IRA expansion, because the contributions today will be taxed when they are made. I know many individuals will wish to use this alternative backloaded-IRA structure, and thus this will be an important incentive for additional long-term savings.

Mr. President, one thing we must do as a nation is simply make it easier and more convenient for people to save. The fact is that if we do not do this, we as a nation are going to face bankruptcy as a result of the costs of our pension systems as the postwar baby-boom generation fully retires in the year 2010 and beyond. One reason why the thrift savings plan worked so well for Federal employees is that it has the feature of automatic deduction from one's payroll, automatic investment, automatic savings. I am pleased that the Finance Committee has also included the provision to allow for automatic payroll deductions into IRA accounts. This will also stimulate additional retirement savings simply by making IRA investment easier.

I am also pleased this reconciliation package recognizes we must continue to do more to stimulate retirement savings not only through individual savings but also through employer-provided pensions. I have long been troubled by the limitations that have been placed on employer funding of future pension liabilities. Employers must fund these liabilities sooner or later, and it is good policy to put more of the funding upfront to allow that funding to be invested and to use the compounding interest to increase the

investment and to assure an adequate amount of funds when people retire.

The reconciliation package picks up most of the provisions authored by the task force to raise the limits on full funding by 5 percent every 2 years. I believe that our Nation's workers will be more secure by their pension benefits being funded more fully. This is a critical point because so many of our pension benefits are underfunded. The capacity of the employer to be able to fully fund the pension benefits at an earlier time in the cycle is critical to assure people will have a pension when they retire.

Some of the technical changes made by this bill are very significant. This reconciliation bill would exempt State and local government plans from the cumbersome nondiscrimination rules. This was a prime example of how many of our pension laws and regulations have been unduly complicated. Nondiscrimination rules were not created to apply to Government plans, where it is difficult to find exactly who the employer is and thus to compare employer and employee benefits. This type of commonsense change will make it easier for States and local governments to plan for functions around the country.

Another task force-endorsed reform picked up by the reconciliation bill will do much to help small business. Until now, the matching contributions made by the self-employed were treated differently under tax law than the matching contributions made by employers. By straightening out the discrepancy, we will remove another obstacle from among the many that deter small business owners from providing pension coverage. As we all know, small business is where we most need to increase participation in pension plans.

There is not time, Mr. President, to discuss every reform that was inserted into this reconciliation bill in the pension area. But I am pleased that this bill draws from reform initiatives in a variety of areas. In the area of portability—I am talking now about the tax bill coming to us after we complete the bill on spending—this bill will add extra protection to defined benefit plans that accept rollovers, protecting them from disqualification if they do facilitate that kind of portability. Moreover, the bill includes a few provisions that will streamline the paperwork process. The bill will facilitate the use of new technologies to replace old paperwork filing, and also eliminate some paperwork requirements that should no longer be required. Finally, various technical inconsistencies within the law will be eliminated if we retain those provisions in conference.

Let me close by thanking Chairman ROTH for his extraordinary effort and for his willingness to include so many provisions to promote pension reform and Medicare Choice in both reconciliation bills, as well as several other Finance Committee Senators, including Senators BOB GRAHAM, CHUCK GRASSLEY, ORRIN HATCH, JIM JEFFORDS, and others. Although I am not on the Finance Committee, I was certainly pleased to be able to work with this group to advance efforts to increase retirement savings. Savings incentives are an effective and important use of tax relief—one of the very best things that we can do with our opportunity this year to relieve the tax burden on American taxpayers. I do hope and expect that we can retain these critical provisions in these two bills.

Now let me express one area that I have concern about, and that is the area of how we handle the Medicaid expansion, or the new program for the purposes of assisting child health. I have read the bill. I understand that States have the right to choose between a capped grants program and the expansion of the Medicaid Program. It is not, however, clear to me what the requirements are relative to coverage, and how demanding the Federal Government is going to be on each State as to how and what must be covered on each child. I would have serious reservations if we have created a new entitlement program. This would be a mistake, at a time when we are trying to control the rate of growth of the Federal Government and growth of the most explosive side of the Federal Government, the entitlement accounts of this Government; it would be a serious error for us to embark on a new entitlement program.

It is not clear to me, after having read this, whether or not we have done that. It is clear to me that there was an intention not to do that. At least, in the language of the bill, and in the explanation of the bill, statements were made that it was not the intention of the committee to move down the road of a new entitlement program. Whether or not the operable language in fact creates such an event, demanding that certain action be taken, that certain expenditures be made and not funding those, or creating a situation where people can come in and demand those expenditures in a way that creates an entitlement or a mandatory program is not absolutely clear. As we go forward with this debate, I hope we will get clarification on this point. Should it turn out that this is a new entitlement program, I hope we will change that, either here on the floor or in conference, so that the intent of the language is clear, which is to create a grant program to benefit children and their health needs.

Mr. President, I yield the floor.

I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The assistant legislative clerk proceeded to call the roll.

Mr. 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. GREGG. Mr. President, is the time being controlled?

The PRESIDING OFFICER. Yes. The Senator would need time yielded to him to speak, but could offer an amendment that would then be debated for 2 hours equally divided.

Mr. DOMENICI. How much time would the Senator need?

Mr. GREGG. I would need about 15 minutes.

Mr. DOMENICI. Would the Senator be agreeable at a later date, in the stacking process, to rearrange the order of his amendment if the Committee on Finance wants to have an amendment before it?

Mr. GREGG. Absolutely. I would agree to a unanimous consent to place my amendment behind whatever amendments are offered by the chairman and ranking members of the committee.

Mr. DOMENICI. Would the Senator also agree that it can be sequenced in a manner that helps the manager work this bill through? It won't take a long time. But it may be second or third.

Mr. GREGG. As long as it is not eliminated.

Mr. DOMENICI. Right.

The PRESIDING OFFICER. The Senator from New Hampshire.

Mr. GREGG. Mr. President, it is my intention to shortly offer an amendment which is technical in nature but goes to one of the philosophies of the Choice care issue. The Choice care, as presented in this bill which is an excellent step forward in trying to make the Medicare system more viable, efficient, and most importantly more effective for our senior citizens, is a concept where seniors are going to be given an opportunity to go out in the marketplace and choose between the variety of different care providers.

Today under the Medicare system, basically seniors are limited to the traditional Medicare and to a very limited HMO option. The traditional Medicare, of course, is a 1960's program designed to meet a 1950's medical system structure. It is not current or effective for today. It is a cost-plus system, for all intents and purposes. It is extraordinarily inefficient, and it does not allow very much flexibility in the marketplace.

The pre-Medicare system, as is structured today for the delivery of its different options to seniors, is like driving a 1961 Chevrolet down a highway in 1997 with the understanding that you are going to have to go into the year 2000 still driving a 1961 car. Everything on the car has been replaced. Very little of it works. It is blowing out a lot of smoke. It is chugging along at 45 miles an hour top speed. It simply isn't working correctly.

So, in order to try to redress that, the committee has put in place a very creative initiative in the area of Choice care, which essentially says that seniors are now going to have the ability to go out in the marketplace and choose between a variety of different health care providers. That variety of health care providers could involve an HMO. It could involve a PPO where a group of physicians get together. It can be called a PSO, again, a group of physicians getting together. Or it could involve some new way, I suspect, where hospital and doctors and somebody else designs a new way of delivering services. But the services they deliver must equal the benefits package which is presently under the Medicare system.

So seniors lose nothing in the definition of the size or nature of their benefits package. And it must equal the benefits package in the area of quality so that seniors lose nothing in the area of quality of their health care.

What they get is a marketplace which will come forward and compete for the seniors' health care. What does that do? Well, as we have seen in the private sector, that will give the seniors a whole new variety of choices, a whole new panoply of choices, from which to choose the health care provider group that they want to give them Medicare.

They may get options coming at them which say, "Here, we are going to give you the basic Medicare package, but we are going to also throw in eyeglass care. We are also going to throw in pharmaceutical care. It is not going to cost you any more, but we will put that in to try to attract you to our supplier of health care, to our HMO, to our PPO."

So seniors are going to get more choices. Under this benefits structure, as put forward in the reconciliation bill, new benefits can be added on top of the benefits that are supplied by the basic Medicare plan. That is a given. That is an incentive that can be put in. But what is not allowed under this package, or what is specifically disallowed, is the concept that a senior could pay less for the same benefit package.

You have to remember here that what you are dealing with is the market system. So it is more than likely—in fact, it is expected—that a variety of health care providers, as a result of being efficient, as a result of cost-saving structures which they put in place, are going to be able to supply the health care basic benefits structure of the Medicare system to a senior citizen for less than what it costs today.

For example, we pay out $4,800 a year for health care benefit. Insurance pays about $4,800 a year for insurance for seniors. That is a very high price, by the way. It is very likely that you are going to see provider groups come forward at $4,300 a year. There is going to be a $500 saving in that provider group.

Under this bill, the way the provider group adjusts for that is they must put more benefits into the package. That is the only option they have. They have to put in eyeglasses. They have to put in drug benefits. That is a reasonable approach. Yes; to give the senior more options at the same price for more health care types of health care. But another option, of course, would be let's sell it to the senior for less. That is probably going to happen, too. You are going to probably see some health care providers give the same package of options but be able to give it at less than $4,800. Under this bill as it is presently structured, if that were to occur, the health care provider would get all the savings. There would not be any incentive for the health care provider to turn some of that savings back to the Government or back to the senior citizen.

In the original Choice care plan that I drafted—I do not say this to try to be too expansive about my own efforts—I believe was essentially one of the cores from which this plan was put together, which is in the reconciliation bill. In my original health care plan, I had language which said, if a senior is able to purchase their health care—the same package, the same benefit structure—from a health care provider, that health care provider cannot use that for selection. They cannot try to pick and choose seniors. It must take all comers. If a senior is able to find a health care provider who is willing to charge less—and the quality must be maintained under the standards we have here—then the senior, rather than having only the option of getting more benefits, would also have the option of getting a return on the lower cost premium.

So, if you paid $4,800 for seniors' health care but you could purchase health care at say $4,300, there would be a $500 savings annually. We would take that $500 savings. And the health care provider could as an option, rather than buying eyeglass care for the senior or buying health prescription drugs for a senior, could say to the senior, "We are going to turn that $500 back to you." If the health care provider decided to do that, then the senior, under my original bill, would get to keep 75 percent of that and 25 percent goes back to the Federal Treasury.

That was the plan of the original bill.

This language of this bill says a Medicare Choice organization is not authorized to provide cash or other monetary repayments as an inducement for enrollment. That makes it impossible for an incentive system to be put in place. Markets work on incentives, not only benefit incentives but money incentives.

Thus, I believe that subject to the limitations of what HCFA will put on the provider, subject to the limitations that it has to be a quality system, subject to the limitations that it has to be a system which meets a health care insurance plan that meets the basic Medicare requirements of what must be covered, subject to the fact there cannot be adverse selection, there is no disincentive, no downside to creating a marketplace in force beyond added benefits of added cash, of the potential of refunding cash.

So, basically, I think this language is counterproductive to the basic goal of Choice care, which is to create market forces not only on behalf of the provider groups but within the senior community to go out and be cost-conscious purchasers. The whole idea of Choice care is to give seniors more options to choose from and create a more efficient marketplace, which will in turn create a lower cost of health care for the basic benefits package of Medicare, or at least slow the rate of growth of the cost of that health care package.

That is the whole concept of Choice care. But if you take out of Choice care any financial incentive to save, if you say to seniors: Your only incentive to purchase another plan may be additional benefits, which they may not need, then you have reduced dramatically the marketplace forces. If you take out of the system any incentive for the provider group to rebate those savings, then you have created an atmosphere where provider groups may generate savings, but they will keep them themselves. In that way, I think you skew the marketplace because in an open market when somebody is able to sell a product for less, they pass the benefit of that lower cost on to the consumer, and that is what we are trying to do in the language of the original bill—pass the benefit of the lower cost of health care on to the consumer.

So in order to address that, without putting in place the incentive system that I design in my bill—we are not suggesting that that incentive system should go in as I designed it. We are just suggesting there should be the opportunity for HCFA and for the regulatory agencies to be able to look at incentive systems and not be barred from looking at incentive systems, cash incentive systems, monetary incentive systems. In order to allow that to occur, we need to remove this language. In order to make this Choice care more effective, a potentially more dynamic force to create more of a marketplace event where seniors are actually out there thinking, hey, I intend to look around and see how much I can buy insurance for, and one of the reasons I am looking around is while I might get better benefits, the second reason I am looking around is I may get it at less cost—in order to create that type of market dynamic, which is absolutely critical if you are going to have Choice care work effectively, you cannot have language which says under no circumstances, even if HCFA were

to find that it would work, can you in any way create an incentive system that involves monetary consideration.

So this language, I believe, is counterproductive to the basic goal of Choice care. I think it should be noted as an aside here also that the concept of Choice care is to make seniors more cost-conscious purchasers, but in doing that you have to remember that, yes, those seniors who are on the system today probably are not going to change. They probably are not going to change their health care system. They have been there. They have been in the system. They came out of the 1950's and 1960's when they had a sole care provider. They are used to less health care. That is the way they are brought up, most of the seniors on the system today. So we are not really targeting the Choice care concept at that group. What we are targeting the Choice care concept at is the next generation of seniors coming into the system, that generation which has already been through the health care explosion of the late 1980's and early 1990's. A variety of health care providers were made available to them, where HMO's became commonplace in the private sector and in the marketplace. These folks are going to be familiar with the concept of a PPO, PSO, or HMO as a provider group, so they are going to be comfortable with going out and shopping around.

If we create a disincentive for them to do that by saying, well, if you shop around, you do not get any of the benefits of shopping around other than some higher benefit package which you may not want to begin with, then we will be undermining a culture which already exists. We will be saying to people who are coming out of the private sector, having been used to shopping around—maybe they were in a cafeteria program where they actually got a refund of some of the costs of the lower cost health insurance since they purchased it. We are going to be saying to those people, when you get into the public system, it is basically a cost-plus system and you are not going to be able to get any of benefits of the thoughtful purchase of lower priced health care in relationship to your needs or in relationship to a one-size-fits-all package.

So I do believe that to leave this language in not only undermines one of the options that might make Choice care much more effective, but it undermines the natural, inherent attitude that is going to be coming with this new generation of people who receive funds from Choice care, who participate in Medicare, and who have been brought up in a marketplace where Choice care is the typical type of health care approach.

AMENDMENT NO. 426

So, in light of that explanation, Mr. President, which I know the Presiding Officer was closely following, which I very much appreciate, I would send the amendment to the desk.

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

The legislative clerk read as follows:

The Senator from New Hampshire [Mr. GREGG] proposes an amendment numbered 426.

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

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

The amendment is as follows:

On page 213 strike all of (d) and insert the following:

"(d) TERMS AND CONDITIONS OF IMPOSING PREMIUMS.—Each Medicare Choice organization shall permit the payment of net monthly premiums on a monthly basis and may terminate election of individuals for a Medicare Choice plan for failure to make premium payments only in accordance with section 1851(g)(3)(B)(i)."

Mr. GREGG. Mr. President, I make a point of order that a quorum is not present.

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. GREGG. Mr. President, I ask unanimous consent that no second degree amendments be in order relative to the amendment which I just offered.

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

Mr. GREGG. I yield the floor and make a point of order that a quorum is not present.

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. DOMENICI. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

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

AMENDMENT NO. 426, AS MODIFIED

Mr. DOMENICI. Mr. President, I understand that the unanimous consent request Senator GREGG proposed with reference to his amendment is technically insufficient to accomplish the purposes that we intended when we concurred, and so in lieu thereof I ask unanimous consent that with respect to amendment 426 no amendments be in order to the amendment or the language proposed to be stricken and the amendment be modified to reflect a straight strike of all after (i) through line 16.

The PRESIDING OFFICER. Is there objection?

Mr. GREGG. Reserving the right to object.

The PRESIDING OFFICER. The Senator from New Hampshire.

Mr. GREGG. I would like to ask for the yeas and nays on the amendment.

The PRESIDING OFFICER. First the Chair would ask, is there objection to the unanimous consent request of the Senator from New Mexico to modify the amendment?

Without objection, it is so ordered.

The amendment, as modified, is as follows:

On page 213, line 13, strike beginning with "A Medicare" through the period on line 16.

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

The PRESIDING OFFICER. The yeas and nays have been requested. Is there a sufficient second? There is a sufficient second.

The yeas and nays were ordered.

Mr. MOYNIHAN. 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. ROTH. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

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

Mr. ROTH. Mr. President, I am pleased by the work and cooperation that was exhibited last week in the Senate Finance Committee. It was an encouraging display of bipartisanship—both sides of the aisle working together to craft a proposal that meets the guidelines of the budget agreement and achieves needed reforms in spending programs while protecting America's vulnerable.

Out of this tremendous effort that went into the Finance Committee markup of the budget came two distinct themes that we would do well to keep in mind as we take this issue up to the floor. First, that the time has come, as President Clinton expressed in an earlier State of the Union Address, to end big Government as we know it. This is no longer an objective held by one side of the aisle over the other. It is a necessity.

We are blessed with the greatest Nation on Earth. We have the most productive citizens, the finest resources and materials, and we have the ingenuity and spirit of enterprise. We realize, however, that our resources are finite and Government's role is limited. Yet, we are willing, on both sides of the aisle, to make certain that Government efficiently and effectively provides for those with whom Government has a contractual or moral obligation to provide. Medicare is contractual. Medicaid, when it serves the most vulnerable, particularly America's children, is moral. And these feelings are shared mutually by Republicans on the committee as well as Democrats. This became obviously clear last week.

Second, we demonstrated the power of bipartisanship. I can safely say that no one, but no one, on the Finance Committee got everything he or she wanted. No one was completely satisfied with everything, as it is a compromise between differing political philosophies and between deeply held views. So while what we have passed and addressed on the floor today is not the budget package that any of us would have drafted, it represents a major step forward, a step forward that, through balancing the budget, can help assure continued growth, jobs and opportunity.

As we worked on the committee to report out this budget, I was led by two primary goals. First, to implement the budget agreement in such a manner that we not only balance the budget but that we do so in a manner that preserves and strengthens the programs impacted. As I said during the committee markup, "It is not enough to reduce the cost of such critical programs as Medicare and Medicaid, but it must be done in a way that provides better service to beneficiaries of these programs."

My second objective was to implement the budget agreement in a manner that assured bipartisan support for the program. I believe we have accomplished both of these. What we offer today is a workable balance, a critical balance that protects our most vulnerable populations while addressing necessary reforms in important entitlement programs.

Let me give some specifics. The largest program we concerned ourselves with was, of course, Medicare. Much has been written and said about the future of this program and the need to strengthen it for the long term. We did this. We took a critical first step towards addressing the long-term solvency of the Medicare Program while at the same time making certain that the program meets the needs and expectations of its current beneficiaries. The changes we made in Medicare actually allow us to expand Medicare coverage for certain important preventive services including mammography, colorectal screening, bone mass measurement and diabetes self-management. We are able to offer this expanded coverage and protect and preserve Medicare by incorporating choice and competition into the current program, and by slowing Medicare's rate of spending growth. Our measures will save Medicare from bankruptcy for another 10 years, while still increasing Medicare spending per beneficiary from $5,450 this year to $6,950 in the year 2002.

In expanding choice in the Medicare Program, we have used the highly successful Federal Employees Health Benefit Program as a model. Under our new Medicare Choice Program, seniors will have the opportunity to choose from a variety of private health plan options and select the health care plan that best suits their needs and preferences. These choices will include the whole range of health plan options available to the under-65 population—fee-for-service, varieties of managed care, and medical savings accounts. Through these options, seniors will be able to obtain important benefits, like prescription drugs, that are not covered by traditional Medicare.

It is clear to see how these commonsense and, again, I want to say, these bipartisan solutions will preserve and strengthen the program. We were not content to stop there. The Finance Committee proposal calls for a National Bipartisan Commission on the Future of Medicare. This will be a 15-member commission, established for 1 year, charged with making recommendations to Congress on actions necessary to ensure the long-term fiscal health of the Medicare Program, something of great concern to the ranking member, PAT MOYNIHAN, and myself.

The Finance Committee report also creates a demonstration project within the Medicare Program for medical savings accounts. This demonstration project will allow up to 100,000 Medicare beneficiaries to opt into an MSA program, a program that will allow them to choose a high-deductible Medicare Choice plan.

These changes to Medicare will result in a net savings of $115 billion, savings that will not only help us meet the budget compromise but savings and reforms that will preserve the Medicare Program while ensuring that it continues to serve those who depend on it now. Again, these important reforms were made possible only through sincere bipartisan efforts, and it is my hope that such bipartisanship will continue as we address these reforms on the floor.

Such bipartisanship also marks our treatment of Medicaid. Working together, we passed reforms that will control the growth of the program, resulting in a net savings of over $13 billion. For more than a decade, there has been a constant tug of war between the Federal Government and the States over Medicaid, as each side has asserted its will over the other. From the mid-1980's through the early 1990's, the Federal Government imposed mandates on the States and, in turn, the States shifted costs to the Federal Government. The result was devastating to all of our budgets as Medicaid routinely grew at a double-digit pace, reaching as high as a 29-percent increase in 1992. This Finance Committee proposal signals an important change in the program.

Having said this, let me be clear. We are not cutting Medicaid. Under this proposal, Medicaid spending will continue to grow. The Federal commitment to Medicaid will grow from $99 billion in fiscal year 1997 to $140 billion in 2002. The President originally proposed $22 billion in savings in the Medicaid Program. We achieved approximately $14 billion in savings.

The first part of our Medicaid reform is to give the Governors the tools they need to control this program. This will be able to move more individuals into managed care without waiting years for waivers from the Federal Government. They will be able to contract with selected providers for service. The States will be able to ask families to take some responsibility for the decisions they make when seeking health care services.

In short, our plan gives the States many of the same tools that the private sector has in stretching health care dollars. The fact is, health care as a whole has changed, and the Medicaid Program needs to catch up. Our proposal gives the States the tools necessary to act as many large employers do, to get the greatest value for Medicaid dollars. So we are taking the important next step to move both the States and the Federal Government out of the waiver process.

But we also want to ensure that as the old program requirements are replaced, quality is still assured. As I have said, in addressing the Medicaid Program, we also provided many of the reforms requested by the bipartisan National Governors' Association. These include repealing the Boren amendment provision. The history of the Boren amendment is a classic example of unintended consequences as it has been used to increase the costs of the program, rather than control costs.

The Governors and the administration agree on the repeal of this provision. It will take the providers and the States out of the Federal courts and put them back at the contract negotiating table.

As we repeal the Boren amendment, we must be very careful that we do not simply create a new round of lawsuits over what Congress means in terms of Medicaid payments to facilities.

Another major provision of our plan to control the growth of Medicaid is the reduction in spending on the Disproportionate Share Hospital Program. This DSH Program provides funding for indigent individuals who are not enrolled in Medicaid. Under current law, DSH spending is projected to increase from $10.3 billion in fiscal year 1998, to $13.6 billion in 2002. In 1990, Federal and State DSH spending combined totaled less than $1 billion, and in 1995, Federal and State DSH payments totaled nearly $19 billion.

Without reform, Federal DSH payments alone will total nearly $60 billion over the next 5 years, and we need to exert some discipline in this program.

This bill reforms the DSH Program through a combination of controls.

First, a State which spends less than 3 percent of its Medicaid Program on DSH will be frozen at its 1995 level. For these States, there will be no reduction, but also no growth.

Second, beginning in 1999, high-DSH States and low-DSH States will be reduced from their 1995 actual spending levels. A high-DSH State or a State that spends more than 12 percent of its Medicaid dollars on indigent hospital costs will be reduced from its 1995 spending levels for inpatient hospitals only. It will not be allowed to count spending on institutes for mental diseases. These high-DSH States will be reduced from 1995 spending by 14 percent in 1999 and by 20 percent in the years thereafter.

Low-DSH States are those that spend less than 12 percent, but more than 3 percent of the Medicaid dollars will be reduced from their 1995 spending by 2 percent in 1999. In the year 2000, they will be reduced 5 percent from the 1995 level. In 2001, the reduction will be 10 percent, and in 2002, it will be 15 percent.

As I mentioned, our proposal places restrictions on the States' ability to fund their State mental health facilities with Federal funds. Over the past few years, the States have shifted the cost of these facilities to the Federal Government. As you check with your State, many will find huge increases in Federal costs associated with these facilities. It is time to close this loophole.

Let me say that the President proposed $22 billion in savings from the Medicaid Program. Two-thirds of these savings were to be realized out of the DSH Program and one-third from per capita caps. The savings target has been reduced, but the potential reforms for achieving these savings are also limited.

I believe there is general agreement that through the DSH Program, the use of DSH payments had been expanded well beyond the original intent. The DSH formula has been developed with consultation and in bipartisan cooperation. The formula has been carefully designed, based on past problems in this program and with input from Members.

Concerning the steps which we take in this package to address children's health, let me begin by saying that we all share the same goal of increasing access to health care for as many children as we can. And it is clear that Members on both sides of the aisle are committed to finding an answer to the problem of uninsured children in this country.

Of the 71 million children in the United States, more than 86 percent are covered by some type of health insurance; two-thirds are covered by insurance through the private sector; 23 percent of all children in the United States under age 18 are covered by Medicaid, and another 3 percent are covered by other public insurance programs.

Of the 9.8 million children who are not insured, 2.9 million children live in families with incomes above 200 percent of the Federal poverty level. Half of these children live in families with incomes of about 300 percent of the Federal poverty level. Mr. President, 300 percent of the poverty level is over $48,000 for a family of four. This tells us that insurance coverage is more than an issue of family income. It is, in fact, a complex issue which does not yield easy to Washington-knows-best solutions.

The proposal we offer today provides the States with a choice concerning how they will expand coverage to more children. They can expand their Medicaid coverage, or they can offer a package of benefits which is actuarially equivalent to the Federal Employees Health Benefits Program.

Our intention is to build on the successes the States have been realizing. This year, the States will be increasing coverage to more than 800,000 children through initiatives proposed by the Governors.

We should learn from these initiatives and encourage the States to develop them. This proposal will allow the States to choose how best to extend coverage to children.

Expanding Medicaid is certainly a choice States have made. Thirty-nine States have expanded Medicaid eligibility for pregnant women and children beyond the Federal requirement, but States are also developing other strategies for increasing coverage of children as well. There are already public-private partnerships in more than half the States.

There are successful programs, such as New York's Child Health Plus and Florida's Healthy Kids. These innovative programs, and programs like them, can grow with additional resources.

The Children's Health Initiative that we include in our committee proposal is a bold new approach to support the States in the drive to provide coverage for more of our Nation's children. As I have said, the States will be given a choice to expand coverage through the existing Medicaid Program or through a new initiative in which they can subsidize private programs for children or provide a new benefit package which is actuarially equivalent to what Federal employees receive.

Under either choice, the Federal Government will provide the same matching rates to the States. A State would pay the same rate as it does currently in the Medicaid Program. We recognize this may not be enough to encourage States to participate. Therefore, under this proposal, the Federal Government would send to the States an additional incentive bonus for each child who is covered in this new initiative. We call this an enhanced match. The State will receive a 10-percent bonus for each new child they cover and 5 percent for a child who is already covered under a State health program for children. These bonuses will be provided for children who are receiving health care coverage from the State that is beyond Federal Government requirements for Medicaid.

A critical component of this agreement is what type of health insurance coverage is provided. Let me stress that this truly is insurance. A State would be required to provide either its current Medicaid benefits package or one which is equal to what the children of Federal employees receive. The Secretary of Health and Human Services will review these plans to ensure that they meet this test.

The welfare of our children was a critical component in the bipartisan plan we achieved in the Finance Committee. The result of our work will be to cover more children and to provide them with real health insurance. Again, this children's health care initiative will build upon the leadership in the States. It passed the Senate Finance Committee with strong bipartisan support, and I thank all the Members who made a contribution to this special effort.

As you see, Mr. President, each of these reforms is necessary. Together they meet the requirements and responsibilities that were given to us. During the next 5 years, we reduce deficit spending by $100 billion, including Medicare reductions of $115 billion, and net Medicaid reductions by $13.6 billion.

At the same time, we increase spending for children's health care in this bill by $16 billion, SSI support for elderly and disabled immigrants by $10.4 billion and welfare to work by $3 billion. We extend the solvency of the part A trust fund for Medicare for at least 10 years, while introducing structural reform to give beneficiaries more choice among competing health plans.

Our goal is to give the Medicare beneficiary the same choices that Federal employees have within our Federal health program, including the traditional fee-for-service, and this is an excellent beginning.

We were able to produce such a strong bipartisan package because of the spirit of cooperation shared by members of the Finance Committee. Views were solicited actively, from all members of the Finance Committee. They were asked to submit in writing the recommendations as to how the budget agreement should be implemented, and their ideas were incorporated in the initial chairman's mark. Informal meetings were then held to seek the further advice and recommendations from Members. These, in turn, were incorporated into the proposal we address today.

As chairman of the Finance Committee, I say with certainty that this proposal has substantial support on both sides of the political aisle and it is, again, my sincere hope that the spirit of bipartisanship that existed within our committee will prevail as we move forward. I hope the objectives that guided us will remain those that carry us through the next few days as we consider this budget. I particularly express my sincere appreciation to Senator MOYNIHAN for his leadership in this monumental effort, as well as my appreciation to all the members of the committee who reported this proposal out of the Finance Committee unanimously. Senator GRAMM provided invaluable leadership on the Medicare Subcommittee, and I thank all the committee staff members who worked around the clock day after day to ensure that the objectives we were given to meet would be met in the most efficient and effective way possible.

Mr. President, I yield the floor.

Mr. MOYNIHAN addressed the Chair.

The PRESIDING OFFICER. The Senator from New York.

Mr. MOYNIHAN. Mr. President, I would like first to thank our revered chairman for his concise and comprehensive account of this epic legislation. It comes to the floor from a unanimous Finance Committee.

These are the first substantive changes made in Medicare and Medicaid since these measures were enacted a generation ago. I was present in 1965. I am here in 1997. I so state, our problem —and it is a curious problem in social policy, is that I am not sure we will be heard because we are not making enough noise. And we are not making enough noise, Mr. President, for the simple reason that we are in agreement. We have changed our minds about certain basic things. We have recognized the events of the past generation that require us to do so.

We came into these programs little expecting how much they would come to take over in the Federal fisc at a time when medicine was just on the verge of a great shift in its capacity, its ability to cure, to treat, to heal. Fee for service was the only form of medicine available to most persons, not otherwise known, and Medicaid was thought to be a very minor aside.

We reached a point where health care, partly because we have so much better health care, became hugely expensive. The chairman noted that in 1992, Medicaid grew by 29 percent.

Mr. President, that means it doubles every 3 years, or more accurately, doubles every 30 months. You cannot sustain that. We are therefore profoundly reforming the system, not so much returning it to an earlier good state, as bringing it forward to deal with the present realities and possibilities offered by managed care and the general change in medicine of recent years.

I say again, before there was agreement in these matters, we could have had a markup in our committee that went on for 3 months, we could have had rallies, speeches, petitions, filibusters, heavens knows what, because there was not in fact agreement. When agreement is arrived at, when there is consensus, the most extraordinary changes can take place in a seemingly everyday manner, without a voice raised or a single dissent. This is also particularly owed to the work of the Senator from Texas, who chairs the Subcommittee on Health, as the chairman observed, and whom I am happy to note is here on the floor. He found that agreement and he put it in place.

There are other things in the legislation. I do want to note that we have added $8 billion for child health care in the form of insurance, for a total in the two reconciliation bills of $24 billion. I can recall the days when Wilbur Cohen assured us the whole program would cost $24 billion a year, and indeed for a while there it did. I think it should be clear that this was the work of Senator HATCH, who cares so very much about this matter. Equally, Senator ROCKEFELLER was able to bring about an increase in the moneys that will be available to low-income families as part of the child tax credit in combination with the earned-income tax credit.

Senator BOB KERREY, who does not intend that things should always be done the way they always have been done—save perhaps in the U.S. Navy—proposed, and we agreed, that the time had come to begin to ask higher income persons to pay a higher premium to get this insurance, which they do not have to take. It is optional, but which if they can afford to pay something more like the original anticipated contribution, well then, they ought to. That is just good sense. I think this will be understood by the Senate and in time by our colleagues in the House. We also move the Medicare eligibility age from age 65 to 67, bringing it into conformity with Social Security.

Finally, Mr. President, I think it has to be said—and I know the chairman will agree with me—that we did miss an opportunity of lasting consequence for Federal finance this year by failing to take action on how we measure the cost of living.

Our chairman has been an outspoken advocate of developing an accurate cost-of-living index, which we do not now have. We have cost-of-living indexes all over the place. You find them in the Department of Labor, the Department of Commerce, and the Health Care Financing Administration.

But we had agreement, from an initiative taken in the Finance Committee, to produce an adjustment to the Consumer Price Index—which is not cost of living—by 1.1 percentage points. It would have produced $1 trillion in 12 years, and it would have put the Social Security trust funds in actuarial balance until the year 2052. This was in our hands, and it was let slip at the last moment. We blinked, and the opportunity is now history.

But part of that history is also that the chairman of the Finance Committee and the members of the Finance Committee—I do not speak for all of them; I certainly speak for myself—realized this should be done. It is a correction that should be made. The sooner we do, the more we will be able to address other problems that remain because, as the chairman said, we have a series of measures here that ensure the viability of Medicare for 10 years. But we mean to be around more than 10 years, and we will have to address this subject also.

Finally, there are exceptional measures in this bill to make provision for teaching hospitals and medical schools. One of the unanticipated consequences, to use the chairman's phrase, the phrase of Robert K. Merton in 1935, I think, that the economic rationalization of health care has been that the teaching hospitals and medical schools, which necessarily must charge more for the care they provide because they are teaching and training and do research, find themselves in an exposed situation which we can take care of from the gains we acquire in the course of rationalization. But if we do not, we shall find that one of the unanticipated consequences is that we spoiled our medical schools at this moment in the great age of medical science. This bill precisely addresses the matter in ways I think are constructive. And we will look into the issue further in the commission which the chairman proposes.

It remains for me, sir, simply once again to congratulate our revered chairman. If you would so measure the quality of his achievement, observe the silent awe which is now observed in the Nation.

Mr. President, I yield the floor.

Mr. GRAMM addressed the Chair.

The PRESIDING OFFICER (Ms. COLLINS). The Senator from Texas.

Mr. GRAMM. Mr. President, I want to join our distinguished colleague from New York in commending the chairman of the Finance Committee.

The PRESIDING OFFICER. If the Senator would suspend.

The Chair would like to know who yields time to the Senator.

Mr. ROTH. I yield to the distinguished Senator 10 minutes.

The PRESIDING OFFICER. The Senator is recognized for 10 minutes.

Mr. GRAMM. Mr. President, I want to join our colleague from New York in commending our chairman of the Finance Committee for his excellent work and leadership. I think it is a great testament to his leadership that we have before us a bill that will spend less money on Medicare than another

bill we debated 2 years ago which was deemed to be a partisan effort which ruptured the bipartisan nature of our work on health care.

Today we have before us a bill that is superior in virtually every way to that bill. And this bill that is now before us passed the Finance Committee on a unanimous vote and was strongly supported and praised by every member of the Finance Committee.

I think it is a testament to the leadership and fairness of the chairman that we have achieved this goal. I can say, as a person who has watched now many chairmen work, both in the House and the Senate, I have never seen anybody be fairer to every single member of the committee from the most senior member to the most junior member than Senator ROTH was.

I think it is a lesson to all of us. That is, when you have heavy lifting to do, if you give people an opportunity to speak their mind, to have a fair hearing for their ideas, in the end they are a lot more willing to be part of that effort than if they feel you are trying to ram it down their throat or treat them unfairly. We have all heard, from our teenage years, if you want me with you on the landing, you need to have me there on the takeoff. But we often forget it in real life. And I think our chairman has reminded us of it again here.

We have before us a very thick bill which is the composite of all of the so-called reconciliation bills that are supposed to save money. I want to note that there is only one bill in here that saves any real money, and that is the bill that we are talking about today, the bill that came out of the Finance Committee.

Now, lest someone jump up and say the Commerce Committee saved money, what the Commerce Committee did was to sell spectrum, the right to broadcast. We had the Agriculture Committee that was actually ordered to spend $1.5 billion, and remarkably they had no trouble doing it. But the Finance Committee portion of the bill that is before us saves $100 billion with a "b" dollars. And it does it in some of the most sensitive programs of the Federal Government. I want to talk very briefly about some of these changes because they are important.

We are going to have a lot of debate here in the Senate tomorrow when we start shooting real bullets and start having amendments offered about Medicare. We are going to have questions about the need for long-term reform. I am proud to say that the bill before us is the most dramatic reform of Medicare in the history of the program, and, in fact, if you combine all of the other reforms in Medicare that we have adopted in the last 32 years into one package, it is relatively insignificant as compared to this bill.

I know there will be those who question the need for this dramatic reform, but I just want to remind my colleagues that over the next 10 years Medicare will be a $1.6 trillion drain on the Federal Treasury. If you take all the money we collect in payroll taxes and you compare that to how much money we are going to spend on Medicare over the next 10 years, we are going to fail to pay for the program by a cumulative total of $1.6 trillion.

We have an unfunded liability in Medicare under the best of circumstances. With all the right reforms, if they could be made and done immediately, we still have an unfunded liability bigger than the current inflation adjusted costs of winning World War II. We have promised Medicare to two succeeding generations and we have set no money aside to pay for those benefits. As the baby-boomer generation—79 million people strong—begins to go into retirement 11 years from now, we are going to go from 5.9 workers to 3.9 workers to 2.2 workers per retiree, and the impact of it is going to be cataclysmic on the Federal budget.

That is why this bill is so important because it takes the first step toward saving Medicare. I believe if we can save these reforms not just in the Senate but through the House and to the President with his signature, that every Member of the Congress will be able to say of this bill that they truly did something worthy of being remembered.

Now, let me outline some of the major components of the bill that I think are important. First of all, this bill gives our seniors who qualify for Medicare a broad range of choices. Today they have two choices. They can stay in the old fee-for-service Medicare policy or they can go into a massive all-encompassing HMO. What we do is fill in all the areas in between by giving our seniors the same kind of competitive choices that are available in private medicine today. I think this is a dramatic reform. I think it is a reform that is going to enhance the quality of health care. It is certainly going to expand freedom. Since we know competition has an impact on health care costs because the competition of the last 8 years in the private sector has driven the medical price index that measures inflation in medicine below the Consumer Price Index which measures the costs of all goods and services in the economy, we are confident that expanded choice, expanded competition, and the efficiency that it will ultimately bring will benefit every Medicare beneficiary and will benefit the 110 million people that are paying Medicare taxes.

This is a very important reform. It is a reform that now, I think, we can be proud to say, is virtually noncontroversial.

One thing we have done in the bill which I say that had it been left up to me I would not have done is we have transferred home health care out of the trust fund into general revenue. Those who have wanted to be unkind have said it is a phony reform; not only are they unkind, they are correct. In fact, when we initially debated this so-called reform I said that you can buy 10 years of solvency in Medicare by taking the fastest growing item in Medicare out of the trust fund and putting it in general revenue and not counting it as part of Medicare anymore as part of the part A trust fund. If that is real reform, I can save Medicare for 100 years by simply taking hospital care out of the trust fund and putting it into general revenue and not counting it as part A Medicare, but would anybody believe that I had done anything when I did it?

So, one part of this bill which was dictated by the budget agreement is the transfer of home health care. But there are two things that we have done as part of this transfer which really represents an accounting gimmick, but two things we have done are real. No. 1, we are going to build over time 25 percent of the cost of home health care into the Medicare premium that people pay for part B services or physician services after retirement; and also for the first time in this bill we have a $5 copayment for home health care. Now I know that there will be an amendment offered and that people will scream and holler that this $5 copayment represents the end of the world. But I want to remind my colleagues that home health care now spends more money than the National Institutes of Health. It now spends more money than the space program. This is a massive uncontrolled program.

Some of you probably saw the big article in the Wall Street Journal about how people have gotten out of the garbage collection business and gone into home health care and become instant millionaires, how fraudulent much of this program is in terms of people who were providing services and overbilling and how the whole system is completely out of control. We are trying to begin to tighten up on that but there is nothing that will be better for tightening up on it than asking for a small nominal payment so that people will look at the cost, so that people will make rational choices. So it is a small copayment. But if we know anything about the world we live in, it is that small costs affect behavior on a substantial basis.

We have very important long-term reform in this bill. The reform has already been denounced by most of the major special interest groups in the country that tend to speak out on these issues, and I want to talk about the two long-term reforms. The first reform has to do with retirement age. I remind my colleagues that we changed the retirement age in 1983 for Social

Security. I remind you of the circumstances. We were on the verge of having Social Security go bankrupt. We were down to the point where we could not have sent out the July checks. We had a commission that had not reached any kind of conclusion, and under the leadership of Ronald Reagan we were ultimately able to get a recommendation to make some changes. The only real substantive change that the commission made and Congress adopted was changing the retirement age. They set out to change the retirement age over a 35-year period where, as we recognize that people are living longer, as we are healthier, as we are working longer, that ultimately Social Security had to change.

People forget that when Social Security went into effect in 1935 the average American worker did not have a life expectancy that was high enough that they would ever receive any benefits from Social Security. It was the exceptional person who lived longer than normal who ever got a penny out of Social Security. Our lifetimes, thank God, have grown tremendously since 1935 due to improvements in public health, due to improvements in medical care, due to improvements in nutrition, and due to the improvements that would come as income has risen with our strong free-enterprise economy and we have all been able to do a better job taking care of ourself and our children.

But we raised the retirement age to 67 for Social Security—that will become effective in the year 2027—but we did not raise the eligibility date for Medicare. In this bill we make the conforming changes so that Social Security and Medicare will again be brought together. What it means is for people who were born in 1960 and who are, therefore, 37 years old today, they will know, with 30 years to plan for it, that they are not going to qualify for Social Security and for Medicare until they are 67. So they have 30 years to plan for that change. In my case, I was born in 1942. So I know that if this bill is adopted, along with the changes that have already been made in Social Security, that I will not be eligible to retire until I am 65 years and 10 months old. So I have 11 years to adjust to the fact that under this bill I am going to be required and can expect to work 10 months longer.

Now, we have a lot of people who are saying that this is unreasonable, outrageous, that the end of the world is going to come as a result of it, but this is the reality of the world we live in. We are healthier, we are working longer, and we are living longer. So if this program that we all depend on is going to be there to serve us, this is a change that needs to be made. I intend to defend it vigorously.

The second change that was made had to do with asking very high-income retirees to pay the full cost of the voluntary part of this program. Some people will recall that the part A of the trust fund, the hospital part, you pay for during your working life by paying 2.9 percent of your wages into a trust fund, and that pay is for part A. Actually it is a long way from paying for it but that is the system. The part A section of Medicare which pays for hospital care, you do not pay for while you are working, you pay 25 percent of the costs of the part B premium. When the program was started in 1965 it was going to be 50 percent of the costs.

What we do under this bill is ask our high-income seniors, who as individuals, make between $50,000 and $100,000 a year and as couples from $75,000 to $125,000, to phase up that part B premium from that 25 percent of the cost which is $526 a year to approximately $2,100 a year of costs, which is the full cost of that voluntary program.

Now, again, some people will say this is an outrage, but the plain truth is this is a voluntary program. It is still a better buy than anybody can get in the marketplace. Nobody paid for this program during their working life. It makes no sense for my son in the labor market and 21 years old to be paying taxes to subsidize voluntary insurance for a senior who is making $125,000 a year. It is just not right. This is a good Government program. I note that the savings from this higher part B premium for very high-income seniors and from the retirement age change, that the savings from those two programs we do not even count them in this bill. They are not counted for budget purposes. We are not using them to balance the budget. We are not using them to fund tax cuts. We are simply doing them and dedicating all the savings to the Medicare trust fund to keep the system solvent. No one has ever done anything like this before in the name of trying to save Medicare.

Finally, we did have a provision that would have used the higher costs for very high-income seniors as a deductible instead of as a payment. We have had so many questions raised about it that I have decided, along with others, to go ahead and simply charge the premium and then do a study and a test of using the deductible instead of the premium. I will submit for the RECORD two letters, one from the American Enterprise Institute and one from the Heritage Foundation, explaining why doing it where we would raise the deductible instead of the premium would be better and would save more money and would improve the efficiency of the system. The logic which seems to escape many people is that if I am a high-income retiree and I pay $1,577 more for an insurance policy, once I paid that, then the cost of medical care that I would then buy with that policy is totally unchanged.

So all the Government did that helped Medicare was it got $1,577 out of my pocket and put it into the trust fund to help keep the program alive—good work, important work, but by doing it as a deductible, which I hope some day we can do when people understand it, you are going to get high income seniors who will be more cost conscious because they will be paying the first $2,100 as a deductible, and so they will actually be consuming medical care more efficiently, getting out their bills and reading them, and reporting when somebody over charges them. They will actually be shopping around for the best buy. That is what we want people to do. But this whole idea is so important, I don't want a new idea to threaten it.

So I will submit these two letters for the RECORD. I ask unanimous consent that they be printed in the RECORD.

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

THE HERITAGE FOUNDATION,
June 20, 1997.

Hon. PHIL GRAMM,
Russell Senate Office Building,
Washington, DC.

DEAR SENATOR GRAMM: I was delighted to hear that your amendment concerning the Medicare Part B deductible was added to the Finance Committee bill.

We have long argued, as you have, that raising the Part B deductible for upper-income Americans is wise policy. Moreover, given the choice between raising the deductible and raising premiums, increasing the deductible makes far more sense. While raising the premium for upper-income retirees, like raising the deductible, would reduce the taxpayer-financed subsidy now going to people who do not need it, raising the deductible would have the added advantage of also significantly changing patient incentives. That would lay the groundwork for long term structural reform of Medicare.

I should add that the criticisms leveled at your amendment are quite remarkable. At a time when Medicare is increasingly incapable of promising continued service to lower-income retirees, it seems incredible that some liberal members and organizations are defending a huge subsidy to the rich. And it is almost amusing to hear the claim that the amendment is unworkable. We have been means-testing programs for the poor for many years, but now we are told that designing an income-adjusted Medicare deductible for the rich is beyond the capability of the human mind.

Keep up the good work, Senator!

Sincerely,

STUART BUTLER, Ph.D.,
Vice President, Director of
Domestic and Economic Policy Studies.

AMERICAN ENTERPRISE INSTITUTE
FOR PUBLIC POLICY RESEARCH,
Washington, DC, June 20, 1997.

Hon. PHIL GRAMM,
U.S. Senate,
Washington, DC.

DEAR SENATOR GRAMM: I would like to congratulate the Senate Finance Committee on its recent action to introduce income-related deductibles into the Medicare program. In my personal view, this proposed change is long overdue for the following reasons:

The original Part B deductible was $50. After over 30 years, it has only been allowed

to increase to $100. If it had been indexed to per capita health care costs, it would today be about $1,200.

75 percent of Part B is now financed from general revenues. This means that each Medicare recipient receives a subsidy from other taxpayers of about $1,700 per year. It is highly appropriate that higher income Medicare recipients pay a higher portion of the cost of their insurance coverage.

The long-term reform of Medicare is not just a matter of raising more revenue from payroll taxes or premiums. It will require reforms that give recipients incentives to seek more cost-effective providers when they need care and to avoid using medical care unless it is actually needed. Higher deductibles are a useful first step on the long road to reform since they will give those with the greatest ability to pay an incentive to use medical care more carefully. You will not get these behavioral effects from higher premiums.

Since Medigap policies impose extra costs of approximately $1,000 per beneficiary on the Medicare program and reduce the behavioral effects of deductibles and co-payments, I urge the Congress to investigate and eventually pass reforms affecting the Medigap insurance market.

The views expressed here are my own and do not necessarily reflect the views of the American Enterprise Institute or any of my colleagues.

Sincerely yours,

ROBERT B. HELMS,
Resident Scholar,
Director of Health Policy Studies.

Mr. GRAMM. Madam President, I yield the floor.

Mr. ASHCROFT addressed the Chair.

The PRESIDING OFFICER. The Senator from Missouri is recognized.

Mr. ASHCROFT. Madam President, I ask unanimous consent that I be allowed to yield 20 minutes from the majority time for purposes of making remarks.

The PRESIDING OFFICER. Is there objection?

Without objection, it is so ordered.

COMMUNIST CHINA: AMERICA'S MOST FAVORED NATION

Mr. ASHCROFT. Madam President, freedom is, and always has been, the great moving force of American history. It was freedom that inspired patriots to give their lives at Concord and Lexington. Freedom that compelled American Rangers to scale the cliffs at Normandy. And freedom that filled Ronald Reagan's heart in Berlin as he exhorted Mr. Gorbachev to "tear down this wall."

Freedom. The essential ingredient of what Reagan called "the American purpose." At our highest and best, we Americans are believers in the "blessings of liberty," the idea that "all men are endowed by their Creator with certain unalienable rights." And these rights are not America's alone, but extend to all those who would seek to know freedom's warm embrace.

So today, from Stettin in the Baltic to Trieste on the Adriatic, the Iron Curtain has lifted, and a wave of democracy has descended on the globe. The "simple, vivid, peaceable world" of which John Cheever wrote is more a reality today than at any time in our history.

But evil knows no resting place. The cold war is over. And still how many have yet to taste the fruit of freedom? For there is a regime in the world today that runs against the tide of history; that denies liberty and human dignity to its people; a regime whose brutal repression at home betrays its intentions abroad; a regime that aspires to superpower status.

I am speaking of Communist China. And I rise today to say, "No more." No more should we watch as China uses its illegitimate gains to purchase military hardware and weapons of mass destruction. No more should we ignore Beijing's mercantilist trade policies that block U.S. products and destroy American jobs. No more should we accept a playing field for our products that is not level. No more, Mr. President. No more unconditional most-favored-nation status for Communist China.

My decision to oppose most-favored-nation status was not an easy one. It was reached after countless meetings with foreign policy experts, economists, and the CEO's of major corporations. To the businessmen whose passion for the status quo was surprising, I posed many questions.

Has China embraced the rule of law, put their regulations and laws in writing, stopped subjecting them to differential application? No. Are her people more free? Well, not really. Is America more secure with China selling weaponry to rogue nations and extending its own influence far beyond appropriate levels into the South China Sea? Tragically, those I questioned could only plead for more time. But time alone cannot heal these wounds. We must say: No more.

The truth is, America has dedicated over two decades to the policies of engagement, and the results have been far from compelling or convincing. Less than 2 percent of United States exports went to China last year. America sold more goods and services individually to Belgium, Brazil, and Singapore than to the People's Republic of China. Meanwhile, the United States took more than 30 percent of China's exports creating a $39.5 billion merchandise trade deficit. This represents a threefold increase since 1990. A 200-percent increase in just 6 years!

On Friday, more bad news. The Commerce Department reported that our trade gap is widening—fully 41 percent higher in the first 4 months of this year than in 1996. This led the Wall Street Journal to speculate that China will soon have the largest deficit of any United States trading partner, surpassing even Japan.

If our growing trade deficit has been the source of great attention, the causal factors behind the inequity have gone all but ignored. At their core, they are twofold. The first element is the anti-American, predatory trade practices of the Chinese Government. The second is a United States-China policy that has been an abject failure, a case study in what not to do. A United States policy that has, in truth and reality, made Communist China America's most favored nation.

American access to the other Asian market is growing every day. The Mongolian Government has aggressively sought United States investment, and soon will allow foreign "stakes in infrastructure" and the purchase of "shares in privatized companies." In Taiwan, AT&T and GTE have won stakes in cellular telephone licenses that will allow both to provide telecommunications services to the Taiwanese.

China is the exception, erecting barriers to entry surpassed only by the Great Wall itself. This begs the question: if United States products are good enough for Mongolia, Taiwan, and the other Asian democracies, developing and developed, why are they not good enough for Communist China? And when will we have the courage to say, "No more"?

Consider China's treatment of information technologies. The United States tariff on cellular phones from China is 1.6 percent. China's tariff? Seven times as high. Chinese telephone answering machines: 1.6 percent. The tariff on United States firms? A whopping 50 percent, over 25 times as high. Chinese-made computers: 2.7 percent. The import tax on Silicon Valley? Almost six times as high. And the list goes on and on and on.

In March, 39 countries, including Taiwan, Singapore, Malaysia, and South Korea, signed the Information Technology Agreement which will phase out all tariffs on such products as semiconductors, computer hardware, and electronic components by century end. China's concession was nowhere to be found. And yet, we rewarded China's belligerence by providing the same access to our market as we do to those Asian countries that have agreed to welcome our goods.

Now the administration and the ivory tower academicians like to whine about how misleading the "most-favored-nation" designation is. "If we could only change the name," they wail, "our China troubles would be over." But if ever there were a country that deserved the label "most favored nation," it is Communist China. It is time for America to say, "No more."

Unfortunately, rather than sound a clarion trumpet for American goods, the administration has hoisted the flag of defeat. Today, the United States allows China to slap punitively high tariffs on our goods while other countries are trying to treat us equitably. Australia, for instance, has tariffs on

United States goods that are roughly equal to America's 4-percent rate. And yet, Australia's access to the United States market is no better than China's.

In fact, the People's Republic of China is deriving more benefits from United States trade than even our closest trading partners. Mexico places tariff rates on American goods that are only 2 percent higher than comparable United States rates. China's tariffs, however, are 19 percent higher. But again, Mexico and China enjoy virtually identical access to the United States market. We are literally inviting China to be involved in our market while China is slamming the door in the face of American business. China is truly "America's most-favored-nation."

This stems at least in part from the willingness of the United States to trade with China under a bilateral agreement that was signed in 1979—a time when Jimmy Carter still called the White House home. The agreement predates the commercial availability of information technologies such as cellular phones and portable computers.

Madam President, this bilateral agreement is the first of a two-tier test that all nonmarket economies must meet if they are to be extended most-favored-nation status. The second deals with the emigration provisions of the Jackson-Vanik amendment. There are currently 15 nonmarket economies, including China, that have technically complied with this two-tier test in order to get MFN status.

All of the other 14 designees, however, have bilateral agreements that were developed in the 1990's. In fact, every United States trading partner save China has trade agreements that were negotiated in the last 7 years.

Only China operates with a favorable status of not having to comply with a modern bilateral agreement. Only China enjoys this most favored among most-favored-nations position. It is this decades-old agreement that is failing to safeguard our capacity to deal on a level playing field with the Chinese. It is this agreement that is failing to allow for free and unfettered trade.

Last Wednesday, Madam President, I asked Undersecretary of State for Economic, Business, and Agricultural Affairs, Stuart Eizenstat, to tell me why the administration has failed to hold the Chinese to the same standards as other most-favored-nation designees by requiring a modern bilateral trade agreement. "This is," Eizenstat said, "one of the things we are now negotiating."

Madam President, "now negotiating?" A bilateral trade agreement is a precursor to the extension of MFN. It was one of the basis upon which MFN is extended. It is a core requirement. Why is Congress being asked to renew most-favored-nation status before a modern bilateral trade agreement is in place? Why in the world is Congress being pushed to embrace an agreement that disadvantages U.S. products and ensures a trade imbalance into the foreseeable future? China's preferential status coupled with her discriminatory conduct has improperly made the PRC a nation favored above all others, the most-favored among most-favored nations.

Perhaps China's past and current transgressions could be overlooked if Beijing's ambitions were more humane. Instead, the hard currency created by China's trade surplus is being used to pursue a massive military modernization program, nothing less than a blue-water navy, long-range aircraft, and precision-guided munitions and missiles. The Russians alone have sold billions of dollars of military technology to the Chinese. And, as Prof. Arthur Waldron notes, this includes "cruise missiles capable of defeating the anti-missile defenses of the U.S. Navy."

These force-projection technologies are not about "providing for the common defense." They are about providing an uncommon capacity to project power—power all across Asia. They will threaten not just the Asian democracies, but also the sailors of the 7th Fleet who call the waters of the South China Sea home.

I intend to address the emerging threat posed by Beijing's military build-up in the days and weeks ahead. I also plan to speak about an administration policy that fails to defend what Thomas Paine called the rights of man, all but ignoring Beijing's cruel campaign of persecution and repression aimed at crushing internal dissent.

We will never tame the Chinese dragon—no more than we subdued the Soviet bear—with the policies of appeasement. The way to bring China into the community of nations is to talk truthfully and forcefully about the evils found there; challenge China to open her doors to the commerce of the Western world; and maintain an American military superiority that makes peace not only possible but probable.

And to those who say this debate cannot be won, that the forces amassed against us are too great, I take issue. "Any spot is tenable," said John Kennedy, "if men—brave men—will make it so." It is time to turn retreat to advance; to fight for a new China policy steeped in the principles of our old American Republic. Because truly free trade can only exist between free peoples. And the Chinese who watched treachery take hold in Tiananmen Square are most certainly not free. It is time for America to say, "No more."

In 1946, Winston Churchill came to America to warn of the Soviet subjugation of Eastern Europe. At the request of President Truman, he chose small Westminster College in Fulton, MO as the site where Britain would pass the baton of Western leadership to "the American democracy."

In this most Churchillian of Churchill speeches—made famous by its "iron curtain" coinage—he called America to her highest and best in defense of freedom and the rights of man. And if I might beg the Chair's indulgence, I would like to read a portion of the words he offered that warm and windy Tuesday a half century ago in Fulton, MO, my home State.

Winston Churchill challenged the United States:

"The United States," said Churchill, "stands at this time at the pinnacle of world power. It is a solemn moment for the American democracy. For with this primacy in power is joined an awe-inspiring accountability to the future. As you look around you, you must feel not only the sense of duty done, but also you must feel anxiety lest you fall below the level of achievement. Opportunity is here now, clear and shining * * * To reject it or ignore it or fritter it away will bring us all the long reproaches of the aftertime."

Madam President, Churchill's words are America's words. For ours is a passionate belief in human possibility, an abiding devotion to freedom. "Opportunity is here now, clear and shining." Let us not trade liberty for the false idol of foreign commerce. Let us not allow freedom's song to die on our lips. "For all sad words of tongue and pen, the saddest are these: 'It might have been.'"

I yield the floor.

BALANCED BUDGET ACT OF 1997

The Senate continued with the consideration of the bill.

Mr. DOMENICI. Madam President, parliamentary inquiry: How much time has been used by each side?

The PRESIDING OFFICER. The Senator from New Mexico has 7 hours and 19 minutes left on his side, and the Senator from New Jersey has 9 hours and 14 minutes remaining.

Mr. DOMENICI. I suggest the absence of a quorum and ask that it be charged equally to both sides.

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

The clerk will call the roll.

The assistant legislative clerk proceeded to call the roll.

Mr. HARKIN. Madam President, I ask unanimous consent that the order for the quorum call be rescinded.

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

Mr. HARKIN. Madam President, do I understand that under the procedure now in effect we can lay down amendments this afternoon? Is that the case?

The PRESIDING OFFICER. There is a pending amendment that would have to be laid aside.

Mr. HARKIN. And that would have to be done by unanimous consent, right?

The PRESIDING OFFICER. The Senator is correct.

Mr. HARKIN. Madam President, I have an amendment. I know the Senator from Arkansas wants to speak, and I will be as brief as I can.

Mr. LAUTENBERG. Will the Senator yield?

Mr. HARKIN. I would like to speak very briefly and lay down the amendment.

Mr. LAUTENBERG. Will the Senator yield for just a moment?

Mr. HARKIN. Yes.

Mr. LAUTENBERG. In this case I think there is a question about whether the Senator from Arkansas had a commitment to speak at this time.

I would ask the Senator from Arkansas how much time he needed.

Mr. HUTCHINSON. I intend to speak about 15 minutes.

Mr. LAUTENBERG. About 15 minutes. Apparently the Senator from Iowa would be all right if the Senator from Arkansas—it had been apparently agreed to before he came.

Mr. HARKIN. I didn't know such an agreement was in effect. That would be fine.

Mr. LAUTENBERG. I apologize to the Senator from Arkansas for messing things up.

Mr. HARKIN. Mr. President, since I still have the floor, if I might, this Senator was unaware that a previous agreement had been made by the Senator from Arkansas for this time slot. What I would ask is that when the Senator from Arkansas finishes, then I would be recognized to make my statement.

The PRESIDING OFFICER (Mr. ALLARD). Without objection, it is so ordered. The Senator from Arkansas.

Mr. LAUTENBERG. Mr. President, I understand that the time is going to be yielded by that side of the aisle and should be appropriately recorded.

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

Mr. LAUTENBERG. I thank the Chair.

The PRESIDING OFFICER. The Chair recognizes the Senator from Arkansas.

Mr. HUTCHINSON. Mr. President, I express my gratitude to the Senator from Iowa for being so understanding, allowing me to proceed. I would like for it to be clear that my 15 minutes would come from the majority's time.

MOST-FAVORED-NATION TRADE STATUS FOR CHINA

Mr. HUTCHINSON. Mr. President, the House of Representatives votes tomorrow on whether or not to extend most-favored-nation trade status to China. In a more desirable world, revoking China's MFN status might be less advisable than handling national security and human rights as well as economic issues in more traditional ways. Unfortunately, the experience of the last 3 or 4 years, in fact experience going back much farther than that, has demonstrated that the administration's policy of constructive engagement has failed. The constructive engagement policy has in fact degenerated. We have seen conditions in China worsened annually.

The logic behind constructive engagement is, indeed, appealing. It goes something like this. If we will expand trade with China, the result will inevitably be political liberalization and ultimately an improvement in the conditions of the Chinese people, there will be an expansion of human rights opportunities, there will be less repression, there will be less religious persecution, there will be a warmer and more cordial relationship between China and the United States.

When I was first confronted with the issue of MFN upon my election to Congress in 1993, I was almost persuaded by that logic. In fact, I wanted to be persuaded by that logic, and I was looking for any indication that the policy of constructive engagement was, in fact, having the desired results and that, in fact, conditions were improving, treatment of the Chinese people had improved, there was less repression, and that trade, expanded trade, was in fact having that kind of result. Had there been any sign in the last 4 years that this policy of constructive engagement was having the intended result, I would be voting for MFN this year. Were I given the opportunity, I would be supporting most-favored-nation trade status for China.

But the facts are very clear and the State Department's own report makes it abundantly clear that conditions have deteriorated, that the policy of linkage has not had the result that we all wanted it to have. So it is argued that economic freedom frequently leads to political freedom, and in fact it does frequently lead to political freedom. There are examples in which that has happened. But in China's case, market economics has become nothing but an utilitarian exercise to ensure the continuation of a totalitarian regime. They have seen if they keep the iron grip upon the Chinese people, that a market economy will help them accomplish that; that expanded trade, higher incomes, economic opportunities for Chinese people—that makes it easier for them to maintain an absolute repression of any kind of free expression within China.

Proponents of MFN say we all have the same goal, expanded human rights, we just have a different approach on how we best attain that. Russia is often pointed to, the old Soviet Union, where there was a little hole in the dike called perestroika and from that little hole in the dike the floodgates opened and freedom could not be contained. But in China, perhaps they learned the lesson from the Russian experiment or from the Soviet Union's experience, for in China there has been no perestroika; there has been only repression.

There are, I believe, many flaws in the policy of constructive engagement. First and foremost, it has simply not improved the status of the Chinese people; it has worsened it. The administration's decision not to consider human rights abuses when granting MFN status has proven disastrous for the people of China. As they have been removed from the threat of any repercussions in the trade relationship with the United States, the Chinese Communist leaders have succeeded in jailing or executing every last dissident in a country of over 1 billion people, according to the State Department's own 1996 China report. As we have turned a blind eye, the atrocities have escalated and the oppressive government has strengthened its hold on a full one-fifth of the world's population. The constructive engagement policy has produced more persecutions of Christians, more forced abortions, more sterilizations of the mentally handicapped, more incarcerations of political dissidents, and the near extinction of the expression of any opinions contrary to those of the Communist regime.

I have on this chart, I think, a very clear illustration of the failure of the constructive engagement policy. On the left of this chart we see a dramatic increase of trade with China, a less dramatic increase of imports from the United States, and a very dramatic increase in exports. We see, in a very graphic manner, while trade has increased from 1987 to 1996, we have also seen that human rights abuses in China have increased almost in a parallel manner. Homeless children—in 1993 over 600,000, in 1997 almost three times as many homeless children, homeless children being the result of those who are incarcerated and those who are executed. Religious persecution in China—in 1993, 2.4 million believers, those people of faith persecuted. In 1997, 4 years later, under the policy of constructive engagement, 4.5 million, almost doubling.

So, while trade increased—the logic of constructive engagement would say trade increasing, more trade opportunities will mean greater human rights and fewer abuses in China. Just the opposite has occurred.

Reeducation camps—in 1993, 200,000 were in these forced reeducation labor camps; in 1997, over 5 million have been detained, according to Amnesty International and according to the Congressional Research Service. I believe this in fact demonstrates that constructive engagement has been very destructive.

Second, this delinkage has also resulted in a loss of leverage with the Chinese Government. I want to pause to read from an editorial that appeared

in my hometown paper today, the Arkansas Democrat Gazette. It says:

But they may not realize that a carrot-and-stick approach isn't likely to be effective if the carrot is always offered and the stick is always withheld.

That has been the result of this delinkage policy. They would say, and they do say: Your words are empty because there is nothing to back them up. Delinkage has not worked because, in effect, there has been no stick. So, is it any wonder that, in effect, we hear the Chinese Government say we don't care what you say because in the end we get what we want and we can continue to do what we please? Mr. President, that delinkage has resulted in a loss of leverage is clearly evident in that State Department report of 1996, in which they said, "No dissidents were known to be active at the year's end."

When most-favored-nation status reaches the point that it is no longer conditioned, then it becomes absolutely meaningless. When we look at China and our own State Department says by every measure conditions are worse, yet we say we are still going to extend most-favored-nation trade status, then that annual exercise becomes nothing more than an annual joke that we play in Congress, where we go through the process, we go through the debate, all the time knowing most-favored-nation trade status will be extended, MFN will be extended regardless of what conditions may have occurred within China.

In a flagrant act of intimidation, China effectively blockaded Taiwan during a missile testing exercise off its coast in March of 1996. Many examples could be given of where the Chinese Government acts with impunity toward our Nation because our policy has been one of coddling.

Third, constructive engagement supposes a true free enterprise system in China and that system just does not exist. The logic behind constructive engagement is flawed because it assumes that in fact they have a free enterprise system. They do not have that. They have protectionist trade policies, they have an enormous trade deficit with the United States, and the People's Liberation Army controls many of the industries in China. So the assumption is wrong and the policy is flawed.

Fourth, constructive engagement supposes a fair trade relationship that does not exist. How can you have a fair trade relationship when there are 5 million people in slave labor camps? Forced reeducation camps, the old gulag in the Soviet Union, the concentration camps, that's what they are, with prison industries. Though it is against the law, there is no way that we can totally detect what products are made in prison factories and what products are not. So there is no fair trade relationship with China.

Then, fifth, constructive engagement ignores the military buildup in China. If you reject everything else, the fact is we have a compelling national security interest as we see China's defense budget growing. United States Ambassador to China James Sasser recently stated that fact. The Chinese themselves have announced an increase in that budget, which will bring total defense outlays to $10 billion and many believe it is closer to $40 billion. So I say, as you look at China's military buildup, their willingness to export weapon components, chemical weapon components, selling those weapon components to Iran, nuclear weapon technology to Pakistan, advanced jet aircraft to Russia and on and on, it is clear that our national security interest would say we ought not extend again most-favored-nation status to China.

Sixth, constructive engagement is flawed because it assumes that gentle treatment will elicit good behavior while firmness will result in escalating tensions. Let me say that again. The assumption is that if we will give to China gentle treatment, it will elicit good behavior, but that if we dare to take a firm stand, it will escalate tensions. In an earlier day that philosophy was called appeasement, and it has never worked. It did not work in the days of Chamberlain, and it will not work in our day. There is no greater example of it, perhaps, or image of it, at least, than when Vice President GORE toasted Premier Li Peng.

Arthur Waldron wrote in his essay "How Not to Deal with China," he said:

China is involved in disputes around the full circumference of its border, disputes which, like burners on a stove, Beijing may turn up or down, but never turns off.

So they toy as we grant MFN. The logic behind this policy is flawed. I believe it deserves a vote of no confidence. I hope the Senate will have the opportunity to cast that vote. China has created a dichotomy. They say, on the one hand, give us trade. They say give us sales. They say give us dollars. And on the other hand, they practice political repression, slave labor, forced abortion and religious persecution. Between those two statements there is the great wall of China: Yes, market economy, free trade, but political repression and slave labor. To the extent that free markets lead to free minds, China, in recognizing that, built a wall between. And, as we continue to grant most-favored-nation status, we allow that wall to exist.

Mr. President, 2 years ago, I was present, as many of my colleagues were, at the dedication of the Korean War Veterans Memorial, the latest war memorial on the Mall in Washington, DC. At the edge of the memorial is a low wall upon which is inscribed this reminder, I think a good reminder for all Senators, a good reminder for all our colleagues in the House of Representatives on this eve of the MFN vote. On that memorial is inscribed these words: "Freedom is not free."

To those who would say that profits are the ultimate arbiter of American policy, I say it is time that, once again, values and principles be the determinant of what our national policy is and what our trade policy should be. Freedom is not free.

Thank you, Mr. President. I yield the floor.

Mr. HARKIN addressed the Chair.

The PRESIDING OFFICER. Under the previous order, the Senator from Iowa is to be recognized.

BALANCED BUDGET ACT OF 1997

The Senate continued with the consideration of the bill.

Mr. HARKIN. Mr. President, who yields me time?

Mr. President, I ask unanimous consent that my time be taken off the minority's time on the bill.

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

Mr. HARKIN. Mr. President, for many years, I have been working hard to identify and combat fraud, waste, and abuse in the Medicare Program. Starting in 1990, when I took over as chairman of the appropriations subcommittee that funds and has jurisdiction over the administrative funding of Medicare, I began holding hearings, and I held several hearings through those years, released report after report, documenting the unnecessary losses to the Medicare Program. These losses are truly staggering. I have taken the floor many times over the last several years to document this for other Senators. The General Accounting Office estimates that up to 10 percent of Medicare payments could be lost to fraud, waste, and abuse. That adds up to about $18 billion a year.

The HHS inspector general just concluded a comprehensive audit of Medicare claims paid last year. It is the most comprehensive review of claims ever made. They found that up to $23 billion of those payments, or about 14 percent, should not have been paid. This is last year, 1 year. The HHS inspector general said that up to $23 billion should not have been paid. So the problem may even be worse than we originally thought.

There are many components to this problem. Mr. President, if you can dream up a scam or a ripoff, it has probably already been tried in Medicare. We have uncovered losses due to out-and-out fraud—billing for services that weren't administered, providers paying and receiving kickbacks, double billing. We now even have evidence that organized crime has entered the Medicare fraud business. Clearly, there is a lot of criminal activity that is going on out there which is costing us billions of dollars each year.

However, we found, with help from the GAO and inspector general, that even greater losses are due to waste

and abuse. That's right, waste and abuse is even bigger than fraud in the Medicare Program, and those losses are often directly due to or encouraged by wasteful Medicare payment policies and practices.

At long last, it appears that the bill before us will address some of the most glaring problems. It would make changes that I have been advocating since the beginning of this decade, changes, I might add, that this body has previously defeated. I have offered amendments on the floor in the past to provide for competitive bidding for Medicare, just like the Veterans Administration has, and I was not successful.

So now with the competitive bidding, plus a streamlining of Medicare's authority to pare back excessive payment rates, these two steps can cut waste and save taxpayers billions of dollars. I commend Senator GRAHAM of Florida for offering the amendment in committee on competitive bidding. He had cosponsored my proposals in the past. Senator GRAHAM has done us all a great service for his action, and I commend the full committee for adopting it and having it in the bill before us.

The need for these reforms could not be clearer. Let me just give you an idea of what I am talking about. Last year, I released a report prepared by my staff on waste in Medicare payments for medical supplies. Remember the $500 toilet seats from the Pentagon of a decade or two decades ago? The good news is, the Pentagon isn't buying them anymore. The bad news is, Medicare is.

Our analysis of Medicare payments for a sample of medical supplies and equipment from saline solution to hospital beds reveals that Medicare is paying up to six times more for these items than other Government or private-sector entities. For just 18 items reviewed, Medicare could save over 50 percent, or up to $236 million this year. Let me repeat that. We reviewed 18 items—just 18—out of the tens of thousands that Medicare pays for. In just those, we could save $236 million this year if we paid the same rates in Medicare as we paid in the Veterans' Administration. Same item.

If Medicare were just to pay wholesale rates offered to others around the country, it could save $218 million this year. In fact, it was so bad, we found that if Medicare just went down to the local drugstore and paid retail rates, it could save $371 million over the next 7 years; $371 million over 7 years if they just paid retail rates for the 18 items that we looked at.

For example, we found that Medicare pays up to $182.80 to rent an air mattress, more than six times the wholesale price of $29.95, three times the price of $53.88.

Medicare is paying $99.35 for a simple commode chair that the VA is able to buy for $24.12.

Medicare is paying $7.90 for a bottle of sterile saline solution; the VA buys it for $2.38.

I have a chart here which just shows some of these items and the potential savings. Here is an irrigation syringe which Medicare is paying $2.93 for; the VA is paying $1.89.

Here is a walker. This is one of those plain walkers that elderly people use. It has four legs on it. Medicare is paying $75.52 for them; the Veterans' Administration is paying $25.40 for the same one, the exact same walker made by the same company.

A commode chair. You know what a commode chair is; if you can't get to the bathroom, you have it by your bed. Medicare is paying $99.35 for it; the same commode chair, identical, the Veterans' Administration is paying $24.12 for it.

Here is the sterile saline solution I talked about. Medicare is paying $7.90 for it; the same item, the Veterans Administration is paying $2.38 for it.

Why? Why would the Veterans' Administration pay $25.40 for a walker that Medicare is paying $75 for? Same item, same town. Why? Because the Veterans' Administration is engaging in good old-fashioned competitive bidding. If you want to sell it, put out a bid for what you are selling it for, we will take the lowest bid. That is why Medicare pays bloated prices based on historical charges and the VA, which has much less purchasing power than Medicare, puts it out for both quality and cost control. So the Veterans' Administration is able to save money, because they use competitive bidding to assure it is getting the best rate possible.

Right now, under law, Medicare is prohibited—prohibited—from using this measure. Medicare is prohibited from engaging in competitive bidding. But the bill before us now gives them that much-needed authority. It doesn't mandate it. I think we ought to mandate it, but the bill at least gives HCFA the authority to engage in competitive bidding.

In the hearings that I have held in the past, Mr. Vladeck, the Administrator of HCFA, has testified that if given the authority, they would use it. So I think this will be sufficient and will get the Health Care Financing Administration to start engaging in competitive bidding.

Another important reform that is in this bill is the streamlining of Medicare's authority to reduce grossly excessive payment for items it purchases. It is called the inherent reasonableness authority. Under current law, the authority is tortuous to complete. As a result, it has only been used once.

Three years ago, we found that Medicare was paying up to $211 for a home diabetes monitor. At that time, I sent a staff person of mine out to the local K-mart and bought the same item for $49.99 that Medicare was paying $211 for.

After several hearings, we got Medicare to begin the process of using their authority, the authority that they call inherent reasonableness authority. We got them to use that to reduce this gross overpayment for these blood glucose monitors. It took them 2 full years to go through all of the hurdles set up in the law. They finally reduced the payment to around $50, and that alone is saving taxpayers $25 million over 5 years. But it took 2 years just to get that done. That delay cost taxpayers $10 million.

The bill before us includes a streamlining of this process that I have been suggesting for years. It would allow Medicare to respond quickly when it finds that it is paying prices that are out of line with what everyone else pays. So I am pleased that this finally is before this body, and I hope it is agreed to.

Mr. President, I have an amendment that I will be asking to send to the desk, after I give a brief explanation. They are changes that will help to reduce the massive losses due to waste, fraud, and abuse. All of these are based on reports and recommendations by the General Accounting Office and the inspector general of Health and Human Services. I don't believe it will be controversial to anyone, and I hope it will be accepted by the managers of the bill.

First of all, Mr. President, the first part of the amendment has to do with improving information to beneficiaries. Under current law, beneficiaries are sent a statement, an explanation of charges and payments. They are brief summaries of the actual bills and payments. There are several shortcomings of these current statements that are sent to beneficiaries. The first thing that you will notice, if you look at a statement, it says in big bold letters: "This is not a bill."

So you are an elderly person, you get this, it says, "This is not a bill." Hey, I get a lot of things in the mail that is not a bill. I'm not going to worry about it. So many beneficiaries don't take the time to examine them for the mistakes. In addition, the statements do not provide the number of the toll-free hot line operated by the Medicare contractor to receive reports of errors or fraud or abuse. Finally, there is no requirement that beneficiaries can get copies of complete itemized bills submitted by providers.

So what my amendment does is it requires that each explanation of benefits sent to beneficiaries, including the statement, because billing errors do occur and there is significant waste, fraud, and abuse, that the beneficiary should carefully review the statement for errors or other questionable billings and report those to Medicare.

It also requires that the statement include the toll-free hotline number to

report the suspected problems. These toll-free lines already exist. I am not setting anything up that does not exist. They already exist, but many seniors do not know about it. All I am saying is, the phone number ought to be put on the statement of benefits.

My amendment provides that a beneficiary may, if they request, be provided an itemized bill within 30 days of their request when the beneficiary suspects irregularities from having read the summary provided to them.

My amendment also requires that any specific allegations of errors or other problems made by beneficiaries based on a review of the itemized bill be reviewed and any appropriate recoveries made for the trust fund.

Second, Mr. President, Medicare payments are supposed to be limited to those that are reasonable, necessary, and related to patient care. That is the law, and those are the regulations. However, while most other Federal agencies specifically prohibit indirect cost allowances for gifts, entertainment expenses, education costs for spouses and dependents, Medicare does not prohibit this.

In addition, Medicare does not explicitly prohibit indirect cost reimbursement for fines and other penalties imposed by Federal, State, or local governments on health care providers. As such, providers can escape a fine by simply charging them back to Medicare. Well, as documented by the General Accounting Office and the Office of Inspector General, this lack of clarity in Medicare policy invites confusion and abuse.

For example, a report by the Office of Inspector General found that Medicare had been billed for a portion of the cost of a sailing regatta for hospital employees, reimbursement for ballet tickets, reimbursement for Tiffany crystal pitchers, reimbursement even for a trip to Italy to inspect a piece of art for an executive office.

This amendment explicitly prohibits Medicare reimbursement for indirect costs related to entertainment, gifts, donations, personal use of motor vehicles, costs for fines and penalties, and tuition for spouses or dependents of health care providers. In other words, it brings it into line with other Federal law.

The next part of my amendment goes to the losses due to frequently abused items. Currently under the law, the Secretary may—may; does not say "shall"—may make a list of medical supply and equipment items that she finds to be frequently subject to unnecessary utilization. In other words, you see something popping up all the time, it keeps being utilized, well, the Secretary may develop a list of suppliers found to have business practices that result in a pattern of utilization.

So the Secretary's power is she may. The Secretary has failed to use this authority, thereby missing potential for significant savings. I do not mean to point at this Secretary. The Secretary before this one did not use it either. And therein lies the problem.

My amendment simply changes the word "may" to "shall" and requires the Secretary to develop the list of overutilized medical supply items and questionable suppliers.

Lastly, in OBRA 1993, it provided for certain medical supplies, including surgical dressings, to be reimbursed based on a fee schedule. As a result, providers must submit to fiscal intermediaries claims that itemize the specific supplies and quantities billed. However, this provision does not apply to items billed by home health care agencies. So since 1993, for certain medical supplies, like surgical dressings, reimbursed on a fee schedule, it does not apply to home health agencies.

Now, in addition, current law prohibits the Secretary—prohibits the Secretary—from using her inherent reasonableness authority to reduce grossly excessive payment rates for surgical dressings. Why that was left out we do not know, but it was left out.

The General Accounting Office has documented that these two exceptions to Medicare law result in considerable unnecessary losses. They found, for example, that items as diverse as pacemakers were being billed as medical supplies, and those claims were paid because Medicare does not know what specific items they are being billed for.

In addition, the GAO found that payments for surgical dressings could be reduced by half if more reasonable prices were paid. For example, they found that Medicare pays $2.32 for a gauze pad whose wholesale price is 19 cents and that another Government agency buys for 4 cents, in this case the Veterans' Administration. Again, Medicare is paying $2.32 for a gauze pad; the VA is paying 4 cents for the same one.

My amendment would say the home health agencies would be required to submit to fiscal intermediaries claims that itemize the specific supplies and the quantities billed for surgical dressings. All other providers are currently required to do the same, but not home health agencies. Mine would just bring the home health agencies in under this umbrella.

Finally, the loophole that for some reason is there that excludes surgical dressings from the Secretary's inherent reasonableness authority would be closed. She would have that authority to pay on a reasonable basis, to get that down to the same level that the Veterans' Administration is paying.

Mr. President, I am going to be asking unanimous consent to set aside the pending amendment and lay down my amendment. We are now discussing it with the Finance Committee. I am hopeful it can be cleared without the need for a vote in the next day or two.

AMENDMENT NO. 428

(Purpose: To reduce health care fraud, waste, and abuse)

Mr. HARKIN. So, Mr. President, I ask unanimous consent to have the pending amendment laid aside so that I may lay down my amendment.

The PRESIDING OFFICER. Is there objection?

Mr. DOMENICI. Reserving the right to object.

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

Mr. DOMENICI. I say to the Senator, I need you to further agree, if you would please, that we can, with the assurance that your amendment will be placed in a stacked order to leave us the range of offering the two major committee amendments first. They are going to be offered this afternoon.

Mr. HARKIN. Sure.

Mr. DOMENICI. Then we will stack them, and perhaps yours will be the third or fourth. But you will get it in that manner.

Mr. HARKIN. Absolutely.

Mr. DOMENICI. Is that sufficient for you to understand the unanimous-consent request?

The PRESIDING OFFICER. The Chair understands the request.

Mr. HARKIN. I understand it.

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

Mr. HARKIN. We are working with the Finance Committee. What I suggested I hope will be accepted in the next day or two.

Mr. DOMENICI. You are going to work with them on that account, right?

Mr. HARKIN. Yes.

Mr. DOMENICI. Have you sent your amendment to the desk?

Mr. HARKIN. Yes; I sent it to the desk.

Mr. DOMENICI. There is time still reserved in opposition to it. We have not yielded back.

The PRESIDING OFFICER. The Chair understands.

Mr. DOMENICI. We will probably need a couple minutes, so let us leave it to the reservation time. And he has time, too.

Should the clerk report his amendment so it will be ready?

The PRESIDING OFFICER. The clerk will report the amendment.

The legislative clerk read as follows:

The Senator from Iowa [Mr. HARKIN] proposes an amendment numbered 428.

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

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

The amendment is as follows:

At the end of the bill add the following:

SEC. . IMPROVING INFORMATION TO MEDICARE BENEFICIARIES.

(c) CLARIFICATION OF REQUIREMENT TO PROVIDE EXPLANATION OF MEDICARE BENEFITS.—

Section 1804 of the Social Security Act (42 U.S.C. 1395b-2) is amended by adding at the end the following new subsection:

"(c)(1) The Secretary shall provide a statement which explains the benefits provided under this title with respect to each item or service for which payment may be made under this title which is furnished to an individual, without regard to whether or not a deductible or coinsurance may be imposed against the individual with respect to such item or service.

"(2) Each explanation of benefits provided under paragraph (1) shall include—

"(A) a statement which indicates that because errors do occur and because medicare fraud, waste and abuse is a significant problem beneficiaries should carefully check the statement for accuracy and report any errors or questionable charges by calling the toll-free phone number described in (C)

(B) a statement of the beneficiary's right to request an itemized bill (as provided in section 1128A(a)); and

"(C) a toll-free telephone number for reporting errors, questionable charges or other acts that would constitute medicare fraud, waste, or abuse, which may be the same number as described in subsection (b).".

(b) REQUEST FOR ITEMIZED BILL FOR MEDICARE ITEMS AND SERVICES.—

(1) IN GENERAL.—Section 1128A of the Social Security Act (42 U.S.C. 1320a-7a) is amended by adding at the end the following new subsection:

"(m) WRITTEN REQUEST FOR ITEMIZED BILL.—

"(1) IN GENERAL.—A beneficiary may submit a written request for an itemized bill for medical or other items or services provided to such beneficiary by any person (including an organization, agency, or other entity) that receives payment under title XVIII for providing such items or services to such beneficiary.

"(2) 30-DAY PERIOD TO RECEIVE BILL.—

"(A) IN GENERAL.—Not later than 30 days after the date on which a request under paragraph (1) has been received, a person described in such paragraph shall furnish an itemized bill describing each medical or other item or service provided to the beneficiary requesting the itemized bill.

"(B) PENALTY.—Whoever knowingly fails to furnish an itemized bill in accordance with subparagraph (A) shall be subject to a civil fine of not more than $100 for each such failure.

"(3) REVIEW OF ITEMIZED BILL.—

"(A) IN GENERAL.—Not later than 90 days after the receipt of an itemized bill furnished under paragraph (1), a beneficiary may submit a written request for a review of the itemized bill to the appropriate fiscal intermediary or carrier with a contract under section 1816 or 1842.

"(B) SPECIFIC ALLEGATIONS.—A request for a review of the itemized bill shall identify—

"(i) specific medical or other items or services that the beneficiary believes were not provided as claimed, or

"(ii) any other billing irregularity (including duplicate billing).

"(4) FINDINGS OF FISCAL INTERMEDIARY OR CARRIER.—Each fiscal intermediary or carrier with a contract under section 1816 or 1842 shall, with respect to each written request submitted to the fiscal intermediary or carrier under paragraph (3), determine whether the itemized bill identifies specific medical or other items or services that were not provided as claimed or any other billing irregularity (including duplicate billing) that has resulted in unnecessary payments under title XVIII.

"(5) RECOVERY OF AMOUNTS.—The Secretary shall require fiscal intermediaries and carriers to take all appropriate measures to recover amounts unnecessarily paid under title XVIII with respect to a bill described in paragraph (4).".

(c) EFFECTIVE DATE.—The amendments made by this section shall apply with respect to medical or other items or services provided on or after January 1, 1998.

SEC. . PROHIBITING UNNECESSARY AND WASTEFUL MEDICARE PAYMENTS FOR CERTAIN ITEMS.

Notwithstanding any other provision of law, including any regulation or payment policy, the following categories of charges shall not be reimbursable under title XVIII of the Social Security Act:

(1) Entertainment costs, including the costs of tickets to sporting and other entertainment events.

(2) Gifts or donations.

(3) Personal use of motor vehicles.

(4) Costs for fines and penalties resulting from violations of Federal, State, or local laws.

(5) Tuition or other education fees for spouses or dependents of providers of services, their employees, or contractors.

SEC. . REDUCING EXCESSIVE BILLINGS AND UTILIZATION FOR CERTAIN ITEMS.

Section 1834(a)(15) of the Social Security Act (42 U.S.C. 1395m(a)(15)) is amended by striking "Secretary may" both places it appears and inserting "Secretary shall".

SEC. . IMPROVED CARRIER AUTHORITY TO REDUCE EXCESSIVE MEDICARE PAYMENTS.

PAYMENT FOR SURGICAL DRESSINGS.—Section 1834(i) of the Social Security Act (42 U.S.C. 1395m(i)) is amended by adding at the end the following new paragraph:

"(3) GROSSLY EXCESSIVE PAYMENT AMOUNTS.—Notwithstanding paragraph (1), the Secretary may apply the provisions of section 1842(b)(8) to payments under this subsection.".

SEC. . ITEMIZATION OF SURGICAL DRESSING BILLS SUBMITTED BY HOME HEALTH AGENCIES.

Section 1834(i)(2) (42 U.S.C. 1395m(i)(2) is amended to read as follows:

"(2) EXCEPTION.—Paragraph (1) shall not apply to surgical dressings that are furnished as an incident to a physician's professional service.".

Mr. KENNEDY addressed the Chair.

The PRESIDING OFFICER. The Senator from Massachusetts is recognized.

Mr. KENNEDY. Mr. President, I see the floor manager.

I was wondering if we could follow the same procedure with an amendment that I would send to the desk in regard to the copayment on home health services. I ask unanimous consent for that.

Would that be agreeable?

Mr. DOMENICI. That would be satisfactory, so long as it is understood, I say to the Senator, that it may be the fourth, fifth, but it will be in order.

Mr. KENNEDY. Fine.

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

AMENDMENT NO. 429

(Purpose: To strike the provision relating to the imposition of a copayment for part B home health services)

Mr. KENNEDY. Mr. President, I send to the desk an amendment for myself and Senator WELLSTONE.

The PRESIDING OFFICER. The clerk will report.

The legislative clerk read as follows:

The Senator from Massachusetts [Mr. KENNEDY], for himself and Mr. WELLSTONE, proposes an amendment numbered 429.

The amendment is as follows:

Strike section 5362.

Mr. KENNEDY. Mr. President, I thank the floor manager.

As I understand the procedure that we are following now, amendments are being sent in and there will be an order that will be worked out by the managers, both the Republican manager and the Democratic manager, so that there will be time so that Members will know when the vote will be expected. As I understand from the previous discussions, there is the best expectation it will be sometime either in the morning or in the early afternoon.

Mr. DOMENICI. The Senator is correct.

Mr. KENNEDY. I would not, in cooperating with the managers, obviously, take much additional time. I would like to be able to at least preserve some time to allow for a brief comment. But I will follow our leaders on these issues, and try to ensure we are able to move in an expeditious way.

Mr. DOMENICI. Would Senator KENNEDY just yield?

Mr. KENNEDY. Yes.

The PRESIDING OFFICER. The Senator from New Mexico.

Mr. DOMENICI. My impression, with a brief observation, is that the amendment is subject to a point of order. There is no intention at this point in any discussion to in any way waive points of order against the amendment if they lie.

Is that correct, Mr. President?

The PRESIDING OFFICER. The points of order are not made by these arrangements.

Mr. DOMENICI. I say to Senator KENNEDY, each amendment has an hour on each side, and I am not attempting to change that.

Mr. KENNEDY. Fine. Good. I appreciate that.

Mr. DOMENICI. I think tomorrow we will narrow it down.

Mr. KENNEDY. We will cooperate with the floor managers.

Mr. DOMENICI. Thank you.

Mr. KENNEDY. We believe this is in order. But we will have an opportunity to address that issue at the appropriate time.

Mr. President, I rise this afternoon to offer an amendment to strike the new copayment for Medicare's home health patients. Without warning, the Finance Committee has imposed a tax on America's seniors of nearly $5 billion in new copayments for part B home health services.

This cruel and unexpected provision, which was not debated or voted on in the committee and is not necessary to meet the committee's reconciliation

targets, will fall primarily on the oldest, poorest, and sickest Medicare beneficiaries.

Let me repeat that. The nearly $5 billion that is raised by this provision is not necessary to meet the requirements of the budget agreement. Nonetheless, it was put into the agreement. Why? The best estimate is that those will be used for tax reductions, perhaps for the wealthier individuals.

I am sure that some in the Senate will justify to the American people this change and the other dangerous proposals in this bill by claiming they are needed to preserve Medicare for future generations. This could not be further from the truth.

As I understand, the agreement worked out in the bipartisan budget negotiations was to stabilize the Medicare trust fund for at least 10 years and to establish a commission that will make recommendations to preserve Medicare for the future.

The proposal we are debating now does neither of these things. It establishes a $5 copay that will affect the oldest, the sickest, and the poorest senior citizens. This provision preys primarily on the elderly women who are dependent upon Medicare and the home health care system.

The assault on Medicaid that began last Congress is continuing with full force. Congress should reject this just as we rejected it last year. There is no rationalization, none whatsoever, for Congress to rush forward with ill-considered changes in Medicare under the thinly veiled pretext of balancing the Federal budget. None of these basic changes in Medicare were part of the budget agreement.

It is the height of hypocrisy for those who voted against including the Hatch-Kennedy children's health plan in the agreement last month to make this assault on Medicare part of the agreement this month.

When we brought that measure up here, we were told that this is going to break the budget agreement, even though it is completely paid for. Now, we have before us a plan to collect $5 billion in copays from elderly widows and the poorest in our society. Under this proposal, we would collect $5 billion that is not even necessary to meet the terms of the budget agreement.

In 1996, Mr. President, Medicare beneficiaries spent an average of $2,605 on health care. However, the sicker seniors spent $5,600 out of their own pockets for cost-sharing related only to Medicare coverage services. Now the Senate Finance Committee is asking them to spend up to $760 more.

I understand that some of my colleagues are interested in increasing cost sharing because they feel it would lead to a reduction in utilization and, therefore, a reduction in Medicare spending. It is important to note, however, that cost-sharing is a blunt tool to express change. It may reduce utilization but the goal is to reduce unnecessary utilization. It is almost certain this policy will fail to meet this objective.

Let me remind my colleagues that home health services were exempted from part B coinsurance in 1972 to encourage use of less costly noninstitutionalized services. Reimposing a copayment will undermine that effort. We removed cost-sharing requirements on home health care in 1972 specifically to reduce utilization, to the extent that we could in an appropriate health context, of services in acute hospitals and in high-cost medical delivery systems. We wanted to encourage the provision of home health care, which provides very important services and does so less expensively than in acute care settings.

It was the belief at that time, and it is my belief now, that burdensome cost-sharing can seriously threaten the health of the frail elderly, particularly those who are hard pressed to make ends meet. Imposing a $5 new copayment will reduce access for those who need the services the most. If we are interested in reducing home health care utilization we ought to first look at ways to alter the behavior of providers, as we have done in the bill's proposed payment reform, before forcing the sickest beneficiaries to pay more.

Mr. President, just a few moments ago we had some excellent commentary from Marian Brown, an 82-year-old widow who lives independently in Marlow Heights, MD. She has numerous health ailments and is confined to a wheelchair. She is treated three times a week by a home health aide who tends to her physical troubles, spending 2 to 3 hours in her home on each visit. Her annual income is $6,786. She simply cannot afford to spend an additional $15 a week, $60 a month, or $720 a year on copayments for these necessary visits. She spoke articulately and compellingly about what this particular proposal would mean to her. She has difficulty with her hip, but doctors do not want to operate because of a serious heart condition. Yet her hip prevents her from being able to move in and out of the bathtub. It prevents her from being able to wash her own feet.

She is a very proud individual who takes great delight in living where she does with her friends and associates, and has a great sense of joy about her and in her optimism about the future. She is not asking for very much. She is just saying, "I can just about make ends meet now, but, if you pass this copayment, I will have to give up stretching exercises to keep me from further disability, or the ability to be able to get out of bed and get dressed and cleaned up in a manner that allows me to retain my sense of respect and dignity and self-value and joy, or cut back on prescription drugs or food or heating of my apartment during the winter." She makes that case, Mr. President.

We have to ask ourselves what was the sense of urgency in this legislation. Those funds were not even needed in terms of balancing the budget. We ought to look at all the provisions—not only of this bill, which is the cutting of the spending programs—but also in the tax bill, to see who will benefit, where the pain is coming, where the fairness is.

I daresay I think those in the majority will be hard pressed at the end of the day to think that this kind of financial burden and anxiety—even though these are only $5 payments that the individual will have to pay—that ought to be used to balance the budget. The amendment that I offer, joined by Senator WELLSTONE, will give the opportunity for the Senate to go on record opposing this proposal.

Finally, Mr. President, this new copayment will be an unfunded mandate on the States. I ask for the attention of our colleagues who are so concerned about unfunded mandates on the States. Medicare beneficiaries who qualify for assistance from State Medicaid programs have higher use of home health care services. In fact, the very poorest, who are eligible for Medicare and Medicaid, are twice as likely as other Medicare beneficiaries to use the home health benefits. As a result, State Medicaid programs will have to absorb the new copayments for these beneficiaries.

CBO estimates, Mr. President, that the additional State and local costs of home health copayment would amount to $700 million over the next 5 years. I hope we are going to have the time and opportunity to hear the rationale and justification for this misguided proposal. States are usually quite clear in their opposition to unfunded mandates.

Mr. President, Medicare is still one of the most successful social programs ever enacted. It has brought health care and health security to tens of millions of senior citizens. We can deal with the financial problems of Medicare but we must do it the right way, not the wrong way.

Our goal is to save Medicare, not destroy it. Our priority should be to keep the promise of medical and financial security for senior citizens that Medicare provides. We are the guardians of that promise and we should oppose any schemes that violate it.

There is no question that Medicare will face serious challenges in the next century as a result of the retirement of the baby-boom generation. Today there are nearly four adults of working age for every senior citizen. By the year 2030, that ratio will be down to two workers for every senior citizen. There is a right way and a wrong way to respond to that challenge, and the wrong

way is to destroy the program under the guise of saving it.

I urge my colleagues to vote to strike these unfair and unnecessary provisions from the reconciliation bill.

Mr. LAUTENBERG. Mr. President, I want to commend my colleague from Massachusetts for being on the alert here. I worked very hard with my distinguished chairman from the Budget Committee to try and assemble a consensus agreement that we could all support, and suddenly now we are offered a change and that change says, "Well, senior citizens who have home health care pay $5." It sounds trivial almost, but Mr. President, when we have someone who needs sometimes two, sometimes three visits a day to keep them going, $100 a week, when the average for many of these people, whose income is $15,000 a year or less—you get up to $3,000, $4,000, or $5,000 a year, that is torment. That takes away their very life sustenance because they cannot afford the rent, they cannot afford the heat, they cannot afford the nutrition.

On top of that, to impose this new burden, I say, Mr. President, the Senator from Massachusetts is always on the lookout for a balance in our society to try and provide equal service to those who need help—the promise for the future, an education for their children—Senator KENNEDY is always there. In this case I must tell you, I heartily agree with him.

The target group are people, usually women, 75 on balance in years, with incomes of under $15,000. They are old, very often frail, sick people who do not take home health care if they can get out of their homes, if they have any mobility, if they have any opportunity to go visit the doctor. These are often critical, life-sustaining services that they need.

Some argue, Mr. President, that most people subject to this copayment will not really pay because they have Medigap policies that cover copayments and deductibles. That is misleading because a new copayment would lead to increased Medigap premiums. So seniors would either have to pay the new copayment or their insurance bills would go up. Either way, the bottom line would be higher out-of-pocket costs. Already, seniors typically pay more than 20 percent of their income on these costs.

As the Senator from Massachusetts said, unfunded mandates, States will have to come up with $700 million, I think is the figure the Senator used. This is not a particularly good way to get this bill back on track, especially when we know immediately hereafter in the next part of the reconciliation we will be looking at tax relief for lots of folks who do not need it, who can get by very comfortably without it, and here we are talking about $5 out of the pockets of the poverty stricken, typically those who need help, and whose only contact often with the outside world is with these groups, and they want to charge them $5 to have somebody come by.

I commend the Senator from Massachusetts and I support him. I yield the floor.

Mr. KENNEDY. If I could, and I see Senator WELLSTONE ready to speak on this, but just before the Senator sits down, does the Senator understand what the Finance Committee was doing since this is a benefit that comes from part B. They are using the deductible limit in A which is $760, which is a lot more, obviously, than part B which is just $100.

Here they are taking something which is basically a benefit, they are tying it to the higher deductible to make the seniors pay more. I find that somewhat troublesome, as well. It is just a way of maneuvering the system.

I am just wondering if the Senator also is struck by the fact that States are going to be involved in collecting this? Even in the poorest of the circumstances, they are going to have a requirement to do so. We will not be helping any of the States to do it. We hear a great deal about mandates around here, I would have thought this would be a matter of concern to some of those that were troubled by unfunded mandates.

Mr. LAUTENBERG. The Senator is correct. The one thing that I found most disturbing about the proposals that have come in the reconciliation is the fact that suddenly we are in to a whole new area having very little to do with the mission that we have set out for us, to get a balanced budget, to try at the same time to invest in education, to try at the same time to make sure impoverished senior citizens do not have to pay more as a result of the transfer of home health services to part B—all of those things.

Suddenly, now we are seeing that something might be called bait and switch, where senior citizens are being told now, well, you may have to pay a higher premium for your part B, your deductible may be going up, that the most modest-income person would have to pay $5, perhaps to get an insulin shot or something like that. Five bucks, when you ain't got it, to put it crudely, is an awful lot of money. These people do not have it. They do not have contact with the outside world. They are frail, they are elderly. For God's sake, where is our conscience on these things?

Mr. KENNEDY. I think the statement that the Senator makes is enormously important, since he is the ranking member of the Budget Committee. As I understand what he is saying, this was not part of the budget agreement. We do not need that $5 billion to meet the terms of the budget agreement.

Mr. LAUTENBERG. The Senator is correct.

Mr. KENNEDY. Also this was not voted on specifically in the Finance Committee, and it is not necessary to balance the budget. It was added on in the Finance Committee, as I understand, without even an up-or-down vote, and here we are faced with the fact that millions of our seniors will be faced with this issue unless we move to strike it on the floor.

Now, since I have the Senator's attention, am I correct in my understanding that $1.5 billion in premium assistance for low-income beneficiaries was included in the agreement?

Mr. LAUTENBERG. Yes, that is true. That was designed originally to pay, through Medicaid, for those who were up to 150 percent of poverty, any increase in premium that might occur.

Mr. KENNEDY. So the agreement included $1.5 billion to offset that increased premium, but it was not done under the Finance Committee's bill, am I correct?

Mr. LAUTENBERG. The Senator is correct.

Mr. KENNEDY. So this bill has short-changed low-income senior citizens $1.5 billion, and then asked them to pay $5 billion on top of that. And then created an MSA demonstration, which is going to cost about $400 million. We already have an MSA demonstration project.

Mr. LAUTENBERG. Not for the Medicare Program.

Mr. KENNEDY. My point exactly. The Kassebaum-Kennedy bill created a demonstration for those in the private market. We ought to first evaluate that proposal, on which we are already spending nearly $1.5 billion, before doling out scarce Medicare funds in a wild experiment sure to benefit only insurance companies and the healthy and wealthy.

And then we are going to return to the days of balanced billing. Certain private plan options will allow doctors to overcharge, or balance bill. We have, over a long period of time, prohibited Medicare providers from balanced billing and encouraged them to take Medicare payment as payment in full. Releasing these important consumer protections will undoubtably force seniors to pay more. It doesn't take any stretch of the imagination—and I ask my friend and colleague if he would agree with me—to envision doctors moving out of Medicare to form one of these private plans and invite their Medicare patients to "come into our program." Seniors will follow their doctors and find themselves being overcharged in those circumstances. That is what happened in the past. Is the Senator concerned about that?

Mr. LAUTENBERG. Yes. They are going to have to pay additional funds for services that, otherwise, they might not. And it's true that, in the

past, we have not permitted the so-called balanced billing, which simply says the service was advertised or talked about at this level and now it is at a higher level, so you are going to get a bill for it.

Mr. KENNEDY. Was that in the budget agreement? Balanced billing was debated last year, in the last Congress here, and we were given assurances that it wasn't going to be part of the budget agreement when we were talking then. I don't remember much discussion about that prior to the time that we voted on this issue here. I think that what is important here—we have not even talked about the issue of the part B deductible and what that will mean to seniors and the additional out-of-pocket expenses they will have in that area—is that these provisions are going to have a dramatic adverse impact on seniors, and it was not mandated in the budget agreement. This is all in anticipation of a commission that the bill sets up to try and review the Medicare system for the future.

Mr. LAUTENBERG. If I may ask the Senator a question, this isn't, I take it, your idea of a particularly good way to make reforms in something as complicated as Medicare, and I could not agree with you more. This is fast-track legislation, which means—for those who are not familiar with the terminology—that this is supposed to zip through this place. This was not part of the consensus agreement we labored over for months in order to strike a budget agreement that could pass muster and would be a consensus bill. This now is recommended by the Finance Committee in terms of their reconciliation on expenditures.

I have been a loyal trooper in defending the consensus agreement. But this, in my view, is certainly outside the pale. I am not any happier than the Senator is.

Mr. KENNEDY. I appreciate that. We will have a chance to address these in accordance with the way the amendment process goes during the next couple of days. I am very grateful for the Senator's comments because I think it is important, as we address these issues, not to confuse what is necessary to preserve the financial integrity of the Medicare system—as this bill does for at least 10 years—with these other proposals that could destroy it. I daresay that those additional costs to seniors will reflect themselves by the end of the week, along with the additional tax relief for very wealthy individuals and corporations.

I daresay I was so interested when my friend, the majority leader, was talking about how the amendment that Senator HATCH and I offered to extend health insurance to children would be a budget buster because it is financed by an increase on the cigarette tax. And then the Finance Committee, with his support, turned right around and offered a 20-cent per pack cigarette tax increase. It's only a small part of it, but it is amazing the way all of this is being proposed.

I thank my colleague and friend from New Jersey for his response. He has been a leader in terms of responsible economic policy and has a challenging position in representing our side through these negotiations. We have great respect for someone who understands this process so well. I am grateful for his response. I thank my friend and colleague, Senator WELLSTONE, also, for his strong support for this particular amendment.

How much time does the Senator need?

Mr. LAUTENBERG. Mr. President, I thank the Senator. I am prepared to yield as much time as the Senator from Minnesota needs.

Mr. KENNEDY. I think I have time on my own, is that correct, Mr. President, on the amendment?

The PRESIDING OFFICER. The Senator from Massachusetts controls 33 more minutes on his amendment.

Mr. KENNEDY. I see both the manager on his feet and also I have my friend and colleague who wanted to speak. The floor manager is perhaps the busiest person. I want to be accommodating to him. Otherwise, I will yield 7 minutes to the Senator from Minnesota.

The PRESIDING OFFICER. The Senator from Minnesota is recognized.

Mr. WELLSTONE. Thank you, Mr. President. I just want to put this in a little bit of context. There was a piece today in the New York Times headlined, "Study Shows Tax Proposal Would Benefit the Wealthy." This is when we get to the tax part of the reconciliation bill.

I quote:

> The changes in Federal tax and benefit policies now working their way through Congress would eventually be worth thousands of dollars a year to the 5 million wealthiest families in America, while the 40 million families with the lowest incomes would actually lose money, a new study shows.

This is the Center on Budget and Policy Priorities. Their work, generally respected in academic circles, indicates that after-tax incomes of the richest 1 percent of Americans—those with incomes above $300,000 a year for a family of three—would ultimately be increased by an average of $27,000 a year.

"Families of three with incomes below about $17,000 a year would end up with about $60 a year less than they have now."

Mr. President, let me just say that, in this context, I know colleagues worked very hard in the Finance Committee, and I also know people were up very late, and we did not have a chance to study every particular proposal. The copay for home health services makes no sense at all. This proposal is profoundly mistaken.

I am very proud to support Senator KENNEDY's amendment. Sixty-six percent of the recipients of home health services are over the age of 75; 43 percent of them have incomes under $10,000 a year; 66 percent are women and 33 percent live alone. As Senator LAUTENBERG pointed out, a $5 copay may not sound like much to people who have pretty high incomes, and it may not sound like much to those of us in the Senate, because we earn a fair amount of income; but to people living on maybe $500 a month, and that's it, this $5 copay for a home health visit is really worry about it. I am hoping that we will have very strong support here on the floor of the Senate.

Mr. President, I think that part of the direction of where we are heading in health care—and I wish there had been more discussion. Part of the problem is that these reconciliation bills that are fast-tracked don't give us much of an opportunity to really talk about policy and its impact on people's lives. Too much of the discussion is adding and subtracting numbers. Too much of the discussion is statistics. I don't think we are looking at some of these proposals—I am not saying all of them—very carefully. To that extent, some of the things in this bill are a rush to recklessness, which I think this is.

Mr. President, if anything, we want to make sure that as many elderly people as possible—or, for that matter, people with disabilities—can live at home with dignity. That is what we are trying to do. And what we are doing here is, we are saying to senior citizens—especially low-income, and the income profile of elderly people is not that high—we are saying, you know, we are going to start charging a $5 copay. And for a lot of these people, this isn't going to work. What is going to happen is, they are not going to get the help they need; it is that simple.

I don't think this amendment is about party strategy or taking shots at somebody. I don't think it is about any of that. This amendment speaks to a policy discussion that I don't think we have had. I actually think that is part of the problem. I just think it is hard to do that on these bills. But this particular proposal—on this provision that was put in by the Finance Committee, I don't think there was an up-or-down vote. I think it was part of an overall chairman's mark. I think it is profoundly mistaken. I just think it was a mistake. I don't think this is the way we need to be generating revenue. This is not the place where we want to make the cuts.

I could carry on, and I will later on by marshaling a lot of evidence about the tax part, which I still think is way too tilted to those at the top. But for right now, let me simply say, since we are talking about Medicare, let me enter into a policy discussion and just

say to all Senators—Democrats and Republicans alike—I hope there will be strong support for this amendment that Senator KENNEDY has introduced and that I am a cosponsor of. In this particular case, it is not a matter of numbers. You are really talking about a provision or proposal that could have a very, very negative impact on some of the most vulnerable citizens in this country. I don't think there is one Senator in here who wants to do that.

Now, if there are some alternatives and other proposals, fine. But this was a mistake. We ought not to be doing this $5 copay on home health visits for very elderly people, most of them very vulnerable, most of them very low-income.

So I rise to speak on behalf of this amendment. I am proud to be an original cosponsor, and I hope we will get a tremendous amount of support for it tomorrow.

Mr. President, I yield the floor.

Mr. DOMENICI. Mr. President, I should note that the members of the Finance Committee who support the proposal that is here before us will be here tomorrow to debate the issue.

Senator ROTH is here now. I assume he will present his amendment and not argue against the Kennedy amendment, but I assume in due course there will be adequate opportunity to present the views.

Mr. ROTH. Mr. President, will the Senator yield?

Mr. DOMENICI. Of course.

Mr. ROTH. I would like to make a comment or two on the question——

Mr. DOMENICI. On the question of the Kennedy amendment?

Mr. ROTH. Yes.

Mr. DOMENICI. Of course I will yield whatever time the Senator desires.

Mr. ROTH. The problem that has been faced in Medicare is the explosion of costs in home health care. It has been going up something like 30 percent a year. Obviously, that kind of increase cannot be permitted if we are going to salvage and strengthen the Medicare Program.

Just let me point out that Medicare spending on home health services increased most dramatically in the last decade. In 1989–90, it went up 53 percent; 1990–91, it went up 44 percent; 1991–92, it went up 40 percent again; 1992–93, 30 percent; 1993–94, 30 percent; 1994–95, 19 percent. So, basically, it has been going up roughly 30 percent.

There has been an increase in beneficiaries using home health care. There has been an increase in the number of visits per beneficiary. There has been an increase in the number of agencies providing care. So the payment system has not controlled the utilization of home care. There is the reason that we have put this $5 copayment.

Let me point out that it is particularly important to understand that those who are 100 percent of poverty or less will have this $5 fee paid by Medicaid. So those who are under poverty are protected.

And that is the idea of the program. We want those who are over 100 percent of poverty to be careful in their utilization. The program is there. It is a good program. In many cases, it can save money because it is better to have home health care than to put a person into a hospital.

But the problem is that the costs have exploded. Somehow we have to make sure that the beneficiaries are more careful in their utilization of this program. And that is the reason for this change.

Again, I want to stress the fact that those who are 100 percent of poverty or less will have this copayment of $5 paid by Medicaid. And they will not be out of pocket. So they are protected.

Mr. DOMENICI. I thank the Senator.

Mr. DOMENICI addressed the Chair.

The PRESIDING OFFICER. The Senator from New Mexico.

Mr. DOMENICI. I reserve 5 minutes of my time, and then I want to yield to Senator ROTH if he is ready to offer the amendment.

Let me just make a couple of points. Obviously, the seniors in the country, and even the AARP—not specifically with reference to this $5 deductible, but with reference to home health care—there was a general understanding that when we moved a part of home health care from the trust fund to the part B, which is paid for by the general taxpayers, working men and women with kids who do not have any insurance and nobody gives them any, when we moved it to the general fund and the ratio of payment was 25 percent for seniors and 75 percent for the rest of the taxpayers, that in exchange for moving the home health care to that part B, there would be some additional fee.

I am not arguing that every fee that was imposed—it seems like there were two—that those were agreed upon, nor am I speaking for anyone whose name I just used. But, obviously, the agreement contemplated that if we moved part of some or all of that home health care that was under 100 days, it more likely belonged with a doctor instead of with the hospital, that there would be some additional premium paid into the part B, the 25 to 75 ratio that I have just described.

Second, the Senator from Massachusetts, Senator KENNEDY, raised $1.5 billion on the agreement, and says that when the new fee is imposed we will use $1.5 billion to accommodate the lower income seniors so they won't be burdened by the new fee. I understand the distinguished chairman of the Finance Committee, when he offers a broad amendment in some other areas, is going to take that $1.5 billion into cognizance and do something about rectifying what is clearly a misunderstanding and a shortcoming in the Finance Committee bill vis-a-vis the agreement.

With reference to the agreement that we worked out, it is clear that there is no restriction on the Finance Committee or any other committee to do more than contemplated in the agreement. So we cannot look to the agreement every time a committee does something. What we do is we look at it to make sure they did at least as much as we asked. And, in the case of the issue before us, I understand it was almost unanimous in the committee.

You all can argue that as a committee later this evening or tomorrow. This was not all Republicans. It was Republicans, and all the Democrats supported the fact that something had to be done about these spiraling costs of home health care. Am I somewhat correct?

Mr. ROTH. I would just point out that the Senator is absolutely correct. The proposal was adopted unanimously by the committee, both Democrat and Republican. As I said, it was done in such a way as to try to make the beneficiaries be more careful in its utilization.

I would point out that the question was raised, why did we use the $760 limitation? The reason for that is that under part A, many people, after being in a hospital for 3 days, will utilize home health care. They do not pay the $5 fee, but instead they pay $760. So that was the ceiling that was set under part A, and we carried that over to part B. There the beneficiary pays $5 per visit but not in excess of $760.

Mr. DOMENICI. I wonder if I might inquire for my own management reasons. I understand that the Senator is working on two amendments from the committee that he would like to get in today before we close. Is that correct?

Mr. ROTH. That is correct. We are waiting for certain figures from the Congressional Budget Office. As soon as we have those, we expect to be in a position to offer those amendments.

Mr. DOMENICI. Might that be relatively soon?

Mr. ROTH. That is my understanding, I say to the distinguished chairman.

Mr. DOMENICI. Senator KENNEDY, I see, is still on the floor. I wonder if I might ask a question regarding some management aspects.

What we have been doing is, we haven't been finishing the debates on any of these amendments, and we are holding them until tomorrow and will be stacking the amendments in managementwise sequence. I myself am very desirous of leaving the Senate shortly and leaving it to Senator ROTH to offer two additional amendments, and perhaps the Senator from Minnesota wanted to offer one more. And that would be all we would do this evening.

How much more time would the Senator like to use this evening?

Mr. KENNEDY. I would just make a brief comment, maybe 5 or 7 minutes, perhaps.

Mr. DOMENICI. I yield the floor.

Mr. KENNEDY addressed the Chair.

The PRESIDING OFFICER. The Senator from Massachusetts

Mr. KENNEDY. Mr. President, the Senators respond that there has been an increase in the utilization of home health care. Well, it isn't the patient who says, "Look, I want to go home instead of going to the hospital." The person that does that is the doctor.

If you have problems with overutilization, do something about the provider but not the patient. The patient follows what the doctor recommends. If the provider says either you have to go to the hospital or we can take care of this back home, it isn't the patient that is overutilizing. They are responding to options prescribed by the medical profession. So we shouldn't penalize our senior citizens and our frail senior citizens for behavior they can't necessarily modify.

There are those who say, "Look, Medicaid will take care of the costs of the poorest seniors." That may be true, first of all, if the beneficiaries know about the financial assistance. But we see many people fall through the cracks because they are not aware of this assistance. Some estimates indicate that only 10 percent of eligible senior citizens take advantage of this offer. And, basically, you are talking about individuals whose income rests near $7,700. So, even if those in poverty may be taken care of by Medicaid, what do we do about the near poor?

What about the senior citizen whose income is $8,000? What about the senior citizen whose income is $9,000, $10,000, $11,000, $12,000? We are asking them to pay up to $760 more this year, and the cap will rise each year according to the rise in the inpatient hospital deductible. For what reason? It was never explained to us. It was never voted on.

With all respect to the deliberations of the Finance Committee, this wasn't even debated.

Here we are on the floor of the U.S. Senate at 5 o'clock, with an hour's debate on something that is going to affect millions of elderly, frail senior citizens, many of whom are widows between 75 and 80 years old. Look at the profile of who is going to be affected by this.

It wasn't even discussed. We weren't voting and saying, "Look, vote for this because we are going to collect $5 on the frail elderly." To help pay for what? For a tax break.

We wouldn't be having this debate if it were not for the tax break for wealthy individuals. The reason we are having this is because of the next bill that we are going to consider provides tax breaks for wealthy individuals. The Finance Committee has said "We need to squeeze the elderly." Otherwise, we wouldn't have this debate.

No one was saying at the beginning of the session, we really have to go out and stop our elderly from overutilizing health care services. No one said, by God, one of the real problems we are facing in this country is to get those frail seniors to pay more so they won't use it. No, no, no. That wasn't even talked about by the proponents of the balanced budget.

Who are the people now that use the home health services? Sixty-six percent are over 75 years of age. Almost half of them have incomes below $10,000. Sixty-six percent are women, and 33 percent live alone.

So there you have it. You are talking about women 75 to 80 years old. You are talking about those with incomes of $7,000, $8,000, $9,000, or $10,000, that need these home health services to stay out of the hospital. That saves our health care system a great deal.

This comes at the same time that the Finance Committee ignored instructions to honor a clear commitment to provide $1.5 billion in premium assistance for low-income elderly.

Time is not going to erase this injustice. You can say that the clock will be tolled at noontime on Wednesday, but it is not going to erase the fact that in that bill tonight frail seniors are required to pay $5 billion more, that the $1.5 billion to defray premiums for low-income seniors is nowhere to be found, and that the bill costs Medicare $400 million in trial MSA's.

This is where we are. This is where we come in order to have a balanced budget? In order to have tax breaks of billions of dollars—billions of dollars—just 3 days from now.

That is the dichotomy here. This is the light Republican effort. Last year, we had the major Medicare cuts for major tax breaks and now we have smaller cuts to see how much they can get away with. You only have 20 hours on the floor of the Senate for this bill. The majority has decided to see what it can get away with in this first bill, and then move to provide the goodies later in the week.

This is a bad deal. This is a bad deal for senior citizens. It is a bad deal for parents. It is a bad deal for aunts and uncles. It is a bad deal for children. And at the end of the week, we are going to see the distribution of these tax breaks going, again, to the upper incomes.

It is absolutely, fundamentally wrong, and we are not going to let this go along without getting rollcall votes and having Members make a judgment and decision on those items so that they will hear it when they go back to their constituents and the elderly people and answer to them why they wanted to move ahead in that direction. It is wrong.

We will continue this debate tomorrow. Mr. President, I withhold the remainder of my time.

The PRESIDING OFFICER. Who yields time?

Mr. ROTH addressed the Chair.

The PRESIDING OFFICER. The Senator from Delaware.

Mr. ROTH. I yield myself such time as I may take. I say to the distinguished Senator from West Virginia I will be brief so that he can be recognized.

Again, I want to emphasize what the factual situation is. The fact is that home health care has been exploding at roughly 30 percent a year or more, and this kind of increase in cost cannot be permitted if we are going to strengthen and preserve Medicare for the long term. So the proposal has been made to put a $5 copayment fee on each health care up to a limitation of $760, which is what is paid as a deductible under part A.

This matter was discussed and unanimously agreed to in the Finance Committee by Republicans and Democrats alike. The reason it was agreed to is because it is important that these visits be available but they be used prudently and not without consideration to the cost. That is the reason we added it.

Again, I want to emphasize that those 100 percent under poverty will not pay this $5 fee. It will be paid by Medicaid for them, so they are protected. But again, in reforming and restructuring Medicare, we are trying to do it in such a way that it strengthens and preserves the program for the long term. That in turn means it is essential that the utilization be done carefully, and that is what we seek to do and that is what the Finance Committee unanimously adopted.

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

Mr. ROTH. Yes.

Mr. KENNEDY. Will the Senator yield? Are you using the $5 billion for other Medicare benefits for our elderly? Are you saying we will use the $5 billion raised through the new copayment to try to help the elderly, for example, on prescription drugs, foot care, dental care, or eye care? Are we taking the $5 billion, which you say is a result of overutilization, and investing it in the elderly for their health care needs, or are we taking the $5 billion and putting it aside to be used for tax breaks?

Mr. ROTH. I point out to the distinguished Senator from Massachusetts we have added a number of preventive services for the sick. For example, we now permit mammography testing to be made, colorectal testing or screening; we also permit diabetes home care matching. So we have added a number of things. But again, overall, we are trying to put this program in such shape that it will survive in the long term. Unfortunately, in the area of

home health care, the costs have exploded. Let me mention again that home health care in 1989–90 went up 53 percent; 1990–91, it went up 44 percent; 1991–92, 40 percent; 1992–93, 30 percent; 30 percent again in 1993 and 1994; 19 percent in 1994 and 1995.

Let me point out further that other groups, such as the Commonwealth Fund, support the idea of a $5 copay. In a report issued by the Commonwealth it says that "this is a sensible approach which would make beneficiaries sensitive to use but not form a barrier to care."

I yield back the floor.

Mr. KENNEDY. Mr. President, I know we are going to have a statement by the Senator from West Virginia, but the point is that the preventive services, which I commend, were included in the President's proposal and are paid for under the budget that had been submitted by the President.

So this investment, while I support it, does not quite jell, because the preventive programs that have been mentioned now were already included prior to the creation of this new copayment.

Second, I did not think we were looking at the overall long-term changes in Medicare. We wanted to get the 10 years of solvency that had been supported by the President and other Members of the Congress and then deal with the long-term issues. I think if the Senator wanted to, we could spend some time looking at the increase of home health care and the decrease in hospitalization.

But the bottom line is patients go, by and large, in the health care system where the doctor tells them. If the doctor tells them, you need to get to that hospital tonight, by and large, patients go there. If the doctor says, you need to have those services, by and large, the patients get them. When we are talking about individuals who have incomes of roughly $7,700 being told they can get an offset in the State. We know the number of children, for example, that fall under the Medicaid proposals that are not covered by Medicaid. And the seniors are facing the same thing.

So I just think that, let alone, as the chairman has pointed out, the very poor can get some of this offset or will get it offset in terms of the Medicaid that is requiring the States to collect it. We have heard a great deal about putting additional burdens on the States, but it seems we are willing to do so as long as we get the additional funds for the tax cuts.

I thank the chairman of the Finance Committee for his response, and I appreciate his courtesy in responding to these questions. I will be glad to yield the floor.

The PRESIDING OFFICER. Who yields time?

Mr. BYRD. Mr. President, I ask unanimous consent that I may speak out of order for not to exceed 10 minutes without the time being charged to either side.

The PRESIDING OFFICER. Without objection, it is so ordered. The Senator from West Virginia is recognized.

Mr. BYRD. Mr. President, I thank the Chair.

CLIMATE ISSUES AT THE DENVER SUMMIT

Mr. BYRD. Mr. President, press reports today from the annual economic summit of the world's major industrial powers in Denver indicate that there was pressure on the United States from some of our allies to make new commitments to deep cutbacks on greenhouse gas emissions, specifically, carbon dioxide emissions. It is unfortunate that some of our allies, including the French in particular, chose this forum to change the terms of international dialogue on this issue. I commend President Clinton for resisting these surprising, new pressure tactics to shortcut the progress towards a reasonable solution at Kyoto and to try to force the United States to endorse an immediate commitment to unworkable new goals, thereby, shredding the negotiating process. We and the French are both part of negotiations intended as a follow-up to the United Nations Framework Convention on Climate Change, the so-called Rio Pact, signed in 1992, and approved by the Senate. The Rio Pact called upon the industrialized nations to aim to reduce their greenhouse gas emissions to their 1990 levels by the year 2000, a goal which will not be achieved by the U.S. or by most of the industrialized nations.

As a result of the failure of most of the industrialized world to meet this voluntary commitment to reduce Carbon dioxide emissions, the parties met in Berlin in 1995 to discuss the future direction of the treaty. In Berlin, the United States agreed that new commitments should be binding upon the signatories, but the developing world was excluded from any new commitments. Unfortunately, excluding the developing world, which will be the most important emitter of carbon dioxide emissions by the year 2015, exceeding the emissions of the OECD nations, was a mistake. The solution, if it is to be effective, must include all major emitting nations or it will fail to really get the problem under control. More than that, the perceived unfairness of forcing limits on the economies of only some nations, but not others, will cause political pressure to frustrate the approval and implementation of any treaty that is signed in Kyoto this December. The temptations of industries to flee from the U.S. for example, behind the safe non-binding walls of Mexico, for instance, or other developing nations, will both frustrate the goals of a treaty and unfairly penalize the developed economies.

Therefore, Mr. President, the distinguished Senator from Nebraska, Mr. HAGEL, and I authored a Sense of the Senate Resolution indicating that it is imperative for the developing world to be parties to any binding commitments made in Kyoto, that those so-called commitments should demonstrate unequivocally an action program to approach this problem in a realistic way, and that everyone should start with aggressive efforts to act on those commitments immediately and not settle for vague promises to return to future negotiations to get serious. While some countries have different levels of development, each must make unique and binding contributions of a kind consistent with their industrialization. The developing world must agree in Kyoto to some manner of binding commitments which would begin at the same time as the developed world with as aggressive and effective a schedule as possible given the gravity of the problem and the need for a fair sharing of the burden.

Mr. President, in Denver during the last two days, some nations put pressure on the United States to agree to a whole new set of commitments beyond those agreed to in Rio, beyond the target of stabilizing at 1990 levels by the year 2010. Those nations sought to get the U.S. to agree to a 15 percent reduction by 2010, a level of reduction which would have very serious impacts on major sectors of the U.S. economy. There were no discussions of bringing the developing world into the play. I highly commend President Clinton for resisting these surprising new pressures to deviate from the Kyoto track, and set targets for very sharp new levels of reductions. Those nations should know that the United States Senate stands strongly behind the President in resisting these pressures. Reductions must be fair, well-managed, well-planned, and spread across the globe—spread across the globe. In addition, Mr. President, a wide-ranging new set of initiatives is needed to harness technology, to engage in new crash research and development technologies to mitigate the carbon dioxide emissions from fossil fuel combustion, as well as new energy efficiency programs, and cooperative programs between the developed and developing world. We have only begun to match the targets of carbon dioxide reductions and limitations with our technological genius and to engage in pioneering a new energy frontier type program aimed at using man's genius to tackle this global problem from every conceivable angle.

I reiterate, Mr. President, that President Clinton is to be commended for resisting the pressure for these sudden draconian commitments.

Mr. President, I yield the floor.

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

The PRESIDING OFFICER. The clerk will call the roll.

The assistant legislative clerk proceeded to call the roll.

Mr. LAUTENBERG. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

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

BALANCED BUDGET ACT OF 1997

The Senate continued with the consideration of the bill.

Mr. LAUTENBERG. Mr. President, I yield to my colleague from New Mexico so much time as he needs to make his remarks.

The PRESIDING OFFICER. The Senator from New Mexico.

Mr. BINGAMAN. Mr. President, I thank the Senator from New Jersey for his courtesy, as always.

Let me speak for a few moments on a motion, or amendment, that is going to be offered by the Senator from Illinois, Senator DURBIN, the Senator from Rhode Island, Senator REED, and myself. This is a motion to strike one provision that is in this reconciliation bill which would change the age at which senior citizens become eligible for Medicare. It raises that age from 65 to 67. Our amendment would propose to strike that provision from the reconciliation bill. In my view this is an unacceptable provision, it is very misguided, and one that we should not continue to keep in this legislation if we send this legislation on through the legislative process.

Mr. President, there are no budgetary savings that would accrue as a result of this provision until the year 2003, after the target date for reaching the balanced budget. I am informed that this section would fall under the Byrd rule, and for that reason a vote of 60 Senators or more will be required to keep this provision in the bill, so I hope that a substantial majority of the Senate will agree with us that this provision should be stricken from the legislation.

Raising the eligibility age for Medicare, first of all, is not necessary in order to balance the budget. The extra budget savings that this provision might generate are not necessary to meet any of the targets set by the budget negotiators in the earlier negotiation. While this change is described as being something that was done in order to bring Medicare into line with Social Security changes that were earlier made, there are obviously very real differences between Medicare and Social Security. Social Security allows an individual to receive early retirement benefits at age 62. Unlike Social Security, Medicare does not provide any other option for the retiree who wants to retire at age 65. Either the person has insurance or they do not. To make this change in Medicare, I believe, would visit a real hardship on many seniors who have planned for their entire careers to be able to retire at age 65 and to have Medicare available to them at that time. For us to make this kind of change, even though there is a long period for the phase-in of the change, I think will be breaking faith with many of those Americans and many of the people in my State.

Raising the eligibility age creates, also, the specter of a new group of uninsured Americans. We have spent much time in the previous Congress and in this Congress debating how we can cover more Americans with health care insurance. We have too many Americans today—in my State we have way too many Americans—who do not have health care coverage. We have talked about how to cover more children, how to cover more working families, how to cover more seniors before they are eligible for Medicare. This provision that we are going to propose to strike from the reconciliation bill adds to that pool of uninsured Americans who would be without health insurance at a very critical time in their careers. Essentially, it says to them that between the age of 65, when they would normally expect to retire, and the age of 67, the responsibility for health care will be theirs.

There are different groups of Americans and people have different circumstances. There is a large group that has no health care coverage in their employment. This would provide that there is an additional 2-year period in which they continue to have no health care coverage as they approach their senior years. There is another group that has health care coverage but that health care coverage terminates at the time they quit their jobs. That group, of course, would have the financial responsibility. They would have the choice to either go out and buy private health care coverage, which would be very expensive, to cover that interim period of 2 years, or they would have the choice, of course, of trying to get through that period without health care coverage, either depending upon Medicaid or hoping against hope that they do not get sick and do not need medical attention.

Of course there are others, I should point out, who have health care coverage and whose employers have agreed to maintain that health care coverage until they reach the eligible age for Medicare. Those individuals, of course, would continue to have health care coverage under their employer but the provision we are trying to strike here would visit a hardship on the employers in that case. The provision would have an immediate impact on employers right now, who provide health benefits to individuals until they reach the age for Medicare. Companies are required today, under Financial Accounting Standard 106, to estimate their liabilities for all future retiree health benefits. Companies determine the present value of their future liabilities for those health benefits and have to report that. These figures are reported as part of the financial statements the companies make. All of those liabilities would have to be rolled into those financial statements immediately upon the adoption of this provision, if this provision were to remain part of the reconciliation bill.

So the change that we are proposing here not only would visit a hardship on the employees, the senior citizens who are ready to retire or who have retired, it also visits a financial hardship on employers and constitutes, in many ways, an unfunded mandate on the private sector. I am sure that issue will be discussed to a great extent by the other sponsors of this legislation. A higher Medicare eligibility age would actually create a disincentive for employers to hire or retain older workers, and it would also create an additional incentive, perhaps, for them to cut back on health care benefits at an earlier time.

Mr. President, we are in the period where employers are cutting back on additional benefits that go with employment. That trend has continued, now, for some time. I do not think there is any doubt that it is a lower percentage. I have one figure here that the American Association for Retired Persons put out that in 1973, 71 percent of large employers covered early retirees with health care coverage. By last year, that proportion was no longer 71 percent, it was down to 63 percent. Of course, that only applies to large employers. Most of the small employers in my State do not provide that coverage and most of the employees in my State, accordingly, do not have that benefit.

Mr. President, I believe very strongly that we need to make necessary changes in the structure of Medicare in order to keep it solvent as we go forward. I support efforts to do that. I do not, though, believe it would be appropriate for us to try to improve the solvency of Medicare by reducing the number of individuals who are eligible to receive Medicare, reducing the pool of individuals who are eligible to receive those health benefits. This provision which we are trying to strike from the reconciliation bill has that exact effect. I hope very much the Senate will agree with us on this proposed amendment to strike this provision. I think this would substantially improve the legislation if we did strike this provision.

I urge my colleagues to support the amendment when the vote is taken on the amendment. As I understand that will be tomorrow morning.

Mr. President, I ask unanimous consent that five letters and a report on this subject be printed in the RECORD.

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

NATIONAL ASSOCIATION OF MANUFACTURERS,
Washington, DC, June 16, 1997.

Hon. WILLIAM V. ROTH, Jr.,
U.S. Senate, Senate Hart Office Building, Washington, DC.

DEAR SENATOR ROTH: The National Association of Manufacturers has been a strong supporter of the May bipartisan balanced budget agreement and the subsequent House Ways and Means Committee markup of proposals to preserve Medicare's solvency to 2007. The proposal being considered by the Senate Finance Committee is nearly identical with at least one major exception: conforming the eligibility age for Medicare with that for Social Security, which is scheduled to rise from 65 to 67 beginning in 2003. No budgetary savings would accrue until that time, well after the target date for achieving a balanced budget.

Beyond the pending short-term fixes, Medicare's survival depends on making long-term structural changes. Increasing the eligibility age could well fall into that category and should be studied along with other proposals by the Baby Boom Generation Medicare Commission. Increasing the eligibility age now would not contribute to a balanced budget, while it would do harm to early retirees and employers who provide retiree health coverage.

Medicare currently has no option for early access to a reduced benefit and, thus, a shift in the eligibility age would create a major shifting of medical costs from Medicare to retirees. Only about one-third of Medicare enrollees have employer-sponsored retiree medical coverage, largely through jobs in manufacturing, which typically pay higher wages. Persons without such coverage, typically in lower-wage industries, would be particularly affected and least able to cope with this delay in Medicare coverage.

On the employer side, companies now paying full medical benefits prior to Medicare eligibility would have to continue paying unreduced benefits for the duration of the age increase. These companies would see an immediate increase in their Financial Accounting Standards (FAS) 106 liability. Thus, while any increase in the Medicare-eligibility age may not begin to take effect for several years, the impact on companies' book value would be immediate.

Current proposals to increase the Medicare-eligibility age contribute nothing to budget savings until 2003. Therefore, we urge that this proposal be studied by the Baby Boom Generation Medicare Commission with a focus on its effect on early retirees, employers and the Medicare program. Should such a change be recommended, the implementation date should allow companies and individuals sufficient time to plan accordingly for this program change.

Sincerely,

JERRY J. JASINOWSKI,
President.

INCREASE IN MEDICARE ELIGIBILITY AGE SHOULD BE DELETED FROM THE BUDGET RECONCILIATION BILL

Issue: A provision to increase the Medicare eligibility age from 65 to 67 was included in the budget reconciliation bill approved by the Senate Finance Committee. The provision is identical to one which the Senate rejected during its consideration of the 1995 balanced budget act. Removing the provision from the current budget bill would have no scoring consequences because the phase-in to the increased eligibility age would not begin until 2003. However, there would be an immediate adverse impact for employers which provide health benefits until an individual becomes eligible for Medicare. Shifting these costs from Medicare to private coverage is likely to result in a reduction in health benefits for active workers, retirees or both.

Discussion: The Senate bill provision would increase the Medicare eligibility age over a 24 year period to conform it to the revised Social Security age. The consequences of such a long term change appropriately belong on the agenda of the Bipartisan Commission on the Future of Medicare, a panel which would be established by both the House and Senate budget reconciliation bills to make recommendations to Congress on the changes that need to be made to prepare Medicare for the demographic impact of the Baby Boom generation.

The provision has no scoring consequences for the current budget bill because the phase-in to the new eligibility age would not begin until 2003, the year after the five-year period of budget reconciliation bill. However, its effects on private health coverage would be immediate. Employers must comply with financial accounting standard (FAS) 106 which requires companies to determine the present value of their future liabilities for the health benefits provided to their active workers and retirees. Increases in the Medicare eligibility age would result in increased liabilities for employer-sponsored coverage, including those firms which agree to continue coverage for early retirees until they become eligible for Medicare benefits. Because FAS 106 standards require that companies must account for their increased financial exposure immediately—even though the increase in the eligibility age would take place over many years—the impact to employers' bottom line would occur long before the full phase-in period.

Shifts in health care costs from the federal government to the private sector can have profound and unanticipated effect and are very likely to result in lower coverage for active workers, retirees or both. That is why any change in the Medicare eligibility age must be carefully considered and compared with other long term financial and structural changes needed in Medicare to prepare the program for its future beneficiaries.

Congress and the President reached an historic bipartisan agreement to balance the budget by 2002 and expressly decided that long term Medicare changes would be addressed only after an expert panel provides much needed guidance on the best set of choices to secure Medicare's future. Clearly, increasing Medicare's eligibility age should be given the further consideration that such a fundamental change deserves.

NYNEX,
New York, NY, June 18, 1997.

Hon. DANIEL PATRICK MOYNIHAN,
U.S. Senate, Russell Senate Office Building, Washington, DC.

DEAR SENATOR MOYNIHAN: NYNEX urges you to delete the Medicare eligibility retirement age increase from the Senate Finance Committee's bill. As you know, a provision in the Chairman's mark would increase the Medicare eligibility age from 65 to 67. Besides public policy concerns about insurance coverage for senior citizens, this provision would also have a significant and immediate adverse financial impact on NYNEX.

NYNEX provides health care coverage to its employees, retirees and their dependents. Our retirees receive full health care benefits at retirement and supplemental benefits that are integrated with Medicare once they become eligible for Medicare. Under the Finance Committee proposal, NYNEX would ultimately be responsible for paying for the additional two years of full benefits for its retirees.

There is also a more immediate concern. Companies are required under Financial Accounting Standard (FAS) 106 to estimate their liabilities for all future retiree health benefits and "book" (recognize on their financial statements) the present value of these liabilities, net of any assets dedicated to retiree health. This figure is deducted from earnings. As a result, responsible companies providing generous retiree health benefits will be penalized and viewed as less profitable compared to their competitors who do not provide retiree health benefits.

The impact of this legislation will be to discourage companies like NYNEX from offering comprehensive retiree health benefits to their employees.

Changes to the Medicare eligibility age should be considered in the context of overall Medicare reform. It is not necessary for the Finance Committee to adopt this proposal to meet its budget reconciliation commitments, since the proposal does not raise any revenue over the short-term.

Again, NYNEX urges you to delete the Medicare eligibility age provision from the Finance Committee bill. This issue should be considered in the context of comprehensive reform to ensure all aspects of the issue, including the concerns of employers providing retiree health benefits, are addressed.

Sincerely,

MORGAN KENNEDY,
Vice President, Government Relations.

BELL ATLANTIC,
Charleston, WV, June 18, 1997.

Hon. JOHN D. ROCKEFELLER IV,
Hart Senate Office Building, Washington, DC.

SENATOR JAY ROCKEFELLER: Bell Atlantic urges you to delete the Medicare eligibility retirement age increase from the Senate Finance Committee's bill. As you know, a provision in the Chairman's "mark" would increase the Medicare eligibility age from 65 to 67. Besides public policy concerns about insurance coverage for senior citizens, this provision would also have a significant and immediate adverse financial impact on Bell Atlantic.

Bell Atlantic provides health care coverage to its employees, retirees and their dependents. Our retirees receive full health care benefits at retirement and supplemental benefits that are integrated with Medicare once they become eligible for Medicare. Under the Finance Committee proposal, Bell Atlantic would ultimately be responsible for paying for the additional two years of full benefits for its retirees.

There is also a more immediate concern. Companies are required under Financial Accounting Standard (FAS) 106 to estimate their liabilities for all future retiree health benefits and "book" (recognize on their financial statements) the present value of these liabilities, net of any assets dedicated to retiree health. This figure is deducted from earnings. As a result, responsible companies providing generous retiree health benefits will be penalized and viewed as less profitable compared in their competitors who do not provide retiree health benefits.

The impact of this legislation will be to discourage companies like Bell Atlantic

from offering comprehensive retiree health benefits to their employees.

Changes to Medicare eligibility age should be considered in the context of overall Medicare reform. It is not necessary for the Finance Committee to adopt this proposal to meet its budget reconciliation commitments, since the proposal does not raise any revenue over the short-term.

Again, Bell Atlantic urges you to delete the Medicare eligibility age provision from the Finance Committee bill. This issue should be considered in the context of comprehensive reform to ensure all aspects of the issue, including the concerns of employers providing retiree health benefits, are addressed.

Sincerely,

DENNIS BONE,
PRESIDENT AND CEO.

CORPORATE HEALTH CARE COALITION,
Washington, DC, June 16, 1997.

Hon. WILLIAM V. ROTH, Jr.,
Chairman, Committee on Finance, U.S. Senate, Washington, DC.

DEAR SENATOR ROTH: We would like to bring to your attention the concerns of our companies about a provision we believe is included in the Senate Finance Committee Proposal for Budget Reconciliation. This provision—to raise the Medicare Eligibility Age—could have a serious effect on our corporate liabilities and book value.

As you know, many companies today provide their retirees with health benefits. In most plans, retirees receive full benefits at any early retirement age and supplemental benefits that are integrated with Medicare beginning at the Medicare eligibility age. Under the Senate provision, companies now paying full benefits prior to Medicare eligibility would eventually have to continue paying the unreduced benefits for two more years.

Companies are currently obligated under Financial Accounting Standard (FAS)106 to estimate their liabilities for all future retiree health benefits that may be paid to active and retired workers, and "book" the present value of these liabilities, net of any assets dedicated to retiree health. These net liabilities, which are estimated today to exceed $300 billion, must reflect all current law requirements and existing plan provisions, even though companies may be planning to make changes in their plan.

Even though the Senate's increase in the Medicare Eligibility would not begin until 2003, and then would proceed gradually over the next 24 years, the impact on corporate book liabilities would be immediate. Under FAS106, companies would have to re-estimate their future liabilities and account for any addition to their liabilities as a result of this change. The impact on FAS106 liabilities would vary greatly depending on the type of plan and age of work force, but would range from a 5 to a 25 percent increase in FAS106 liabilities.

This would create a serious financial and accounting problem for companies currently operating retiree health plans, and could cause many to move to limit or eliminate their commitment to retirees. While there is some logic to coordinating Medicare and Social Security retiree ages, we ask that we take up this task after Budget Reconciliation is completed and we have time to consider provisions to avoid the FAS106 liability effects.

Since we do not believe this provision contributes to meeting the Budget Reconciliation instructions to the Committee, we urge you to drop this provision altogether.

Sincerely,

ELLEN GOLDSTEIN,
Chairman.

INTERNATIONAL UNION, UNITED AUTOMOBILE, AEROSPACE & AGRICULTURAL IMPLEMENT WORKERS OF AMERICA—UAW,
Washington, DC, June 23, 1997.

DEAR SENATOR: Today the Senate is scheduled to take up the budget reconciliation legislation dealing with spending reductions. The UAW strongly opposes this bill because it incorporates a number of anti-worker, anti-senior provisions. We urge you to support amendments to delete the objectionable provisions; If they are not eliminated, we urge you to vote against the bill on final passage.

This budget reconciliation legislation contains a massive attack on the Medicare program that would be extremely harmful for the elderly and for working men and women. In particular, the UAW strongly opposes the provisions that would; Increase the Medicare eligibility age to 67; this provision would greatly increase the number of Americans without health insurance coverage; it would also impose huge new costs on those employers who currently provide pre-Medicare retirees with health insurance coverage, and impose additional pressure on these employers to drop this coverage; means test the Medicare program by imposing drastic increases in the Part B deductible for beneficiaries with higher incomes; this provision would be extremely difficult to administer, while raising relatively little revenue; in addition, it unfairly penalizes seniors who are ill, and would generate increased pressure to totally abandon the social insurance nature of the Medicare program; impose a $5 per visit copay for home health care visits; this provision would impose enormous costs on seniors who depend on home health care; and establish a dangerous pilot program for 100,000 Medical Savings Accounts, which would allow insurance companies to engage in skimming practices that would threaten to fragment the Medicare program.

Taken together, these provisions would undermine the social insurance nature of the Medicare program, and would represent the first step towards converting it into a welfare program that would lack broad based political support. In addition, these provisions would impose significant and unacceptable new costs on many senior citizens. At the same time, the budget legislation fails to provide adequate assistance to low income seniors in paying their Part B premiums. It is also important to note that the provisions increasing the Medicare eligibility age and means testing the Part B premium were approved without adequate public hearings and debate, and are outside the scope of the budget agreement. For all of these reasons, the UAW urges you to support amendments to strike all of these objectionable Medicare provisions from this reconciliation legislation.

The UAW also opposes the provision in this reconciliation legislation that would overturn the federal court decision in the Pennington case. This decision prohibited the states from using accounting devices to make certain groups of workers, especially part time employees, ineligible for unemployment benefits. By overturning this decision, the reconciliation legislation would reduce coverage under state unemployment compensation programs by about six percent. We urge you to support efforts to strike this provision from the budget legislation so that laid off workers are not denied this essential assistance.

The UAW also opposes the provisions in the reconciliation legislation that would: allow Texas to privatize the administration of its Medicaid and food stamp programs; this represents a dangerous precedent that would allow private companies to make decisions regarding the eligibility of individuals for government benefits; establish an open-ended block grant program to encourage the states to provide expanded health insurance coverage to children; the funds provided for this effort are inadequate; in addition, we believe that the most cost effective way to provide health insurance coverage to uninsured children would be by expanding the Medicaid program; deny SSI coverage in the future to elderly and disabled legal immigrants; this would unfairly penalize extremely vulnerable populations who genuinely need public assistance; and allow HHS to administer the Welfare to Work program, while failing to emphasize the importance of job training; we believe that this program can be better administered by the Department of Labor; in addition, the funds available under this program should be made available for job training, which is critically important to moving individuals off to welfare and into the work force.

Lastly, the UAW strongly urges you to oppose any amendment that would exempt individuals in workfare programs from coverage under the minimum wage and other provisions of the Fair Labor Standards Act. As a matter of basic social justice, we believe that all workers should be entitled to these fundamental protections. We are also concerned that this type of exception would undermine these protections for other workers.

Accordingly, the UAW urges you to support amendments that would eliminate the objectionable provisions discussed above, and to oppose any amendments that would further undermine protections for seniors and working men and women. Unless the objectionable provisions are stricken from the legislation, the UAW urges you to vote against this budget reconciliation legislation on final passage.

Thank you for considering our views on this vital legislation.

Sincerely,

ALAN REUTHER,
Legislative Director.

[From the Association of Private Pension and Welfare Plans, June 20, 1997]

INCREASE IN MEDICARE ELIGIBILITY AGE SHOULD BE DELETED FROM THE BUDGET RECONCILIATION BILL

A provision to increase the Medicare eligibility age from 65 to 67 has been included in the budget reconciliation bill approved by the Senate Finance Committee. The provision is identical to one which the Senate rejected during its consideration of the 1995 Balanced Budget Act. While removing the provision from the current budget bill would have no scoring consequences because the phase-in to the increased eligibility age would not begin until 2003, if the provision remains, there would be an immediate adverse impact on employers who provide health benefits until an individual is eligible for coverage under Medicare. Shifting these costs from Medicare to private coverage is likely to result in a reduction in health benefits for active workers, retirees or both.

Any changes in the Medicare eligibility age must be carefully considered and compared with other long term financial and

structural changes needed in Medicare to prepare the program for its future beneficiaries and we oppose including an eligibility age increase in the budget package for the following reasons:

A Long-Term Agenda Issue. The Senate bill provision would increase the Medicare eligibility age over a 24 year period. The consequences of such a long term change more appropriately belong on the agenda of the Bipartisan Commission on the Future of Medicare, a panel which would be established by both the House and Senate budget reconciliation bills to make recommendations to Congress on the changes that need to be made to prepare Medicare for the demographic impact of the Baby Boom generation.

Immediate, Negative Effects on Employees. Because the phase-in to the new eligibility age would not begin until 2003, the provision has no scoring consequences for the current five-year budget reconciliation bill. However, private health coverage would be affected immediately. Employers must comply with financial accounting standards (FAS) 106 which requires companies to determine the present value of their future liabilities for the health benefits provided to their active workers and retirees. Increases in the Medicare eligibility age would result in increased liabilities for employer-sponsored coverage, including those firms which agree to continue coverage for early retirees until they become eligible for Medicare benefits. Because FAS 106 standards require that companies must account for their increased financial exposure immediately—even though the increase in the eligibility age would take place over many years—the impact to employers' bottom line would occur long before the full phase-in period.

The Costly Effects of Cost Shifting. Shifts in health care costs from the federal government to the private sector can have profound and unanticipated effects and are very likely to result in lower coverage for active workers, retirees or both. In addition, the provision would leave many individuals with a costly gap in health coverage until they turn 67 which would further discourage companies from providing health benefits to retirees.

Congress and the President reached an historic bipartisan agreement to balance the budget by 2002 and expressly decided that long term Medicare changes would be addressed only after an expert panel provides much needed guidance on the best set of choices to secure Medicare's future. Clearly, increasing Medicare's eligibility age should be given the further consideration that such a fundamental change deserves.

Mr. BINGAMAN. I yield the floor and I suggest the absence of a quorum. I request the time be charged equally to both sides.

The PRESIDING OFFICER. Without objection, it is so ordered. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. KERREY. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

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

The PRESIDING OFFICER. Who yields time?

Mr. LAUTENBERG. I yield the Senator from Nebraska as much time as he needs.

Mr. KERREY. I thank the Senator from New Jersey.

The PRESIDING OFFICER. The Senator from Nebraska.

Mr. KERREY. Mr. President, first, I would like to praise the chairman of the Finance Committee, Senator ROTH, and the ranking Democrat on the Finance Committee, Senator MOYNIHAN, as well as the chairman and ranking member on the Budget Committee, Senator DOMENICI and Senator LAUTENBERG.

The bill we are debating right now makes a substantial contribution to deficit reduction. The goal of all this deliberation is to balance the budget by the year 2002, the purpose of which is to enable us to continue with an economy that is growing and continue creating jobs and continue the prosperity that we are currently enjoying in the United States.

I am saying all this because we will be debating all kinds of reasons why this bill is bad, and I think it is very important for us to begin by saying there is a purpose here.

We know Medicare is a very substantial program in terms of cost, and any attempt to balance the budget has to look at this program. Chairman ROTH has done, I think, an exceptional job of producing a proposal that not only contributes to deficit reduction, but does a number of other things which I believe are very important.

First of all, one of the things this bill does, in addition to contributing to deficit reduction, is there are a number of provisions that Chairman ROTH and Senator MOYNIHAN put in this bill that directly affect our capacity in rural America to get good health care. That has been a bit of a problem. There are a number of issues we have identified over the years, and Chairman ROTH has made some changes in law in this bill that will benefit those of us who represent rural States. I would like to list some of those provisions.

First, rural hospitals and physicians will be able to form their own networks, independent of larger managed care companies, and contract directly with Medicare on a capitated basis. These provider-responsive organizations would not only provide competition, but they will enable us to increase coverage and increase health care delivery in the rural areas.

Second, the proposal is one that will increase managed care payments in rural areas. The increase in payments will be detailed during the course of this debate, but it is critical, if we are going to get managed care in rural areas, that the payments be increased, and Chairman ROTH has made certain in this bill that happens.

Third, it creates a single designation for small rural limited service hospitals that would be paid on a reasonable-cost basis. This new authority will include the current—called EACH/RPCH—demonstration hospitals. Once again, we have been asked by rural hospitals and rural providers for this provision. Chairman ROTH and Senator MOYNIHAN have included it in their bill, and for those of us who represent rural States, we are going to be able to say, correctly so, that this law is going to make it more likely that we are going to get good care in the rural community.

Next, it allows sole community hospitals to opt for a fourth payment option based upon the costs from fiscal year 1994 or fiscal year 1995. It is a detail that I will not go into at length here today, but again on the ground at the community level this will make a tremendous difference in most States where rural health care shortages are a problem.

Next, it reinstates the Medicare dependent hospital program through 2002. This means that hospitals with less than 100 beds and where 60 percent or more of the discharge is paid for by Medicare will be paid on the same basis as sole community hospitals. It is a very important provision. There are lots of hospitals in Nebraska sort of hanging on the edge with fewer than 100 beds. This will give them a fighting chance to survive.

Last, it allows rural referral centers greater flexibility to receive payments based on rates for the nearest germane area.

Mr. President, I just say again that this provision is one last thing in the bill that will enable us to say that in addition to eliminating this deficit that has plagued us for so many years, this proposal will increase the likelihood that managed care and good health care will reach the rural area. I thank Chairman ROTH and I thank Senator MOYNIHAN and Senator DOMENICI and Senator LAUTENBERG. It is a terribly important provision for those of us who represent rural States.

Second, and I will not go at length in describing this, this bill grants authority to the Secretary of Health and Human Services to bring more competition into this system. Competition in my judgment will not solve all of the problems, but it is a tremendously useful tool to bring costs out of the system. It is more likely to get it done in an efficacious fashion. Again, Senator ROTH and Senator MOYNIHAN have included this in the mark. And I believe it represents substantial reform and important reform in the Medicare system.

Third, this committee, the Finance Committee, again under Senator ROTHS's and Senator MOYNIHAN's leadership, has paid attention to the unique problems that low-income Medicare beneficiaries face. And it can be a tremendously difficult problem.

It is relatively easy for us to get caught up in all the numbers and presume that all we are doing is trying to find numbers savings. But for an individual out there at the community

level, Medicare really can be a lifesaver.

I have a woman in Omaha, NE, that I pulled from our file, we are working with at the moment, that faces some problems, a very common situation. A widow on Medicare, she has $610 a month in Social Security. She has $182 in rent subsidized through section 8. Her utilities and phone are $55 a month. Her Medicare part B is $43 a month. She has a Medigap cost on top of that. By the time she is done, she has $4,000 left over for everything, for food, clothing, and other expenses. It does not take much in the way of prescription drugs and additional costs for health care for her to find herself with almost no money left over.

So this mark, for those of us concerned about low-income people, continues the dual eligibility system for Medicare and Medicaid. It continues both the SLMB and the QMB Programs that enables lower-income people to get payment. And I believe the managers' amendment will make it more likely that the SLMB Program will enable low-income people to find themselves able to accommodate the increases in premiums that will occur as a consequence of the shift of some home-based coverage from part A to part B.

Though I would argue there is still some room for improvement, this bill represents a good-faith effort to acknowledge that there are low-income beneficiaries out there who are faced with different problems than higher-income beneficiaries.

There is still one out of seven Americans over the age of 65 who live in poverty. Medicare and Social Security reduces the rate of poverty from 50 percent to about 12 percent in the country. But still, for those 12 percent, life can be quite difficult. And I assure you, Chairman ROTH and Senator MOYNIHAN have paid attention to that problem and, I think, have enabled us to say that we have at least tried to make certain that low-income beneficiaries are given full consideration.

The next thing that I would like to spend most of my time talking about is, this mark, this piece of legislation does acknowledge, as well, that we have long-term problems, that we cannot stick our heads in the sand and ignore that the Medicare Program not only promises to make payments for the next 5 and for the next 10 years but it promises to make payments for the long-term as well, promises to make payments especially for that baby-boom generation that will begin to retire in 2010, 2011, depending upon when you mark the generation. It is either 1945 to 1965 or 1946 to 1965. In that 20-year period, about 2010 to 2030, under current forecasts, even as we have adjusted the program—I note there will be some that try to knock out the increase in the eligibility age. There will be some that try to knock out the income-related test on part B, the copayment on home health, the $5 fee on home health, and make compelling arguments. But you can only make those arguments persuasive if you ignore where this program is going.

Mr. President, the current cost of Medicare represents about 10 percent of this budget. And from 2010 to 2030, Medicare costs will go from about 10 percent to 35 percent of the budget. That is the kind of growth that we see out in the future. It is a demographic problem. And when you move the eligibility age from 65 to 67, in order to bring it into line with where Social Security is going, we are making and recommending an adjustment that takes into account where this program is going, what the future looks like out there.

I acknowledge that there are problems when you move the eligibility age for people who are between the ages of 60 and 66 or 67. There is a problem. This legislation has in it not only a commission, but in law we recommend that the commission consider doing what Kerrey–Danforth recommended, which is to allow seniors between the ages of 62 and eligibility age to be able to buy into the Medicare Program. I think it is the sort of thing that we are going to have to consider whether we adjust the eligibility age or not.

But I will give this evening—I suspect I am going to have plenty of opportunity to argue this when the amendment is offered to strike it on the eligibility age—I give this evening one set of facts. Between the years 2010 and 2030, the number of people in the work force will grow by 5 million, a 5-million-person increase between 2010 and 2030. But the number of people who are retiring who will be eligible for payments will increase by 22 million. That is a problem, Mr. President, that we face with our program. And we can either ignore it and say we do not want to make change or we can acknowledge, in order to preserve and protect Medicare for the long term, these kinds of changes will be necessary.

The change does not impact anyone over the age of 58 today and does not fully impact anyone over the age of 36. I say that because I have already seen interviews given to current Medicare beneficiaries, people who are 65, people who are 70, receiving Medicare that are beneficiaries today, and the question is put to them, "What do you think about moving the eligibility age?" as if it is going to affect them. And very often again they will find themselves concerned about losing their Medicare, about whether or not they are going to be paying more for their Medicare. And there is a presumption made that this change is going to have an impact on them.

Mr. President, this movement of the eligibility age is one of the easiest. Right along with that, a change that I believe should be made is to bring a new accounting to the cost of living index. We debated it earlier on in the year. We were not able to get it. Some objected to the so-called "politicization" of the CPI. The CPI was imposed in 1973 for political reasons.

I want a good formula, a good calculation. Unfortunately, we were not able to get that because we ended up being opposed both on the left and on the right. But these are the kinds of changes that are necessary to accommodate demographics.

There was a piece in the New York Times Sunday magazine yesterday. I think it was Ben Wattenberg that made a couple of suggestions. And if Members want to bring that kind of suggestion to the floor, why it will be an interesting debate. He suggested that we change our tax and our spending laws to encourage Americans to have more babies or we open our borders and accept more people in the United States as immigrants, trying to increase the number of workers per retiree.

Or one can walk to the floor if they choose to and propose a tax increase. Many people who have honestly evaluated this program have suggested that all we need to do is increase the payroll tax just a little bit and that will solve the problem.

Mr. President, I intend in this debate to repeatedly point out to colleagues that the tax-cut provisions in this bill addresses the income tax. It does not address what is for many Americans the largest tax of all, and that is the payroll tax.

And I have been in Nebraska many times in townhall meetings and talked about this movement of the eligibility age and the income-related test on part B, which is also in the chairman's mark. And very often it provokes a big debate. And some do not like it.

I say, let me just ask the audience, How many of you would support increasing the payroll tax? And it is rare where you will find more than one or two people holding up their hand, Mr. President. And the reason is, that for a family of four in Nebraska, earning $34,000 a year, husband, wife, two children, they will pay $2,719 in Federal income tax; they will pay $5,358 in payroll taxes, $4,300 of which is FICA and $1,000 of which is the Medicare tax. Mr. President, that is almost twice as much in payroll taxes.

One of the reasons that we find people say to us that this system has to be fixed with these kinds of changes is that they acknowledge that this payroll tax is taking a substantial bite out of the income of the working families of America.

So the bill has a change in the eligibility age. I defend it strongly. I intend to come down when the amendment is

offered to strike and explain at greater length why those who are arguing to strike it will not help strengthen this program. I intend to argue as well, by the way, that I, having studied this a long time, believe long term it is going to be difficult for us to maintain Medicare and Medicaid, the VA, and the income-tax deductions as intact programs.

I think it is going to be difficult for us to not, at some time, relatively soon, begin to examine once more whether or not we should change the law and change the way people become eligible.

It is very revealing when you talk about moving the eligibility age, Mr. President. The law says if you have reached the age of 65 in America you are eligible for Medicare. If you can prove you are poor, under the law, the law says you are eligible for Medicaid. If you get blown up in a war, as I did, the law says you are entitled to the VA system. If you work for the right employer, the law says you can get a subsidy through the income tax system. If you work for the Government very often, the law says you also have a right to health care.

Mr. President, I believe, though it may seem counterintuitive for those of us who have been worried about the growing cost of the mandatory programs and entitlements and that interest, that we need to consider rewriting the social contract for Federal health care and establishing a simplified eligibility. If you are an American or legal resident, you pay according to your capacity to pay. Everybody has to pay the true cost of health care.

We ought to allow competition to control the cost. And we ought to allow consumers to get far more information about what the health care system is both doing for them and sometimes doing to them.

I think it is very difficult for me to stand here and say that we can preserve Medicare as an intact program unless some demographic change occurs between now and 2010.

I believe it is inescapable you look at these kinds of choices, otherwise you are basically going to prolong the due date and at some point we are going to be facing choices that are far more difficult than the choices that are being presented by the committee in this budget.

Mr. President, another change that we have in this proposal is a change that says that we are going to make the Medicare part B more progressive than it currently is by asking Americans who have higher incomes to pay more, to be subsidized less, in short, by Americans with lower income for that part B premium.

Initially, Senator GRAMM of Texas and I, who worked on this proposal, had an offering that we would use the deductible as a basis for change, in short, that we were going to try to affect utilization. It got a bit confusing. And as a result of that confusion, both he and I have agreed to change it so that it will be an adjustment in the part B premium for Americans under $50,000 a year. They will not be affected at all. Roughly 94 percent of beneficiaries are somewhere in that range. It does not fully affect any individual under $100,000. We phase the subsidy out over $100,000 for an individual and $125,000 for a couple.

I appreciate the sacred nature of Medicare, but nowhere do I find it persuasive that we ought to ask people with lower incomes to subsidize people of higher incomes. Very often the people of lower incomes do not even have health insurance. They are struggling to pay the cost of health care themselves out of pocket, and part of their taxes—again, the larger share of their taxes coming from payroll taxes being delivered to pay the health care of individuals with a capacity to be able to take care of themselves.

I do not believe this challenges the Medicare system. I do not believe it is a slippery slope to destroying Medicare. I believe it is consistent with what Medicare attempts to do, which is to say that the market will not provide insurance for all of our citizens, that we have to, on a progressive basis, write a law that enables us to do that. This change will make the system more progressive, not less. I emphasize that.

For all those who will come to the floor and argue that this package is not sufficiently progressive, they will find themselves, in my judgment, turning their arguments inside out in proposing this test of income on part B. How can you defend a change, a simple change at a relatively high income, Mr. President, $100,000 for an individual and $125,000 for a couple? Mr. President, this is a substantial first-step change, once again, to acknowledge that we have a long-term problem with Medicare, and we are going to have to begin to make more difficult choices if we want to arrive out there in the future and say we have solved future problems as well.

Very importantly, under this change, we did not do it for budgetary reasons. Neither the move of the eligibility age nor the change in part B premiums has been done in order to generate budget savings. Indeed, the revenue that we get from the part B premium will go into the health insurance trust fund, strengthening the health insurance trust fund. We have not had it scored. We are not using it to pay for other things. We are using it to strengthen the Medicare Program and, as I say, to make the program more progressive.

Mr. President, finally, as we go through this debate, I intend to repeatedly come to the floor and call to my colleagues' attention another terrifying fact. People come and they will argue, well, in 1965 when we passed Medicare, we intended the following—and whatever it is that the colleague wants to offer in opposition to either moving the eligible age or in opposition to putting an income test on part B, will suggest there was something in 1965 that caused us to say we would do something and never come back and change it. There have been lots of changes that have occurred since 1965.

I will in the midst of the debate have plenty of opportunity to go through many of those changes that I think dictate that we change the program again. The one that is the most impressive of all is that in 1965, 30 percent of the Federal budget went to mandatory programs. That is entitlement programs plus net interest, and 70 percent of our budget went to discretionary spending. Mr. President, in the year 2002, when this budget agreement ends, we will have exactly the opposite—70 percent will be mandatory spending and 30 percent will go to discretionary. It does not stop there. It will continue to grow until 100 percent of the budget is mandatory, until we have converted the Federal Government into an ATM machine, collecting taxes and merely transferring back out.

Mr. President, for all those who care about investing in our future, who want to invest more in education, who are concerned about productivity, we have all kinds of other things we believe this Nation needs to be addressing, unless we come to grips with the growing cost of mandatory programs, it will be impossible for us to do all the things that most of us would like to do in order not only to make our country fair but also to make our country more prosperous and productive.

I believe the legislation that Chairman ROTH and Senator MOYNIHAN have presented to the chairman of the Budget Committee, Senator DOMENICI, and Senator LAUTENBERG, the ranking member, is a fair proposal. It will enable us to say we will balance the budget by the year 2002. It is more progressive than the current law, taking greater account both of low-income Americans as well as upper-income Americans' capacity to pay. It is a terrific package that will enable us in rural America to increase the quality of care that we see our citizens getting. It moves more toward a competitive model, not only giving Health and Human Services more power, but giving consumers more power by giving them the data and the information that they need to make choices. There is substantial reform not just for budgetary reasons but for the purpose of improving the quality of this program that has been so enormously beneficial for our country.

I appreciate the opportunity to work with the chairman and the ranking member, Senator MOYNIHAN, and I look

forward to the opportunity of returning to the floor to debate some of the specific amendments that are offered.

I yield the floor.

Mr. LAUTENBERG. Mr. President, I yield 20 minutes to the Senator from Illinois.

Mr. DURBIN. I thank my colleague from New Jersey for yielding.

PRIVILEGE OF THE FLOOR

Mr. DURBIN. Mr. President, I ask unanimous consent that Ann Marie Murphy of my staff be accorded privileges of the floor during debate on S. 947.

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

Mr. DURBIN. Mr. President, let me say at the outset I want to acknowledge the leadership role that has been played by my colleague, the Senator from Nebraska, who preceded me on the floor. He is calling on us as Members of the Senate and the House to face the reality that entitlement programs need reform. Senator KERREY has oftentimes been a lonely voice in that effort. It is not altogether a popular position to take and yet it is necessary. I admire him for his leadership and his candor, and I think that we in the Senate should heed his advice that we must resolve ourselves into the business of addressing the needs of these entitlement programs—Social Security and Medicare in particular—on a long-term basis.

What I am about to speak to today in no way should reflect on Senator KERREY's effort or the effort of others for meaningful reform with Medicare. But the issue which I address is one included in this reconciliation bill which I feel is fundamentally wrong and fundamentally unfair. It is a provision which is included in this bill which would over a period of time raise the eligible age for Medicare.

By way of background, many years ago we raised the eligibility age for Social Security. The reason the people still think in terms of Social Security eligibility at age 65 is that this change to age 67 will be implemented during a transition period from the years 2003 to 2027. It is a gradual change adding, over 24 years, 24 months before a person can be eligible for Social Security. During the course of its deliberations, the Senate Finance Committee entertained a motion by my colleague from Texas, Senator GRAMM, to add an amendment which would increase the eligible age for Medicare from 65 to 67. It is said in the report of the Finance Committee—and I am sure this reflects the nature of the debate—that an attempt was being made to find some symmetry between the increase in eligibility age for Social Security and the increase in eligible for Medicare. If there is any parallel or any symmetry between these two programs it is only that they both serve elderly Americans, and there it ends. I think we should view this suggestion of raising the eligible age for Medicare from 65 to 67 in the context of the people who are affected.

This package that raises that age to 67 for Medicare literally reneges on our promise to provide Medicare to seniors at the age of 65. There is no budgetary impact in this provision. There is no money to be saved, because whatever is going to be saved, if it is ever implemented, will not occur until the next century, far beyond the 5 years when we measure the impact of this bill.

This change does not parallel the Social Security change which I described. Individuals have the ability now to begin their Social Security benefits at age 62. Of course, those benefits are diminished, but should a person reach that point in life and say, "I'm ready to retire. I do not want to wait until 65. I have talked it over with my spouse. I'm going to retire at age 62." It is perfectly legal. They can do it. The Social Security benefits start flowing to their family based on what they have paid in.

There is no corresponding option for Medicare. Medicare begins at 65. Unless you are disabled and thereby qualify for Medicare, you cannot touch this program until you are age 65.

Currently, 1.6 trillion individuals in America between the ages of 55 and 65 are uninsured. How do people find themselves in this predicament? Well, I bet you everyone listening, those viewing, can probably think of someone in their family or a friend who reached that situation. I have a situation in my own family, a person who had worked for years and years for a major company and decided he would retire at age 60 and the company said, "Well, here is your watch. Here is your package of benefits. Good luck in your retirement." Within 12 months they notified him there had been a change in the program, and no longer would they offer health insurance to him as a retiree. His recourse? None, zero, no place to turn. Age 60, retired, out of work, no health insurance. Then the trouble began for him personally, heart problems, leading to serious heart surgery. He literally put his life savings into his medical care and counted the days until he reached the age of 65. He had been critical of a lot of "big government" and big government programs, but now a big government program was coming to his rescue and his family's rescue. He finally made it and reached age 65 and reached eligibility.

Is this an isolated case of one person who did not have good luck when he retired? I am afraid not. A 1997 Commonwealth Fund study indicates in 1994 only 30 percent of retirees had health insurance from a previous employer, compared with 44 percent in 1988. The trend, unfortunately, is in the direction of uninsured people at the age of 60 and beyond. Even coverage by larger employers has declined. In 1993, 71 percent of large employers provided coverage. But then again by 1996, this figure had dropped to 63 percent. Many retirees, incidentally, do not retire voluntarily and may not have much chance of future employment. Private insurance for this group of seniors is very expensive.

In my home State of Illinois, I checked in the city of Chicago, and the average cost of health insurance for a healthy male age 60 to 64 is $6,520—healthy male. What if they had a preexisting condition, a serious medical condition? The cost goes up over $10,000 a year. You are retired, you are going fishing, you are taking it easy, all of a sudden, no health insurance. Where do you turn? You just had a diagnosis that says you have a medical problem—$10,000 a year and you wait, counting the days until you are eligible for Medicare.

This bill does not help seniors. This bill does not help retirees. This bill does not help working families, and this provision is totally unfair. If we lived in a country where everyone had health insurance, universal health coverage and you did not have to worry about whether you lost it through changing a job or retirement, that is one thing, but we do not live in that nation. We live in a country where any one of us with the loss of a job could be vulnerable to no health insurance coverage, and the suggestion of the majority that we raise the eligibility age for Medicare leaves more people vulnerable—vulnerable, of course, to the cost of health insurance if they can buy it.

That is why I oppose this provision and why I will make a point of order when I have concluded these remarks. I yield for debate only to my colleague, Senator REED.

Mr. REED. I thank the Senator from Illinois for yielding. I join him in my opposition to this provision in the bill. I also have great respect and regard for Senator KERREY, the primary sponsor of this provision. He has courageously identified many issues with respect to Medicare and has provided great insight, but in this particular situation I believe that to raise the eligible age for Medicare is going in exactly the wrong direction. It forgets why we created Medicare in the first place in the mid-1960s.

The overwhelming reality was that seniors at that age could not get health care. That is why the Government stepped in. Private insurance companies were unwilling to sell insurance to those people at any reasonable price. Many things have changed since the mid-1960s—the demographics of our population, the efficacy of a health care program, the longevity of our citizens—but one thing has not changed, and that is the unwillingness of private insurance to step in and provide affordable and accessible health insurance to seniors.

Today, 13 percent of the 21 million people aged 55 to 64 lack health insurance, and by adopting this provision we will simply add to that number because, now, from age 65 to 66, they will not have access to the Medicare system. Therefore, we have to, I think, maintain a situation where the Medicare system begins at age 65.

Indeed, I hope that we will endeavor to try to develop programs that would broaden the base of health care insurance for all Americans. It is quite disturbing to listen to the statistics cited by my colleague from Illinois, and to point out that many, many companies are now no longer insuring, as a matter of routine, their employees and, consequently, the percentage of insured Americans, particularly in the later years of their work life, is declining. We would add to that precipitous decline by adopting this particular amendment.

Indeed, also, we have to understand that the majority of Medicare beneficiaries between the ages of 65 and 67, who would be affected by this amendment, have incomes below $30,000. They certainly would not be in a position to pay a $10,000 a year private insurance premium, as is evident in some States, like Illinois. Often they are single, poor, unemployed. They would have no recourse. And this is not the way to fix the Medicare system—by denying health care insurance to people, by essentially pushing them out of the system of health care with the idea that we will somehow stabilize and increase the longevity of our health care system.

There is another aspect of this that should be studied much more deeply before we embark on such a change; that is, many employers have provided health care benefits to their employees until they reach the Medicare age of eligibility. As a result, if we were to push back the eligibility table, we would require corporations throughout this country to immediately recognize, because of accounting rules, an increase in their liability, a significant increase in their liability. This could force them to rethink their overall health care strategy to accelerate the decline of health care not only for seniors but for working Americans, as companies simply say, "we can't afford to shoulder this burden any longer." As a result, we also, I think, have to recognize the significant impact this would have on the application of health care insurance throughout our society. As one employer wrote to me, "The impact of this legislation will be to discourage companies from offering comprehensive retiree health benefits to their employees."

I think we have to be very careful and thoughtful about how we reform Medicare. We all want to stabilize the system, to ensure solvency. We can do that without adopting this amendment. To move away from a guarantee of health care for seniors, beginning at 65, is a retreat that I don't think we should make and I don't think we have to make. Therefore, I join my colleague from Illinois in objecting to this provision of the bill before us today. I thank the Senator and yield back my time.

Mr. DURBIN. I thank my colleague, the Senator from Rhode Island, for his remarks. I want to really follow up on one of his last points. I say to Senator REED, I have in my hand a letter signed by some 80 businesses and business organizations objecting to the increase in the Medicare eligibility age from 65 to 67. These are not just a few odds and ends when it comes to the business profile of America. We not only have a letter signed by the U.S. Chamber of Commerce, but also the National Association of Manufacturers, companies like ARCO and Bell Atlantic, Chrysler Corp., Ford, General Motors, and the list goes on and on. Making the point my colleague from Rhode Island made, they have already made a commitment to their employees and it is this: We will protect you with health insurance as a member of our family, our corporate family, after retirement until you are eligible for Medicare. Now, if we raise the Medicare eligibility 2 years, these companies having made that commitment have a new liability that they had not anticipated. It is not only a cost but a disincentive to these and other companies to make that kind of promise. That is the real world. For people to see the simple symmetry between Social Security and Medicare—oh, it is going to 67 by the year 2027 on Social Security, and let's go to 67 for eligibility on Medicare—is to overlook the real world that people live in. The employees who are faced with troubling medical conditions late in their lives who may not have health insurance coverage, who cannot afford to buy it at that point in their lives, where are they? Who speaks for them in this Chamber? Who will stand up and say that these people deserve protection and coverage? Well, we have it today—at least beginning at age 65.

I hope that, in the name of balancing the budget and having some budget impact in the next century, we will not throw away a basic commitment to those in our country who have worked so long and so hard. I will be making a point of order at this point in the debate, unless others would like to speak.

Mr. REED. If the Senator will yield one more time. The fact is that this will create a significant system impact. For example, private companies may change their insurance packages, et cetera. There is another impact, also. In this country, sick people—and I hope in this country they will still get care someplace. As a result, without the Medicare Program, they will be thrust upon the hospitals for uncompensated care and thrust upon—if they are low-income citizens—Medicaid programs or special programs at the State level. So as we hope to save at the Federal level, we very well may generate other costs, and perhaps larger costs, at local-State levels and in other insurance programs. So, essentially, our commitment to Medicare, I feel, should be maintained. I, again, concur with the Senator and thank him for yielding me this time to further comment.

Mr. DURBIN. I thank my colleague. Senator BARBARA BOXER of California and Senator TOM HARKIN of Iowa could not be here for this debate, but they wanted to have their names joined in support of our effort.

In conclusion, I will say that my colleague from Rhode Island brings home the conclusion to this debate; that is, if we shirk our responsibilities to these working families, if we walk away from a Medicare promise of over three decades, we will end up with people in unfortunate circumstances, many of them sick, presenting themselves for care without any health insurance, without Medicare. Of course, most hospitals and most health care providers in this country will do their best to treat them anyway. Then the cost of that care will be borne by everyone, borne by those who pay into insurance and those Government programs that insure, as well. Unfortunately, people wait until they are in acute and critical conditions before they come to a hospital under those circumstances. Then the care is more costly, and many times they sacrifice their health and their lives. In the name of balancing the budget, let us not include a provision raising the eligibility for Medicare that creates such a disadvantage and such pain and suffering for so many working families across America. This is not an idea whose time has come. This is an idea that should be shelved until our commission working on the future of Medicare can come up with sensible suggestions that really reflect the reality of the world that many seniors face today.

Mr. President, at this point, I understand that before I make my point of order I must ask that all pending amendments be laid aside. I make that request.

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

POINT OF ORDER

Mr. DURBIN. Mr. President, I raise a point of order that section 5611 of the bill, S. 947, contains provision that produces no change in outlays or revenues during the required period of time and therefore violates section 313 (b)(1)(A) of the Congressional Budget Act of 1974.

Mr. ROTH. Mr. President, pursuant to section 904 (c) of the Congressional Budget Act of 1974, I move to waive the point of order, and ask that debate on

the waiver be postponed until tomorrow following any votes ordered for tomorrow morning.

The PRESIDING OFFICER. Is there objection?

Without objection, it is so ordered.

Mr. DURBIN. Mr. President, I ask for the yeas and nays on the Senator's motion to waive.

The PRESIDING OFFICER. Is there a sufficient second?

There is a sufficient second.

The yeas and nays were ordered.

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

The PRESIDING OFFICER. The clerk will call the roll.

The bill clerk proceeded to call the roll.

Mr. LAUTENBERG. 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. KENNEDY. Mr. President, the reconciliation bill before us today seeks to raise the age of eligibility for Medicare from 65 to 67. If we allow this increase to remain in the bill, we will be breaking a compact made with millions of future beneficiaries. For 32 years, we have said to working Americans "pay into this program and we will provide you with health security at age 65." During the drafting of this bill, however, this promise was callously and capriciously cast aside.

Proponents will claim that they are merely conforming the eligibility age for Medicare to that of its sister program, Social Security. Yet, the manner in which we are approaching this change and the final outcome differ dramatically and dangerously.

First, it is important to note that the change in the age of eligibility for Social Security, which begins to rise in 2003, was enacted in 1983. Therefore, individuals affected by the Social Security change will have had a minimum of 20 years to adjust their retirement planning. By changing Medicare at this late date, we are giving future beneficiaries only 6 years notice to absorb in their retirement planning a change that could eat up a significant portion of their retirement income, should they actually be able to purchase insurance. It could also bankrupt them, if they are forced to go without insurance and suffer a devastating illness.

Second, under Social Security, individuals will still be able to receive reduced benefits at age 62, the age of early retirement, if they choose to retire before they are eligible for full benefits. Under this proposal, however, senior citizens will be unable to receive any Medicare benefits until they reach the new age of eligibility.

A delay in eligibility for Medicare could throw millions of senior citizens into the ranks of the uninsured. Unless we are willing to enact simultaneous insurance reforms to guarantee access to affordable and comprehensive coverage for this group, these senior citizens will be forced to forgo health security in their retirement.

In 1992, employer-related retiree health plans paid for only 6 percent of health expenditures for persons over age 65. There is no reason to expect this number to increase. In fact, many employers are now reducing or canceling retiree health coverage for both early retirees and Medicare-eligible retirees. According to one study, in 1988, 62 percent of firms offered retiree coverage to those under age 65, and 55 percent offered benefits to those eligible for Medicare. In just 4 years, by 1992, the numbers of firms offering retiree health coverage had dropped nearly 10 percent in both categories—to 52 and 46 percent, respectively.

Members of the Corporate Health Care Coalition have ominously issued a warning that this provision could hasten the loss of employer-sponsored coverage. In a letter of June 16, 1997, they state that raising the eligibility age ". . . could cause many [companies] to move to limit or eliminate their commitment to retirees."

It is difficult to know why the Finance Committee proposed this step, since it does not contribute a single penny toward their reconciliation instructions. A change of this magnitude deserves careful study and planning. The age of eligibility is precisely the type of issue that ought to be considered by the National Bipartisan Commission on the Future of Medicare, which this bill will create. To change the age of eligibility suddenly, on the spur of the moment, on this reconciliation bill, is an unwise, unfortunate, and unnecessary attack on all senior citizens.

The provision also violates the Byrd rule because it does not affect spending within the budget window. We eliminated this proposal 2 years ago, and Senator DURBIN's point of order should strike it from the bill again.

Mr. LAUTENBERG. Mr. President, I rise to support removing the provision on the increase in Medicare eligibility. I would like to see that removed. This provision, as we all know, calls for increasing the eligibility age for Medicare from 65 to 67.

Throughout our negotiations on the bipartisan budget agreement, there was no serious discussion—none—of increasing the eligibility age for Medicare. And, if there was, even the most casual discussion didn't wind up in the bill. So it wasn't believed in the contentious review that it would be appropriate. Nor has this issue been the subject of hearings or serious debate in the 105th Congress. There is nothing in the budget resolution that calls for dealing with the issue, as I said.

Nevertheless, the bill before us would increase the eligibility age for Medicare and would do so without protecting the seniors aged 65 and 66 to make sure that they will have access to affordable health insurance as they age. Typically corporations now have men aged 65 to offer retirement in many cases, and that is the vulnerable age. If there is an illness that befalls someone or they run into economic differences during that period of time, that is a very harmful experience. I think it would be a serious mistake to do that without making certain that the those aged 65 and 66 are protected.

Before going further, I want to acknowledge that the Senators who are responsible for this proposal are trying in good faith to confront the long-term problems facing the Medicare Program. They deserve real credit for that. I, too, would like to have a comprehensive review on Medicare.

I think we have made a good first step back when we finally had the policy behind the development. That was to add years of solvency to the Medicare Program while we engaged in a comprehensive review. So this is not the time, frankly, nor the place on our agenda to do that. So I disagree with their approach.

My concern is that if we simply exclude 65- and 66-year-olds from Medicare, what do these folks do? At that age private health insurance can be prohibitively expensive, if it is available at all. Without Medicare, these people may have nowhere else to turn.

Mr. President, I point out that more and more businesses are dropping health insurance coverage for their retirees. The trend has been accelerating in recent years, and it may well continue into the future.

I know lots of people who face retirement who want to engage in a business or continue to work productively. But in almost no case can they be assured that they are going to get private health insurance to take them over if they wanted to go beyond Medicare protection. So private insurance doesn't look like it is a real course for those in that 65–66 category.

It is a frightening prospect. I have never heard so many conversations from people about their concerns about health insurance. It is a continuing subject. Notice that in job opportunities very often the health insurance discussion is no longer one that is available. Lots of small companies can't afford to provide it, and they don't.

So people are worried about the prospect of bankruptcies as a result of a catastrophic illness, about being put out on a limb and not getting the coverage that they need. We know that hospital services in this area are expensive. We also know that there has been a major change in the psychology of our society; that is, people in their sixties no longer expect to be put out to pasture. They can do lots of good things. Take it from an expert here,

they can do lots of good things. And they want to know that their health is protected.

So it is a scenario that could face millions of Americans if we are not careful.

If the Congress decides, Mr. President, that the Medicare eligibility age should be changed, there are ways to protect senior citizens in the process. Some have suggested allowing uncovered seniors to pay a reasonable premium in return for Medicare coverage. Others have suggested subsidizing private insurance or other options.

I am not advocating any single program at this point. My focus is that we should not pull the rug out from millions of Americans without ensuring that they have at least a basic safety net.

I also believe that a fast-track reconciliation bill is the wrong vehicle to be considering a fundamental change like this. For those who are not familiar with our terminology, "fast track" means get it done, try to zip it through the place—not undercover but to try to get it done. The reconciliation bill is one that kind of commands an enforcement mechanism for achieving the objectives that we set out for ourselves—in this case the balanced budget by the year 2002, to try to extend the solvency of Medicare, take care of legal immigrants who are here, to provide insurance coverage for children that are not ensured.

Those are the missions that we encompass in this bill. They were negotiated over a long period of time—several months. They were very difficult negotiations—difficult not because we were at each other's throat but because we tried to deal with reason and thought and arrived at a consensus that would take care of most of the needs that we provide for our citizens, including a massive infusion into our education programs to provide young people with opportunities for the future, and again to protect senior citizens who are perhaps impoverished and can't afford increased premiums. Suddenly this is a new factor introduced from the Finance Committee which is an amendment to the basic bill.

In addition to the limit on amendments to the reconciliation, it would be very difficult even for Senators to consider fully various options.

The proponents of rating the eligibility age in this bill argue that we must act now to give Americans adequate notice about a change that is coming in the future. However, I would note that this bill includes a commission to look at the long-term issues involving the Medicare Program. The commission is required to report within 1 year of this bill's enactment. If the commission determines that a delay in the eligibility age is required, Americans will have plenty of notice about that possibility to be able to respond with their community and with their organizations. They will be able to send in considered opinions. I think we must do that.

So I hope that my colleagues will support the effort to remove this provision from the reconciliation bill. It would be wrong to leave older Americans without health care coverage. We certainly shouldn't do so on something that is going to move as rapidly as this is without an opportunity for having adequate public input and a full debate.

So, Mr. President, again I salute the effort of those who are offering the change because they think that it is essential for the solvency and for the long-term survival of Medicare. But, on the other hand, if it is that important and that crucial, then we ought to make sure that we allow enough time and allow enough review to make certain that the step we are going to choose is the correct one.

Mr. President, I see nothing is going on at this moment. I therefore, note the absence of a quorum, and I ask that it be charged to both sides.

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

The clerk will call the roll.

The bill clerk proceeded to call the roll.

Mr. ROTH. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

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

MORNING BUSINESS

Mr. ROTH. Mr. President, I ask unanimous consent there now be a period for the transaction of morning business with Senators permitted to speak for up to 5 minutes each.

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

HOME HEALTH CARE PROSPECTIVE PAYMENT ACT OF 1997

Mr. HATCH. Mr. President, over the past several months, I have been developing legislation to dramatically reform the way Medicare pays for home health services. This effort builds on my work in the Finance Committee during 1995 where I strove to see a prospective payment system for home health services included in the Balanced Budget Act agreement.

The culmination of this year's efforts is a bill I introduced on June 16, the Home Health Care Prospective Payment Act of 1997 (S. 913). The Home Health Care Prospective Payment Act is intended to achieve three primary goals:

First, the bill will create incentives for providers to behave in a more cost effective manner.

Second, it will help assure that the federal government achieves the necessary savings it seeks in order to ensure the solvency of the Medicare program well into the next century.

And third, perhaps most importantly, my bill accomplishes these first two goals while protecting the quality and continuity of home health care services for beneficiaries.

As my colleagues are aware, I have been a strong supporter of home health care services ever since I came to this body. I have applauded changes that have made it easier to treat Medicare patients in the most cost-effective setting. The changes we have made to the system have benefited many patients who would otherwise have not received care. In other cases, these individuals would have had to wait until their health deteriorated to the point of having to be admitted to a hospital. This outcome was neither cost effective nor good health care policy.

We have learned a great deal about Medicare reimbursement since we passed the prospective payment system [PPS] for hospitals in 1983. We now know the value of a proper transition period so that providers will be able to manage their operations toward a permanent system.

We also know that we can model a payment system that encourages providers to manage costs and utilization better. We realize that moving to a new reimbursement system is a massive undertaking. The amount of data, time, and expense is enormous. It is especially important not to unnecessarily burden health care providers, Government, or patients with administrative requests.

My legislation proposes to begin a transition to a home health care PPS immediately, rather than waiting until fiscal year 2000. Instead of relying on cost limits, we can begin using predetermined rates in an initial PPS system during fiscal years 1998 and 1999.

The principle behind prospective payment is to shift the risk from the Government to providers. This is done by rewarding providers for keeping their costs below the rates—or having them absorb the loss if their costs are over the rates. Therefore, I propose we incorporate a limited shared savings plan during the initial 2 years of the PPS to encourage more cost effective behavior by health care providers.

In addition, there needs to be greater sensitivity to the data demands and consequences in our proposal. For example, there needs to be some discretion for the Secretary of the Department of Health and Human Services to designate a different base year for extraordinary situations that may arise in a particular case. There are other proposals that may be considered that might be good ideas in and of themselves. Some proposals, however, may impose data, time, or cost demands that are unnecessarily burdensome to providers, patients, or the Government—but may not be necessary for PPS implementation.

The changes I am proposing in my legislation are not new to the Senate, but merely reflect the information and legislative history we have gained through our consideration of Medicare payment reforms. My legislation will make home health care reform consistent with that history.

Mr. President, for the benefit of my colleagues I ask unanimous consent that a section-by-section analysis of S. 913 be printed in the RECORD.

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

SECTION-BY-SECTION ANALYSIS

Section 1. Provides a short title and a table of contents.

Section 2. Provides that amendments made by the Act are to the Social Security Act.

Section 3. Provides for the recapture of savings from the temporary freeze on payments for home health payments from 1994 to 1996 in updating home health costs limits for FY 1998 and subsequent years.

Section 4. Provides for the establishment of an initial prospective payment system for home health services beginning in FY 1998. Payments would be based on rates equal to the lower of—

Costs determined under the current reimbursement system (revised to limit costs to 105 percent of the median of visit costs for freestanding home health agencies and eliminating annual rate updates); or

An agency-specific per-beneficiary annual limit based on 1993 cost reports, multiplied by the agency's unduplicated patient census.

Annual limits for new providers would be based on an average of limits applied to other home health agencies. Incentive payments would be available to agencies equal to 50 percent of the amount by which its year end reasonable costs are below its per-beneficiary annual limit.

Section 5. Provides for the establishment of a permanent prospective payment system for home health services beginning in FY 2000. Payments would cover all services included in the Medicare home health benefit, including medical supplies. In determining payment amounts, the Secretary of Health and Human Services would be required to determine an appropriate unit of home health service, to provide for adjustments based on variations in the mix of services provided, and to assure continued access to quality services. Payments would be subject to annual adjustments based on the home health market basket index. The Secretary would be authorized to develop a payment provision for outliers based on unusual variations in the type or amount of medically necessary services.

Initial payment rates for a permanent prospective payment system would be required to be developed in a manner that would assure the achievement of the scorable savings of the act.

Section 6. Provides for home health services to be reimbursed on the basis of the geographic location where the service is furnished.

Section 7. Provides for the elimination of periodic interim payments for home health services upon implementation of a permanent prospective payment system.

Section 8. Provides for limiting Part A coverage of home health services to the first 100 visits following a hospital stay. Clarifies coverage of intermittent and part-time nursing care. Provides for the exclusion of the costs of home health services from the calculation of Part B monthly premiums. Provides a new definition of the term "homebound". Authorizes the Secretary to deny coverage of home health services which are in excess of normative standards for the frequency and duration of care.

SKILLED NURSING FACILITIES PROSPECTIVE PAYMENT ACT OF 1997

Mr. HATCH. Mr. President, on June 16, 1997, I introduced legislation, S. 914, proposing to revise the present system in which the Medicare Program pays for services provided by skilled nursing facilities [SNF's]. This legislation builds on my work in the Finance Committee in 1995 when the committee included a proposal I authored to implement a prospective payment system for nursing home payments.

As currently structured under Medicare, seniors receive up to 100 days of skilled nursing facility services following a 3-day hospitalization stay. Currently, those services are reimbursed on a cost-plus basis. As Medicare has evolved, however, so have systems of cost-plus reimbursement.

For many years, I have worked with my colleagues in the Senate to provide seniors with the services they need in a skilled nursing facility setting. I have worked to modify the Medicare reimbursement methodology in order to provide economic incentives to SNF providers to provide the highest quality of care at a reasonable and affordable price to the Medicare Program.

My legislation will accomplish that goal.

Congress initially began requiring prospective payments for skilled nursing facilities in the early 1980's. However, the Health Care Financing Administration [HCFA] has not been able to identify an appropriate payment methodology, and how best to define the services provided to seniors in a comprehensive way. Nevertheless, we have come a long way since the mid 1980's in understanding the proper structure of prospective payment systems. We are now on the verge of fundamentally revamping the current cost-plus payment system for these important services.

Let me briefly describe the key parts of my legislation.

First, during fiscal year 1998, the Health Care Financing Administration will begin phase one of a per diem, prospective payment system [PPS] for skilled nursing facilities. Such payment would be based on historical data regarding a particular facility's costs and services provided. While it is expected that the new rate is an all-inclusive rate, encompassing routine costs, ancillary services, and capital-related expenses, during the first year, HCFA is likely to adjust both the inclusion of ancillary services and capital costs only when they have sufficient data to adequately measure and quantify the level of those services.

It would be unfortunate for HCFA to put into effect a system that did not adequately account for the medical services offered to residents within a skilled nursing home. I urge HCFA to implement and include all ancillaries only when the data and the information are adequate.

Second, during the 4 four years the prospective payment system will evolve into a full PPS system where the services for an individual in a skilled nursing facility bed will be adjusted for their medical and nursing needs. This legislation calls on HCFA to develop a case-mix methodology that adequately reflects the medical needs of each patient. I have heard from many experts that the current case mix methodology does not adequately reflect certain medical needs of many skilled nursing home patients. It is my intention that the case-mix methodology be current and reflect all services provided.

And third, once this system is in place, it will provide the right kind of economic incentives so that providers will seek all services medically necessary. The Medicare Program will not be in a situation of overpaying for such services; it will provide a competitive balance so that all skilled nursing services, regardless of whether they are hospital SNF beds or freestanding SNF beds, will have comparable incentives to provide high quality services to beneficiaries.

It is extremely important that we change the existing and limited incentives in the Medicare system so that providers will offer services in the most cost-effective way. Hospitals are already under a PPS system; physicians are reimbursed on a predetermined rate as well. This approach is now the next important step in our continuing effort to ensure appropriate fiscal responsibility by the Federal Government while also ensuring that seniors have access to the important health benefits offered under the Medicare Program.

Mr. President, for the benefit of my colleagues, I have prepared a section-by-section summary of my bill and I ask unanimous consent that it be printed in the RECORD.

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

SECTION-BY-SECTION ANALYSIS

Establishes a prospective payment system for skilled nursing facility (SNF) services and provides for consolidated billing of Part B services provided to residents of such facilities.

Subsection (a): Provides for the establishment of a prospective payment system for services covered by the Medicare skilled nursing facility benefit, including routine service, ancillary services (except diagnostic services), and related capital costs, beginning with cost reporting periods starting on

or after July 1, 1998. Payment would be based on per diem rates established by the Secretary of Health and Human Services.

Provides a four-year transition period for shifting the calculation of payments rates from facility-specific historic cost data to average national or regional costs. During the first year of the new system, payments would be based on facility-specific per diem rates. For the second through fourth years, payments would be based on a blend of facility-specific and federal rates. In the fifth year and thereafter, payments would be based exclusively on federal per diem rates.

Payments to new facilities would be based on federal per diem rates.

Federal per diem rates would be determined by the Secretary on the basis of 1995 cost data for all SNF settings and would include an estimate of amounts that would be payable under Part B for services furnished to SNF residents. Rates would be adjusted by variations in wage levels and case mix and could be computed separately for urban and rural areas based on national or regional classification. Rates would be updated annually by the skilled nursing facility market basket index.

Federal payment rates would be applied to individual facilities subject to adjustments for case mix and geographic variations in labor costs. A method of making adjustments based on case mix variations would be required to be developed by the Secretary in the form of a regulation subject to public notice and comment.

SNFs would be required to provide to the Secretary with resident assessment data as may be necessary to develop and implement per diem rates.

The Secretary would be required to develop an appropriate method of applying a prospective payment system to Medicare low volume SNFs and swing bed hospitals.

Subsection (b): Provides for consolidated billing of most Part B services furnished to residents of a skilled nursing facility, including services provided by other entities under arrangement. Claims for such services would be required to be submitted directly by the SNF and include a code or codes identifying the items or services delivered. Payment would be made to the SNF based on the Part B payment methodology (such as fee schedules) applicable to the particular item or service. Facilities would be permitted to reassign such payments when the item or service was furnished by another entity. Payments for therapy services would be required to reflect the new salary equivalency guidelines for physical, occupational, and respiratory therapy and speech-language pathology after such guidelines are finalized through the regulatory process.

The Secretary would be required to establish a medical review process to examine the effects of the changes made by the Act on the quality of skilled nursing facility furnished to Medicare beneficiaries.

MESSAGES FROM THE PRESIDENT

Messages from the President of the United States were communicated to the Senate by one of his secretaries.

EXECUTIVE MESSAGES REFERRED

As in executive session the Presiding Officer laid before the Senate messages from the President of the United States submitting sundry nominations which were referred to the appropriate committees.

(The nominations received today are printed at the end of the Senate proceedings.)

REPORT ON FEDERAL ADVISORY COMMITTEES FOR FISCAL YEAR 1995—MESSAGE FROM THE PRESIDENT—PM 47

The PRESIDING OFFICER laid before the Senate the following message from the President of the United States, together with an accompanying report; which was referred to the Committee on Government Affairs.

To the Congress of the United States:

As provided by the Federal Advisory Committee Act, as amended (Public Law 92–463; 5 U.S.C., App. 2, 6(c)), I am submitting my third *Annual Report on Federal Advisory Committees*, covering fiscal year 1995.

Consistent with my commitment to create a more responsive government, the executive branch continues to implement my policy of maintaining the number of advisory committees within the ceiling of 534 required by Executive Order 12838 of February 10, 1993. As a result, my Administration held the number of discretionary advisory committees (established under general congressional authorizations) to 512, or 36 percent fewer than the 801 committees in existence at the time I took office.

During fiscal year 1995, executive departments and agencies expanded their efforts to coordinate the implementation of Federal programs with State, local, and tribal governments. To facilitate these important efforts, my Administration worked with the Congress to pass the "Unfunded Mandates Reform Act of 1995" (Public Law 104–4), which I signed into law on March 22, 1995. The Act provides for an exclusion from the Federal Advisory Committee Act (FACA) for interactions between Federal officials and their intergovernmental partners while acting in their official capacities. This action will directly support our joint efforts to strengthen accountability for program results at the local level.

Through the advisory committee planning process required by Executive Order 12838, departments and agencies have worked to minimize the number of advisory committees specifically mandated by statute. There were 407 such groups in existence at the end of fiscal year 1995, representing a 7 percent decrease over the 439 at the beginning of my Administration. However, we can do more to assure that the total costs to fund these groups, $46 million, are dedicated to support high-priority public involvement efforts.

My Administration will continue to work with the Congress to assure that all advisory committees that are required by statute are regularly reviewed through the congressional reauthorization process and that remaining groups are instrumental in achieving national interests. The results that can be realized by working together to achieve our mutual objective of a better, more accessible government will increase the public's confidence in the effectiveness of our democratic system.

WILLIAM J. CLINTON.

THE WHITE HOUSE, *June 23, 1997.*

MESSAGES FROM THE HOUSE

At 1:29 p.m., a message from the House of Representatives, delivered by Ms. Goetz, one of its reading clerks, announced that the House has passed the following bill, in which it requests the concurrence of the Senate:

H.R. 1902. An act to immunize donations made in the form of charitable gift annuities and charitable remainder trusts from the antitrust laws and State laws similar to the antitrust laws.

EXECUTIVE AND OTHER COMMUNICATIONS

The following communications were laid before the Senate, together with accompanying papers, reports, and documents, which were referred as indicated:

EC–2267. A communication from the Secretary of the Interior, transmitting, pursuant to law, a report entitled "Outer Continental Shelf Lease Sales: Evaluation of Bidding Results and Competition"; to the Committee on Energy and Natural Resources.

EC–2268. A communication from the Acting Deputy, Assistant Secretary for Fish and Wildlife and Parks, Office of the Secretary, Department of the Interior, transmitting, pursuant to law, a report relative to the El Camino Real de Tierra Adentro; to the Committee on Energy and Natural Resources.

EC–2269. A communication from the Secretary of Transportation, transmitting, a draft of proposed legislation entitled "The Amtrak Restructuring Act of 1997"; to the Committee on Commerce, Science, and Transportation.

EC–2270. A communication from the Secretary of Transportation, transmitting, pursuant to law, a report entitled "The Regional Attorney Pilot Project"; to the Committee on Commerce, Science, and Transportation.

EC–2271. A communication from the Assistant Secretary of Commerce for Legislative and Intergovernmental Affairs, transmitting, a draft of proposed legislation entitled "The NOAA Corps Disestablishment Act"; to the Committee on Commerce, Science, and Transportation.

EC–2272. A communication from the Acting General Counsel of the Department of Defense, transmitting, a draft of proposed legislation that would clarify the treatment of military and National Guard aircraft as public aircraft; to the Committee on Commerce, Science, and Transportation.

EC–2273. A communication from the Executive Director of the U.S. Olympic Committee, transmitting, pursuant to law, the annual report for calendar year 1996; to the Committee on Commerce, Science, and Transportation.

EC–2274. A communication from the Secretary of the U.S. Consumer Product Safety Commission, transmitting, pursuant to law,

a rule requiring child-resistant packaging for ketoprofen received on May 22, 1997; the Committee on Commerce, Science, and Transportation.

EC-2275. A communication from the Director of Resource Management and Planning Staff, Trade Development, International Trade Administration, Department of Commerce, transmitting, pursuant to law, a rule concerning the Market Development Cooperator Program (RIN0625-ZA05) received on June 3, 1997; to the Committee on Commerce, Science, and Transportation.

EC-2276. A communication from the Secretary of Commerce, transmitting, pursuant to law, a report on the use of Advanced Telecommunications Services for medical purposes; to the Committee on Commerce, Science, and Transportation.

EC-2277. A communication from the Chairman of the Federal Trade Commission, transmitting, pursuant to law, the report of its accomplishments for fiscal year 1996; to the Committee on Commerce, Science, and Transportation.

EC-2278. A communication from the Administrator of the Agricultural Marketing Service, Department of Agriculture, transmitting, pursuant to law, a rule entitled "Limes Grown in Florida" (FV97-911-1A-IFR) received on June 5, 1997; to the Committee on Agriculture, Nutrition, and Forestry.

EC-2279. A communication from the Chief, Programs and Legislation Division, Office of Legislative Liaison, Office of the Secretary, Department of the Air Force, Department of Defense, transmitting, pursuant to law, a report relative to reducing the cost of Base Operating Support; to the Committee on Armed Services.

EC-2280. A communication from the Chief, Programs and Legislative Division, Office of Legislative Liaison, Office of the Secretary, Department of the Air Force, Department of Defense, transmitting, pursuant to law, a report relative to cost comparison of the Housing Maintenance function at Ramsten Air Base, Germany; to the Committee on Armed Services.

EC-2281. A communication from the Chief, Programs and Legislative Division, Office of Legislative Division, Office of Legislative Liaison, Office of the Secretary, Department of the Air Force, Department of Defense, transmitting, pursuant to law, a report relative to initiating cost comparisons of the Telephone Operations functions; to the Committee on Armed Services.

EC-2282. A communication from the Director, Office of Regulatory Management and Information, Office of Policy, Planning and Evaluation, U.S. Environmental Protection Agency, transmitting, pursuant to law, a report of three rules relative to Air Quality Implementation Plans, received on June 20, 1997; to the Committee on Environment and Public Works.

EC-2283. A communication from the Chief, Regulations Unit, Internal Revenue Service, Department of Treasury, transmitting, pursuant to law, a report of a rule relative to prescribed rates for federal income tax purposes, received on June 20, 1997; to the Committee on Finance.

EC-2284. A communication from the Director, Regulations Policy Management Staff, Office of Policy Food and Drug Administration, Department of Health and Human Services, transmitting, pursuant to law, a report of a rule entitled "Investigational New Drug Application; Exception from Informed Consent; Technical Amendment", received on June 20, 1997; to the Committee on Labor and Human Resources.

EC-2285. A communication from the Executive Director, District of Columbia Financial Responsibility and Management Assistance Authority, transmitting, a resolution relative to the disapproval of financial plan and budget Act 12-94; to the Committee on Governmental Affairs.

EC-2286. A communication from the Director, U.S. Office of Personnel Management, transmitting, pursuant to law, a rule entitled "Standards for a Merit System of Personnel Administration" (RIN3206-AH90), received on June 20, 1997; to the Committee on Governmental Affairs.

EC-2287. A communication from the Council of the District of Columbia, transmitting, pursuant to law, copies of D.C. Act 12-85 adopted by the Council on May 6, 1997; to the Committee on Governmental Affairs.

EC-2288. A communication from the Council of the District of Columbia, transmitting, pursuant to law, copies of D.C. Act 12-86 adopted by the Council on May 6, 1997; to the Committee on Governmental Affairs.

EC-2289. A communication from the Council of the District of Columbia, transmitting, pursuant to law, copies of D.C. Act 12-87 adopted by the Council on May 6, 1997; to the Committee on Governmental Affairs.

EC-2290. A communication from the Council of the District of Columbia, transmitting, pursuant to law, copies of D.C. Act 12-90 adopted by the Council on May 6, 1997; to the Committee on Governmental Affairs.

EC-2291. A communication from the Council of the District of Columbia, transmitting, pursuant to law, copies of D.C. Act 12-88 adopted by the Council on May 6, 1997; to the Committee on Governmental Affairs.

EC-2292. A communication from the Council of the District of Columbia, transmitting, pursuant to law, copies of D.C. Act 12-91 adopted by the Council on May 6, 1997; to the Committee on Governmental Affairs.

EC-2293. A communication from the Council of the District of Columbia, transmitting, pursuant to law, copies of D.C. Act 12-92 adopted by the Council on May 6, 1997; to the Committee on Governmental Affairs.

EC-2294. A communication from the Council of the District of Columbia, transmitting, pursuant to law, copies of D.C. Act 12-93 adopted by the Council on May 6, 1997; to the Committee on Governmental Affairs.

EC-2295. A communication from the Director, U.S. Office of Governmental Ethics, transmitting, pursuant to law, a report of a rule entitled "Executive Branch Financial Disclosure, Qualified Trusts, and Certificates of Divestiture" (RIN3209-AA00), received on June 18, 1997; to the Committee on Governmental Affairs.

EC-2296. A communication from the Secretary of the Treasury, transmitting, pursuant to law, a report relative to the Inspector General's Act for the period of October 1, 1996 to March 31, 1997; to the Committee on Governmental Affairs.

EC-2297. A communication from the Office of the Chairman, Board of Directors, Panama Canal Commission, transmitting, pursuant to law, a report under the Inspector General's Act for the period October 1, 1996 through March 31, 1997; to the Committee on Governmental Affairs.

EC-2298. A communication from the General Counsel, Federal Retirement Thrift Investment Board, transmitting, pursuant to law, a rule relative to the Thrift Savings Plan, received on June 16, 1997; to the Committee on Governmental Affairs.

EC-2299. A communication from the Executive Director of the District of Columbia Financial Responsibility and Management Assistance Authority, transmitting, pursuant to law, the Financial Plan and Budget for Fiscal Year 1998; to the Committee on Governmental Affairs.

EC-2300. A communication from the Director, U.S. Office of Personnel Management, transmitting, a draft of proposed legislation relative to judicial review to protect the merit system; to the Committee on Governmental Affairs.

EC-2301. A communication from the Council of the District of Columbia, transmitting, pursuant to law, copies of D.C. Act 12-79 adopted by the Council on May 6, 1997; to the Committee on Governmental Affairs.

EC-2302. A communication from the Council of the District of Columbia, transmitting, pursuant to law, copies of D.C. Act 12-80 adopted by the Council on May 15, 1997; to the Committee on Governmental Affairs.

EC-2303. A communication from the Secretary of Health and Human Services, transmitting, pursuant to law, a report under the Inspector General's Act for the period October 1, 1996 through March 31, 1997; to the Committee on Governmental Affairs.

EC-2304. A communication from the Federal Co-Chairman, Appalachian Regional Commission, transmitting, pursuant to law, a report under the Inspector General's Act for the period October 1, 1996 through March 31, 1997; to the Committee on Governmental Affairs.

EC-2305. A communication from the Chairman and General Counsel, U.S. Government National Labor Relations Board, transmitting, pursuant to law, a report for the period October 1, 1996 through March 31, 1997; to the Committee on Governmental Affairs.

EC-2306. A communication from the Administrator, National Aeronautics and Space Administration, transmitting, pursuant to law a report relative to the period ending March 31, 1997; to the Committee on Governmental Affairs.

EC-2307. A communication from the Secretary of Energy, transmitting, pursuant to law, sixteen reports relative to the period of October 1, 1996 through March 31, 1997; to the Committee on Governmental Affairs.

EC-2308. A communication from the Public Printer, U.S. Government Priniting Office, transmitting, pursuant to law, a report relative to the period from October 1, 1996 through March 31, 1997; to the Committee on Governmental Affairs.

EC-2309. A communication from the Director of the Office of Regulatory Management and Information, U.S. Environmental Protection Agency, transmitting, pursuant to law, three rules including a rule entitled "Correction of Implementation Plans" (FRL5847-8, 5848-4, 5844-3) received on June 23, 1997; to the Committee on Environment and Public Works.

EC-2310. A communication from the Regulatory Policy Official, National Archives and Records Administration, a report of a rule relative to Reproduction Fee Schedule (RIN3095-AA71), received on June 17, 1997; to the Committee on Governmental Affairs.

EC-2311. A communication from the Regulatory Policy Official, National Archives and Records Administration, transmitting, pursuant to law, a report of a rule entitled "Domestic Distribution of United States Information Agency Materials in the Custody of the National Archives" (RIN3095-AA55), received on June 17, 1997; to the Committee on Governmental Affairs.

EC-2312. A communication from the Chairman, National Endowment for the Arts, transmitting, pursuant to law, a report relative to the period of October 1, 1996 to

March 31, 1997; to the Committee on Governmental Affairs.

EC-2313. A communication from the Inspector General, U.S. Office of Personnel Management, transmitting, pursuant to law, a report relative to the period October 1, 1996 through March 31, 1997; to the Committee on Governmental Affairs.

INTRODUCTION OF BILLS AND JOINT RESOLUTIONS

The following bills and joint resolutions were introduced, read the first and second time by unanimous consent, and referred as indicated:

By Mr. McCONNELL (for himself, Mr. HATCH, Mr. KYL, and Mr. SESSIONS):

S. 950. A bill to provide for equal protection of the law and to prohibit discrimination and preferential treatment on the basis of race, color, national origin, or sex in Federal actions, and for other purposes; read the first time.

STATEMENTS ON INTRODUCED BILLS AND JOINT RESOLUTIONS

By Mr. McCONNELL (for himself, Mr. HATCH, Mr. KYL and Mr. SESSIONS):

S. 950. A bill to provide for equal protection of the law and to prohibit discrimination and preferential treatment on the basis of race, color, national origin, or sex in Federal actions, and for other purposes; read the first time.

THE CIVIL RIGHTS ACT OF 1997

Mr. McCONNELL. Mr. President, I am pleased today to announce the introduction of the Civil Rights Act of 1997. President Clinton has asked for a national dialog on the issue of race in America. I applaud his efforts and welcome this opportunity.

Any discussion of race must begin with the basic principle that all are created equal. In fact, the Constitution, our Nation's most cherished document, mandates that all individuals receive the equal protection of the laws.

No one in our history understood the principle of equality better than the Reverend Martin Luther King, Jr. Reverend King spoke eloquently about a time when people would be judged by the "content of their character" and not the "color of their skin." He, like so many of us do today, prayed for America to become a colorblind society.

This fundamental principle of equality is the foundation for the Civil Rights Act of 1997, which declares that: the Federal Government shall not discriminate against or grant a preference to any individual or group based on race, color, national origin, or sex.

The Federal Government must lead by example. We must promote a nation where our citizens are seen as individuals and not as mere members of a group. We must declare that the immutable traits of race and sex will not be relevant in Federal contracting and employment. Simply put, the Federal Government should not decide who gets the contract or who gets the job based on race and gender.

NO WINNERS IN A WORLD OF GOVERNMENT PREFERENCES

Throughout our nation's long history, we have established that certain immutable traits should be irrelevant in life. Yet, in direct defiance of this principle, the Federal Government has engineered policies and programs to award valuable Federal dollars, jobs, and contracts to individuals based on the immutable traits of race and gender. In fact, last summer, the Congressional Research Service found that the Federal Government runs approximately 160 race and gender preference programs.

These preference practices and programs serve to divide, rather than unite. There are no winners in a world of government-sponsored set-asides and quotas.

First, Government preferences harm the very ones it seeks to help. Minorities who receive affirmative action preferences are often stigmatized and stereotyped. And, the stigma doesn't stop with those who receive the preferences. The cloud also unfairly hovers over the heads of all the other minorities whose accomplishments are not based on their race or gender, but purely on merit. All of this serves to reinforce group stereotypes at a time when we so desperately need to move beyond division.

Second, every time the Government grants a preference to one person based on race or gender, it discriminates against another based on race and gender. Discrimination by any other name is still discrimination. And, it still strikes at the very heart and soul of the person being discriminated against.

Let me put a face on this discrimination, as reported recently in the Wall Street Journal:

> Michelle Doe is a 16-year-old girl and a straight-A student from a humble background in Corpus Christi, TX. She decided that she wanted to go to summer camp. The camp was called Camp Planet Earth, and was funded by the Federal Government's National Science Foundation.
>
> Michelle applied and became a finalist. Her hopes were dashed, however, during the interview stage where it became clear that she wasn't eligible for the camp. Why wasn't she eligible? Was it her grades? No, she was a straight-A student. Was it her application form? Did she forget to answer a question on her application? No.
>
> Michelle was denied the opportunity to go summer camp because of her race. You see, "the program was for 'minorities' only," and Michelle was not a minority.

In the words of the Wall Street Journal, "[w]hen Michelle went looking for some productive way to spend her summer, she soon discovered that the government divides people according to skin color."

Third, race and gender preferences create a downward spiral of division and animosity in our national melting pot. Government preferences put individuals into little group boxes and then pit them against each other. African-Americans against Hispanic-Americans against Asian-Americans against Caucasian-Americans.

Some have even gone so far to calculate the amount of money that one race owes to another. For example—and I promise that I'm not making this up—Richard America, a lecturer at the Georgetown University School of Business, has written a book that he calls, "Paying the Social Debt: What White America Owes Black America." According to the Washington Post, Mr. America has estimated that "White America Owes Black America" five to ten trillion dollars.

With all due respect to Mr. America, I cannot imagine a mentality that is more un-American. Our Nation cannot survive and thrive with this type of ledger sheet mentality. Justice Scalia summed up this point very poignantly in Adarand, and I quote:

> Individuals who have been wronged by unlawful racial discrimination should be made whole; but under our Constitution there can be no such thing as either a creditor or debtor race. * * * In the eyes of the government, we are just one race here. It is American.

COURTS AND THE AMERICAN PEOPLE UNDERSTAND THE DANGER AND DIVISIVENESS OF RACIAL PREFERENCES

The courts and the American people understand the danger and divisiveness of racial preferences.

First and foremost, the Supreme Court has ruled that racial preferences deserve the most exacting and strict scrutiny. In the landmark case of Adarand, the Court ruled that racial preferences will be allowed to stand only where they meet a compelling government interest that is narrowly tailored to redress specific past discrimination.

Just this month, the district court in Adarand ruled that the Federal highway construction program at issue in that case did not meet the Supreme Court's strict scrutiny standard and, thus, violated of the equal protection clause.

Second, lower courts, including the third, fourth, and fifth circuits, have recently struck down affirmative action programs. Additionally, a panel of the ninth circuit has upheld the decision of the California voters to ban preferences in California State government.

Last, and most importantly, the American people understand that preferences forever defer the dream of a colorblind society. Public opinion polls show that large majorities of Americans oppose racial preferences, including a large percentage of minorities. For example, a recent Washington Post-ABC News survey showed that not even a majority of African-Americans favor preferences.

A recent Zogby poll asked Americans about their view of this legislation.

The question asked "Would you support a federal law to ban discrimination and preferential treatment in the government?" An overwhelming 83 percent of Americans stated that they would support such a law, including 79 percent of African-Americans.

The American people and the courts understand this issue and I am hopeful that the Congress and the President will understand this issue as well as they do.

CONCLUSION

The President said over the weekend that he wants to "break down the barriers in our lives, our minds, and our hearts." The President must realize that the Federal Government has to take the lead in removing these barriers. He must realize what the American people know—that is—race and gender preferences serve only to raise barriers and to widen the breach.

I firmly believe that, in a matter of years, we will look back upon our Government's current race and gender preferences and shake our heads and wonder how we could have ever allowed such discriminatory and divisive practices to occur for so long. The Civil Rights Act of 1997 is the next step in our Nation's struggle to overcome discrimination and to achieve unity as a nation of individual Americans, not groups.

We must provide genuine opportunities to all disadvantaged individuals, regardless of race or gender. These opportunities can become a reality through a comprehensive empowerment strategy that includes: strict enforcement of the laws against discrimination, court-ordered remedial action for victims of specific acts of discrimination, and targeted outreach and recruiting efforts to encourage all qualified minorities to apply for Federal employment and contracts. We must also: improve our education system through competition and school choice, provide economic opportunities through reduced regulatory and tax burdens, move more and more persons from the welfare roll to the payroll, and finally, make the streets safer for every American child.

I would like to close today by quoting Ward Connerly, who so valiantly led the fight in California to end discrimatory preferences. In his recent letter to the President, Mr. Connerly wrote:

For the American experiment with democracy to succeed and for every American to have an equal chance to compete to fulfill our dreams, it will be necessary for the factory worker, the bus driver, the police officer, the fire official, the secretary, and all other Americans to embrace the principle of equality and to believe fervently in the proposition that "race has no place in American life or law."

I also want to say a special word of gratitude to Senators HATCH, KYL, and SESSIONS for their co-sponsorship of this civil rights legislation. Their leadership and integrity will be invaluable in our fight for all Americans to be treated as equal in the eyes of the law.

I ask unanimous consent that the text of the bill and a summary of the bill be printed in the RECORD.

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

S. 950

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the "Civil Rights Act of 1997".

SEC. 2. FINDINGS AND PURPOSE.

(a) FINDINGS.—Congress finds that—

(1) the fifth and fourteenth amendments to the Constitution guarantee that all individuals are entitled to equal protection of the laws, regardless of race, color, national origin, or sex;

(2) the Supreme Court, in Adarand Constructors, Inc. v. Pena, 515 U.S. 200 (1995), recently affirmed that this guarantee of equality applies to Federal actions;

(3) the Federal Government currently conducts over 150 programs, including contracting programs, that grant preferences based on race, color, national origin, or sex; and

(4) the Federal Government also grants preferences in employment based on race, color, national origin, or sex.

(b) PURPOSE.—The purpose of this Act is to provide for equal protection of the laws and to prohibit discrimination and preferential treatment in the Federal Government on the basis of race, color, national origin, or sex.

SEC. 3. PROHIBITION AGAINST DISCRIMINATION AND PREFERENTIAL TREATMENT.

Notwithstanding any other provision of law, neither the Federal Government nor any officer, employee, or agent of the Federal Government shall—

(1) intentionally discriminate against, or grant a preference to, any person or group based in whole or in part on race, color, national origin, or sex, in connection with—

(A) a Federal contract or subcontract;

(B) Federal employment; or

(C) any other federally conducted program or activity; or

(2) require or encourage a Federal contractor or subcontractor, or the recipient of a license or financial assistance, to discriminate intentionally against, or grant a preference to, any person or group based in whole or in part on race, color, national origin, or sex, in connection with any Federal contract or subcontract or Federal license or financial assistance.

SEC. 4. AFFIRMATIVE ACTION PERMITTED.

This Act does not prohibit or limit any effort by the Federal Government or any officer, employee, or agent of the Federal Government—

(1) to encourage businesses owned by women and minorities to bid for Federal contracts or subcontracts, to recruit qualified women and minorities into an applicant pool for Federal employment, or to encourage participation by qualified women and minorities in any other federally conducted program or activity, if such recruitment or encouragement does not involve granting a preference, based in whole or in part on race, color, national origin, or sex, in selecting any person for the relevant employment, contract or subcontract, benefit, opportunity, or program; or

(2) to require or encourage any Federal contractor, subcontractor, or recipient of a Federal license or Federal financial assistance to recruit qualified women and minorities into an applicant pool for employment, or to encourage businesses owned by women and minorities to bid for Federal contracts or subcontracts, if such requirement or encouragement does not involve granting a preference, based in whole or in part on race, color, national origin, or sex, in selecting any individual for the relevant employment, contract or subcontract, benefit, opportunity, or program.

SEC. 5. CONSTRUCTION.

(a) HISTORICALLY BLACK COLLEGES AND UNIVERSITIES.—Nothing in this Act shall be construed to prohibit or limit any act that is designed to benefit an institution that is an historically Black college or university on the basis that the institution is an historically Black college or university.

(b) INDIAN TRIBES.—This Act does not prohibit any action taken—

(1) pursuant to a law enacted under the constitutional powers of Congress relating to the Indian tribes; or

(2) under a treaty between an Indian tribe and the United States.

(c) CERTAIN SEX-BASED CLASSIFICATIONS.—This Act does not prohibit or limit any classification based on sex if—

(1) the classification is applied with respect to employment and the classification would be exempt from the prohibitions of title VII of the Civil Rights Act of 1964 by reason of section 703(e)(1) of such Act (42 U.S.C. 2000e–2(e)(1)); or

(2) the classification is applied with respect to a member of the Armed Forces pursuant to statute, direction of the President or Secretary of Defense, or Department of Defense policy.

(d) IMMIGRATION AND NATIONALITY LAWS.—This Act does not affect any law governing immigration or nationality, or the administration of any such law.

SEC. 6. COMPLIANCE REVIEW OF POLICIES AND REGULATIONS.

Not later than 1 year after the date of enactment of this Act, the head of each department or agency of the Federal Government, in consultation with the Attorney General, shall review all existing policies and regulations that such department or agency head is charged with administering, modify such policies and regulations to conform to the requirements of this Act, and report to the Committee on the Judiciary of the House of Representatives and the Committee on the Judiciary of the Senate the results of the review and any modifications to the policies and regulations.

SEC. 7. REMEDIES.

(a) IN GENERAL.—Any person aggrieved by a violation of section 3 may, in a civil action, obtain appropriate relief (which may include back pay). A prevailing plaintiff in a civil action under this section shall be awarded a reasonable attorney's fee as part of the costs.

(b) CONSTRUCTION.—This section does not affect any remedy available under any other law.

SEC. 8. EFFECT ON PENDING MATTERS.

(a) PENDING CASES.—This Act does not affect any case pending on the date of enactment of this Act.

(b) PENDING CONTRACTS AND SUBCONTRACTS.—This Act does not affect any contract or subcontract in effect on the date of enactment of this Act, including any option exercised under such contract or subcontract before or after such date of enactment.

SEC. 9. DEFINITIONS.

In this Act, the following definitions apply:

(1) FEDERAL GOVERNMENT.—The term "Federal Government" means executive and legislative branches of the Government of the United States.

(2) PREFERENCE.—The term "preference" means an advantage of any kind, and includes a quota, set-aside, numerical goal, timetable, or other numerical objective.

(3) HISTORICALLY BLACK COLLEGE OR UNIVERSITY.—The term "historically Black college or university" means a part B institution, as defined in section 322(2) of the Higher Education Act of 1965 (20 U.S.C. 1061(2)).

THE CIVIL RIGHTS ACT OF 1997—SUMMARY

The Civil Rights Act of 1997 is designed to bring the Federal Government into compliance with the Equal Protection Clause of the United States Constitution, and to ensure that the federal government treats all people equally, without regard to their race or sex.

The bill contains two main operative provisions:

(1). Prohibits the Federal Government from discriminating against, or granting preferences to, individuals based in whole or in part on race, color, national origin, or sex, in connection with federal contracts, employment, or other programs or activities.

(2). Prohibits the Federal Government from requiring or encouraging federal contractors, subcontractors, licensees, or recipients of federal assistance, to discriminate, or grant preferences to individuals on the basis of their race, color, national origin, or sex.

The Act defines "preference" as "an advantage of any kind" including quotas, set-asides, goals, timetables, and other numerical objectives.

The bill expressly protects the Federal Government's ability to engage in outreach, recruiting, and marketing efforts—the original form of affirmative action.

The bill maintains the full range of judicial remedies currently available to proven individual victims of race or sex discrimination.

The bill contains exemptions for historically Black colleges and universities, Indian tribes, and for sex-based bona fide occupational qualifications that are already exempt under Title VII of the Civil Rights Act of 1964 or applied in the Armed Forces.

The Act requires the heads of each department or agency to modify all existing policies and regulations to comply with the Act and report to the Senate and House Judiciary Committees the results of the modification.

The Act is limited to Federal Government actions and would not affect voluntary programs adopted by State and local governments, or private sector entities.

Mr. HATCH. Mr. President, last year, I stated on the Senate floor that "our country stands at a crossroads on the path it travels in relations among the different races and ethnic groups that make up the American people. Down one path is the way of mutual understanding and goodwill; the way of equal opportunity for individuals; the way of seriously and persistently addressing our various social problems as America's problems. * * * Down the other path is the way of mutual suspicion, fear, ill will, and indifference; the way of group rights and group preferences."

I am proud to stand today with my colleagues in the House and the Senate, and others who have worked so hard for the cause of equal opportunity, to announce the introduction of the Civil Rights Act of 1997. The act represents our best efforts to recommit the Nation to the ideal of equal opportunity for every American—to emphasize that we must resist the temptation to define the Nation's problems in narrow racial terms, and rather must roll up our sleeves and begin the hard work of dealing with our problems as Americans, and as fellow human beings.

Of course, our critics will imply that those of us who today reject divisive racial preferences and distinctions do so because we underestimate the social, economic, and discriminatory obstacles some Americans face. President Clinton, for example, told his audience in San Diego last week that "[t]he vast majority of [Californians who supported that state's Proposition 209] did it with a conviction that discrimination and isolation are no longer barriers to achievement." But that is just plain wrong.

To the contrary, last week in the Senate Judiciary Committee we heard from a panel of ordinary citizens who movingly told us of their experiences with discrimination in America. Among them was a Chinese-American mother from San Francisco, Charlene Loen, who told us how her young son Patrick was denied admission to an elite public magnet school, Lowell High School, because he is Chinese. The school district's efforts to ensure diversity among its students led it to employ a system of racial preference that had the effect of capping Chinese enrollment in many of its schools, forcing Chinese children to score much higher on entrance exams than children of other races. At virtually every public school Ms. Loen approached, she was first asked whether Patrick was Chinese, and when learning that he was, would inform Ms. Loen that Patrick need not apply. The Chinese quota was in effect full. Ladies and gentlemen, that is not the promise of America.

There should be no question that discrimination indeed continues to deny opportunities to too many Americans. At the Judiciary Committee's recent hearing we heard from black Americans, white Americans, Asian-Americans, and even a victim of an outrageous hate crime. But the question that we all must answer is whether one American's racial suffering should be valued above another's. It is a question that will only become more complicated and more urgent as our population grows ever more diverse.

As we in the Judiciary Committee now know, when we prefer individuals of one race, we must by definition discriminate against individuals of another. But America's great social divide can never be crossed until we begin the work of building a bridge of racial reconciliation. By saying today, with the introduction of this act, that the Federal Government stands for the principle that racial discrimination in all its forms is wrong, we hope to take a small step forward on the path to healing the Nation's racial wounds by recognizing that every American is equal before the law.

ADDITIONAL COSPONSORS

S. 278

At the request of Mr. GRAMM, the name of the Senator from South Carolina [Mr. HOLLINGS] was added as a cosponsor of S. 278, a bill to guarantee the right of all active duty military personnel, merchant mariners, and their dependents to vote in Federal, State, and local elections.

S. 348

At the request of Mr. MCCONNELL, the name of the Senator from Kentucky [Mr. FORD] was added as a cosponsor of S. 348, a bill to amend title I of the Omnibus Crime Control and Safe Streets Act of 1968 to encourage States to enact a Law Enforcement Officers' Bill of Rights, to provide standards and protection for the conduct of internal police investigations, and for other purposes.

S. 350

At the request of Mr. THURMOND, the names of the Senator from Oklahoma [Mr. INHOFE], and the Senator from South Carolina [Mr. HOLLINGS] were added as cosponsors of S. 350, a bill to authorize payment of special annuities to surviving spouses of deceased members of the uniformed services who are ineligible for a survivor annuity under transition laws relating to the establishment of the Survivor Benefit Plan under chapter 73 of title 10, United States Code.

S. 433

At the request of Mr. BROWNBACK, the name of the Senator from Oklahoma [Mr. INHOFE] was added as a cosponsor of S. 433, a bill to require Congress and the President to fulfill their Constitutional duty to take personal responsibility for Federal laws.

S. 496

At the request of Mr. CHAFEE, the names of the Senator from Arkansas [Mr. HUTCHINSON], the Senator from Illinois [Ms. MOSELEY-BRAUN], and the Senator from Louisiana [Ms. LANDRIEU] were added as cosponsors of S. 496, a bill to amend the Internal Revenue Code of 1986 to provide a credit against income tax to individuals who rehabilitate historic homes or who are the first purchasers of rehabilitated historic homes for use as a principal residence.

S. 541

At the request of Mr. ALLARD, the name of the Senator from Colorado [Mr. CAMPBELL] was added as a cosponsor of S. 541, a bill to provide for an exchange of lands with the city of Greely,

Colorado, and The Water Supply and Storage Company to eliminate private inholdings in wilderness areas, and for other purposes.

S. 548

At the request of Mr. ROBERTS, the name of the Senator from Wyoming [Mr. ENZI] was added as a cosponsor of S. 548, a bill to expand the availability and affordability of quality child care through the offering of incentives to businesses to support child care activities.

S. 648

At the request of Mr. GORTON, the name of the Senator from Ohio [Mr. DEWINE] was added as a cosponsor of S. 648, a bill to establish legal standards and procedures for product liability litigation, and for other purposes.

S. 755

At the request of Mr. CAMPBELL, the names of the Senator from Kentucky [Mr. MCCONNELL], and the Senator from Missouri [Mr. ASHCROFT] were added as cosponsors of S. 755, a bill to amend title 10, United States Code, to restore the provisions of chapter 76 of that title (relating to missing persons) as in effect before the amendments made by the National Defense Authorization Act for Fiscal Year 1997 and to make other improvements to that chapter.

S. 832

At the request of Mr. KOHL, the name of the Senator from Arkansas [Mr. BUMPERS] was added as a cosponsor of S. 832, a bill to amend the Internal Revenue Code of 1986 to increase the deductibility of business meal expenses for individuals who are subject to Federal limitations on hours of service.

S. 876

At the request of Mr. GREGG, the name of the Senator from Alaska [Mr. STEVENS] was added as a cosponsor of S. 876, a bill to establish a nonpartisan commission on Federal election campaign practices and provide that the recommendations of the commission be given expedited consideration by Congress.

S. 891

At the request of Mr. ABRAHAM, the name of the Senator from North Carolina [Mr. HELMS] was added as a cosponsor of S. 891, a bill to require Federal agencies to assess the impact of policies and regulations on families, and for other purposes.

AMENDMENTS SUBMITTED

THE BALANCED BUDGET ACT OF 1997

DODD AMENDMENT NO. 425

(Ordered to lie on the table.)

Mr. DODD submitted an amendment intended to be proposed by him to the bill, S. 947, to provide for reconciliation pursuant to section 104(a) of the concurrent resolution on the budget for fiscal year 1998; as follows:

On page 874, between lines 7 and 8, insert the following:

SEC. 5817A. CONTINUATION OF MEDICAID ELIGIBILITY FOR DISABLED CHILDREN WHO LOSE SSI BENEFITS.

(a) IN GENERAL.—Section 1902(a)(10(A)(i)(II) (42 U.S.C. 1396a(a)(10(A)(i)(II)) is amended by inserting "(or were being paid as of the date of enactment of section 211(a) of the Personal Responsibility and Work Opportunity Act of 1996 (Public Law 104–193; 110 Stat. 2188) and would continue to be paid but for the enactment of that section)" after "title XVI".

(b) EFFECTIVE DATE.—The amendment made by subsection (a) applies to medical assistance furnished on or after July 1, 1997.

GREGG AMENDMENT NO. 426

Mr. GREGG proposed an amendment to the bill, S. 947, supra; as follows:

On page 213, strike all of (d) and insert the following:

"(d) TERMS AND CONDITIONS OF IMPOSING PREMIUMS.—Each Medicare Choice organization shall permit the payment of net monthly premiums on a monthly basis and may terminate election of individual for a Medicare Choice plan for failure to make premium payments only in accordance with section 1851(g)(3)(B)(i)."

DEWINE AMENDMENT NO. 427

(Ordered to lie on the table.)

Mr. DEWINE submitted an amendment intended to be proposed by him to the bill, S. 947, supra; as follows:

At the appropriate place in chapter 3 of subtitle F of division 1 of title V, insert the following:

SEC. . MEDICARE SPECIAL REIMBURSEMENT RULE FOR PRIMARY CARE COMBINED RESIDENCY PROGRAMS.

(A) IN GENERAL.—Section 1886(h)(5)(G) of the Social Security Act (42 U.S.C. 1395ww(h)(5)(G)) is amended—

(1) in clause (i), by striking "and (iii)" and inserting ", (iii), and (iv)"; and

(2) by adding at the end the following:

"(iv) SPECIAL RULE FOR PRIMARY CARE COMBINED RESIDENCY PROGRAMS.—

(I) In the case of a resident enrolled in a combined medical residency training program in which all of the individual programs (that are combined) are for training a primary care resident (as defined in subparagraph (H)), the period of board eligibility shall be the minimum number of years of formal training required to satisfy the requirement for initial board eligibility in the longest of the individual programs plus one additional year.

"(II) A resident enrolled in a combined medical residency training program that includes an obstetrics and gyhecology and gynecology program qualifies for the period of board eligibility under subclause (I) if the other programs such resident combines with such obstetrics and gynecology program are for training a primary care resident.".

(b) EFFECTIVE DATE.—The amendments made by subsection (a) apply to combined medical residency training programs in effect on or after July 1, 1996.

HARKIN AMENDMENT NO. 428

Mr. HARKIN proposed an amendment to the bill, S. 947, supra; as follows:

At the end of the bill, add the following:

SEC. . IMPROVING INFORMATION TO MEDICARE BENEFICIARIES.

(a) CLARIFICATION OF REQUIREMENT TO PROVIDE EXPLANATION OF MEDICARE BENEFITS.—Section 1804 of the Social Security Act (42 U.S.C. 1393b–2) is amended by adding at the end the following new subsection:

"(c)(1) The Secretary shall provide a statement which explains the benefits provided under this title with respect to each item or service for which payment may be made under this title which is furnished to an individual, without regard to whether or not a deductible or coinsurance may be imposed against the individual with respect to such item or service.

"(2) Each explanation of benefits provided under paragraph (1) shall include—

"(A) a statement which indicates that because errors do occur and because medicare fraud, waste and abuse is a significant problem, beneficiaries should carefully check the statement for accuracy and report any errors or questionable charges by calling the toll-free phone number described in (C)

(B) a statement of the beneficiary's right to request an itemized bill (as provided in section 1128A(n)); and

"(C) a toll-free telephone number for reporting errors, questionable charges or other acts that would constitute medicare fraud, waste, or abuse, which may be the same number as described in subsection (b).".

(b) REQUEST FOR ITEMIZED BILL FOR MEDICARE ITEMS AND SERVICES.—

(1) IN GENERAL.—Section 1128A of the Social Security Act (42 U.S.C. 1320a–7a) is amended by adding at the end the following new subsection:

"(m) WRITTEN REQUEST FOR ITEMIZED BILL.—

"(1) IN GENERAL.—A beneficiary may submit a written request for an itemized bill for medical or other items or services provided to such beneficiary by any person (including an organization, agency, or other entity) that receives payment under title XVIII for providing such items or services to such beneficiary.

"(2) 30-DAY PERIOD TO RECEIVE BILL.—

"(A) IN GENERAL.—Not later than 30 days after the date on which a request under paragraph (1) has been received, a person described in such paragraph shall furnish an itemized bill describing each medical or other item or service provided to the beneficiary requesting the itemized bill.

"(B) PENALTY.—Whoever knowingly fails to furnish an itemized bill in accordance with subparagraph (A) shall be subject to a civil fine of not more than $100 for each such failure.

"(3) REVIEW OF ITEMIZED BILL.—

"(A) IN GENERAL.—Not later than 90 days after the receipt of an itemized bill furnished under paragraph (1), a beneficiary may submit a written request for a review of the itemized bill to the appropriate fiscal intermediary or carrier with a contract under section 1816 or 1842.

"(B) SPECIFIC ALLEGATIONS.—A request for a review of the itemized bill shall identify—

"(i) specific medical or other items or services that the beneficiary believes were not provided as claimed, or

"(ii) any other billing irregularity (including duplicate billing).

"(4) FINDINGS OF FISCAL INTERMEDIARY OR CARRIER.—Each fiscal intermediary or carrier with a contract under section 1816 or 1842 shall, with respect to each written request submitted to the fiscal intermediary or carrier under paragraph (3), determine

whether the itemized bill identifies specific medical or other items or services that were not provided as claimed or any other billing irregularity (including duplicate billing) that has resulted in unnecessary payments under title XVIII.

"(5) RECOVERY OF AMOUNTS.—The Secretary shall require fiscal intermediaries and carriers to take all appropriate measures to recover amounts unnecessarily paid under title XVIII with respect to a bill described in paragraph (4).".

(c) EFFECTIVE DATE.—The amendments made by this section shall apply with respect to medical or other items or services provided on or after January 1, 1998.

SEC. . PROHIBITING UNNECESSARY AND WASTEFUL MEDICARE PAYMENTS FOR CERTAIN ITEMS.

Notwithstanding any other provision of law, including any regulation or payment policy, the following categories of charges shall not be reimbursable under title XVIII of the Social Security Act:

(1) Entertainment costs, including the costs of tickets to sporting and other entertainment events.

(2) Gifts or donations.

(3) Personal use of motor vehicles.

(4) Costs for fines and penalties resulting from violations of Federal, State, or local laws.

(5) Tuition or other education fees for spouses or dependents of providers of services, their employees, or contractors.

SEC. . REDUCING EXCESSIVE BILLINGS AND UTILIZATION FOR CERTAIN ITEMS.

Section 1834(a)(15) of the Social Security Act (42 U.S.C. 1395m(a)(15)) is amended by striking "Secretary may" both places it appears and inserting "Secretary shall".

SEC. . IMPROVED CARRIER AUTHORITY TO REDUCE EXCESSIVE MEDICARE PAYMENTS.

PAYMENT FOR SURGICAL DRESSINGS.—Section 1834(i) of the Social Security Act (42 U.S.C. 1395m(i)) is amended by adding at the end the following new paragraph:

"(3) GROSSLY EXCESSIVE PAYMENT AMOUNTS.—Notwithstanding paragraph (1), the Secretary may apply the provisions of section 1842(b)(8) to payments under this subsection.".

SEC. . ITEMIZATION OF SURGICAL DRESSING BILLS SUBMITTED BY HOME HEALTH AGENCIES.

Section 1834(i)(2) (42 U.S.C. 1395m(i)(2)) is amended to read as follows:

"(2) EXCEPTION.—Paragraph (1) shall not apply to surgical dressings that are furnished as an incident to a physician's professional service.".

KENNEDY (AND WELLSTONE) AMENDMENT NO. 429

Mr. KENNEDY (for himself and Mr. WELLSTONE) proposed an amendment to the bill, S. 947, supra; as follows:

Strike section 5362.

GRAMS AMENDMENT NO. 430

(Ordered to lie on the table.)

Mr. GRAMS submitted an amendment intended to be proposed by him to the bill, S. 947, supra; as follows:

At the end of chapter 4 of subtitle F of division 1 of title V, insert the following:

SEC. . EXCLUDING GENERAL SERVICE WAGES AND HOURS ASSOCIATED WITH A SEPARATE SKILLED NURSING FACILITY IN DETERMINING MEDICARE GEOGRAPHIC RECLASSIFICATION OF CERTAIN HOSPITALS.

In the case of a hospital that is owned by a municipality and that has been reclassified as an urban hospital under section 1886(d)(10) of the Social Security Act for fiscal year 1996, in calculating the hospital's average hourly wage for purposes of continued geographic reclassification under such section for subsequent fiscal years, the Secretary of Health and Human Services shall exclude the general service wages and hours of personnel associated with a skilled nursing facility that is owned by the hospital or the same municipality and that is physically separated from the hospital to the extent that such wages and hours of such personnel are not shared with the hospital and are separately documented. A hospital that applied for and was denied reclassification as an urban hospital for fiscal year 1998, but that would have received reclassification had the exclusion required by this section been applied to it, shall be reclassified as an urban hospital for fiscal year 1998.

ADDITIONAL STATEMENTS

TRIBUTE TO MARLENE BURKE

• Mr. JEFFORDS. Mr. President, I rise today to pay tribute to Marlene "Molly" Burke of Rutland, VT. After 40 years of dedicated service to the teachers and students of Vermont, Molly has decided to retire.

Molly began her distinguished career, inspired by her father, in 1956 at Pittsford High School when she was 22 years old. After a summer abroad, she taught at Essex Junction High School for a short while, then moved to Proctor High in 1959. In 1964, she began teaching at my alma matter, Rutland High, where she remained for three decades. Molly taught history in the classroom, however her interaction with her students did not end in the classroom. Molly coached cheerleading, and directed class plays as well. Her commitment to excellence and dedication to the students beyond normal classroom hours is in the finest tradition of Vermont's educational system.

It was in recognition of her excellence that the Vermont teachers elected Molly president of the State chapter of the National Education Association in 1989. She moved to Montpelier where she headed the largest teachers union in Vermont because she believes that people should be treated fairly and equally and she made enormous efforts to improve the working conditions within all of Vermont's schools.

Molly Burke embodies what all educators should strive to achieve. Once again, I would like to extend my thanks for her service to Vermont and best wishes in her retirement.

Mr. President, I ask that an article from June 2, 1997, in the Rutland Daily Herald be printed in the RECORD.

The article follows:

[From the Rutland Daily Herald, June 2, 1997]

GOODBYE, MOLLY

(By Kevin O'Connor)

Here in history class, Rutland High teacher Marlene Burke is relating the story of a seemingly hapless rookie instructor of 40 years ago.

Miss Reichelt, age 22, taught English, math and social studies, coached cheerleading, directed class plays, snuck short afternoon naps and spent long nights marking papers and lesson plans, all for $8,000 a year.

Miss Reichelt, barely afloat by June, decided to bail out. Escaping to Europe, she capped her summer with a startling revelation:

She was born to teach.

Burke laughs at the punch line. Before she married, she was Miss Reichelt. She gave the classroom another chance. It, in return, gave her a career.

Burke has taught history for four decades, three of them at Rutland High. Colleagues elected her president of the state's 7,000-member teachers union three times from 1989 to 1995. She now heads the association's 200-member local arm.

Call her The Unsinkable Molly Burke. But exactly 40 years after first leaving the classroom, the teacher has decided to do it again.

She's retiring.

"I love what I do," she says, "but I think it's time."

Burke's career was inspired by her father, a German immigrant who believed in the American dream.

"He said with education you can do everything, without it you can do nothing," she recalls.

Burke entered public school after graduating from the parochial St. Michael's High School in Montpelier and Trinity College in Burlington. She started teaching Sept. 4, 1956 at Pittsford High, long since replaced by Otter Valley union High in neighboring Brandon.

Students couldn't pronounce "Miss Reichelt," so she wrote a few hints on the chalkboard:

Rye (like bread)

Kelt (like felt)

They worked too well.

"Some of them would spell it Ryekelt."

Miss Reichelt returned from Europe to teach at Essex Junction High before marrying Robert Burke and moving to Proctor High in 1959 and Rutland High in 1964.

Make that the "old" Rutland High. Burke taught at the Library Avenue campus until 1989, when Vermont teachers elected her president of their chapter of the National Education Association. Moving to Montpelier, she headed the state's largest teachers union for six years.

"Working conditions are big issues with teachers," she says. "I believe people need to be treated fairly and honestly."

(U.S. Sen. James Jeffords, R-Vt., confirmed the union's influence in an impromptu comment last week: "Teachers can really move things if they get together—Molly Burke can tell you that.")

When Burke returned to Rutland High in 1995, her colleagues had moved to an $8.7 million facility on Stratton Road.

Times had changed from her days at Pittsford High, where her old classroom featured a bulletin board.

"I used to try to change it at least twice a year."

Burke's new classroom has a bulletin board—and a computer with e-mail, a telephone with answering machine, a television with video-cassette recorder.

"The good old days," she concludes, "were terrible."

Burke may teach the past, but she touts progress. She likes today's longer class periods. Today's collaborative contract negotiations. And, an occasional nose ring or tongue stud aside, today's students.

"They say kinds have changed—they really haven't. Kids are kids. There were kids who misbehaved then, there are kids who misbehave now. Most of them are good."

Burke teaches a 130-year period of American history from the end of the Civil War to the end of the Cold War. For her, the last half isn't a lecture, it's her life.

"I remember exactly where I was when Kennedy was assassinated, when the space shuttle Challenger blew up . . . I try to give the kids the facts, and then bring in the emotions because I lived through it. I think it brings it alive."

And sparks questions. Take a recent lesson on the Vietnam War.

"One of my 16-year-olds said, You were alive then? You were teaching school?' I could have been talking about the Peloponnesian War."

That happens right up to Reagan's election in 1980—the year most of her juniors were born.

"I always say, 'You remember when . . .' Of course, they don't."

That's why students must study.

"If you don't learn from history, you're condemned to repeat it." she says, paraphrasing the famous quote.

Several of Burke's past students are parents of her present students. Alumni also sign her paycheck. Michael Dick, class of 1966, is president of the School Board. David Wolk, class of 1971, is school superintendent.

Although graduates always recognize her, she doesn't always recognize them.

"You had one history teacher for a year," she replies. "You forget I had 120 students a day."

They also forget she has a life outside the classroom. Burke recalls shopping with her son and daughter when a student approached.

"She said, 'Whose are these?' She never thought of me as anything but a woman in a room teaching history."

(Let alone a grandmother to a 2-year-old boy.)

Retirement will bring the former Miss Reichelt full circle.

"I want to go to Europe," she says, "and out West, and ski in the middle of the week, and not get up at 6 o'clock."

Once more she won't be teaching history.

"I'll be living it."•

THE 75TH ANNIVERSARY OF THE AHEPA

• Mr. LEVIN. Mr. President, I rise today to pay tribute to the American Hellenic Educational Progressive Association [AHEPA], which is celebrating its 75th anniversary this year. The AHEPA, whose mission is in part, "To promote good fellowship, and endow its members with a spirit of altruism, common understanding, mutual benevolence, and helpfulness to their fellow man," is an important organization with a strong chapter, district 10, located in my home State of Michigan.

In 1922, the AHEPA was formed in response to antiimmigrant sentiments directed toward United States immigrants of Greek descent. The AHEPA's primary goal was to help newly arrived Greeks become United States citizens and to share in the civic life of our country. To do so, the AHEPA formed schools which taught English and the principles of American government to new immigrants. In the process, the AHEPA also hoped to educate all Americans about the significant heritage and contributions immigrants of Greek descent add to the American community.

Today, the AHEPA is an international organization with chapters in Australia, the Bahamas, Canada, and Greece, as well as the United States. There are more than 1,000 chapters in North America alone, comprised of more than 60,000 members. The AHEPA promotes goodwill and positive relations between these countries by providing significant financial resources to a number of civic-improvement programs. These include charities, scholarships and other educational programs, cultural activities, athletic programs, local Greek communities and the church, and patriotic activities. Membership is not limited to people of Greek descent, although most members do share that ancestry.

The AHEPA has counted many notable political leaders as members, including former Presidents Franklin Roosevelt and Harry Truman and former Vice Presidents Hubert Humphrey and Spiro Agnew. Several Members of this body are or were members of AHEPA, including my good friend from Maryland, PAUL SARBANES, and a man we all deeply miss, the late Paul Tsongas from Massachusetts.

Mr. President, the American Hellenic Educational Progressive Association is truly a remarkable organization. Born out of the need to help new Greek immigrants assimilate into American culture, today the AHEPA encourages all of us to aspire to great things, to help those in need and to strengthen channels of communication between cultures. I know my colleagues will join me in saluting the men and women of the AHEPA and its auxiliaries for 75 years of commitment and dedication.•

FLOODING BRINGS TRAGEDIES TO IDAHO

• Mr. CRAIG. Mr. President, I rise to report a sad event in my State of Idaho that claimed the lives of two Guardsmen: Maj. Don Baxter of Boise, commander of the 124th Communications Flight, 124th Wing of the Idaho Air National Guard, and 1st Lt. Will Neal of Picabo, platoon leader with A Company, 1st-183 Aviation Battalion Army National Guard in Boise.

They were flying reconnaissance over the floods in southwest Idaho where their helicopter crashed. As the natural disaster rages through Idaho, as the communities band together, as we strive to save lives and property, we now must struggle with the reality that these men lost their lives, and CWO Shellby Wurthrich, with A Company, 1st-183 Aviation Battalion Army National Guard of Boise, is still fighting for his life.

These distinguished men had served their State and communities before. Major Baxter, a full time Guardsman, received many decorations, including the State of Idaho Emergency Ribbon in support of the Fire Suppression in 1994. Lieutenant Neal, a cattleman, received amongst his numerous decorations, the Army Commendation Medal, Army's Achievement Medal, National Defense Service Medal, and twice Army Reserve Component Medal. He was also airborne qualified.

A neighbor who saw the crash, without fear for her life, Ms. Sherry Lang, risked her own life to rescue Chief Warrant Officer Wurthrich before the helicopter exploded into flames. The heroism she displayed exemplifies the spirit of a community pulling together.

Chief Warrant Officer Wurthrich, recipient of the Army Commendation Medal, Army's Achievement Medal, National Defense Service Medal, twice, Army Reserve Component Medal, and many other decorations, is today being transferred to a burn treatment center in Utah. We pray for his strength during his recovery and ask everyone to remember him in the weeks and months to come.

As we mourn for the deceased, we mourn our loss and we sympathize with the sorrow of the bereaved. We search for the good things to remember as solace. Most of the richness of the human experience is in what is handed down from one to another—not things of wood and stone, but memories of what they did or said or felt.

We must remember and emulate these individuals for the best of their lives. As National Guardsmen, they sought out opportunities to safeguard and help the people of Idaho, in times of disasters and distress. With every mission, they risked of danger and injury. Ultimately, they gave their lives in helping their neighbors and their community.

This is why Idaho mourns their deaths and grieves with their families and understand their loss, for it is our loss, too. We will remember them and their heroic efforts. Life ends, but memories live on.•

MEASURE READ FOR THE FIRST TIME—S. 950

Mr. ROTH. Mr. President, I understand that S. 950, introduced today by Senator MCCONNELL, is at the desk. I ask for its first reading.

The PRESIDING OFFICER. The clerk will read the bill for the first time.

The assistant legislative clerk read as follows:

A bill (S. 950) to provide for equal protection of the law and to prohibit discrimination and preferential treatment on the basis of race, color, national origin, or sex in Federal actions, and for other purposes.

Mr. ROTH. I now ask for its second reading, and I object to my own request on behalf of Senators on the Democratic side of the aisle.

The PRESIDING OFFICER. The bill will be read for a second time on the next legislative day.

NATIONAL LITERACY DAY

Mr. ROTH. Mr. President, I ask unanimous consent that the Senate proceed to the immediate consideration of Calendar No. 81, Senate Resolution 92.

The PRESIDING OFFICER. The clerk will report the resolution.

The assistant legislative clerk read as follows:

A resolution (S. Res. 92) designating July 2, 1997, and July 2, 1998, as "National Literacy Day."

The Senate proceeded to consider the resolution.

Mr. ROTH. Mr. President, I ask unanimous consent that the resolution be agreed to, the preamble be agreed to, the motion to reconsider be laid upon the table, and that any statements relating to the resolution appear at the appropriate place in the RECORD.

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

The resolution (S. Res. 92) was agreed to.

The preamble was agreed to.

The resolution, with its preamble, is as follows:

S. RES. 92

Whereas 44,000,000 United States citizens today read at a level that is less than the level necessary for full survival needs;

Whereas there are 40,000,000 adults in the United States who cannot read, whose resources are left untapped, and who are unable to make a full contribution to society;

Whereas illiteracy is growing rapidly, as 2,500,000 persons, including as many as 1,300,000 immigrants, 1,500,000 high school dropouts, and 100,000 refugees, are added to the pool of illiterate persons annually;

Whereas the annual cost of illiteracy to the United States in terms of welfare expenditures, crime, prison expenses, lost revenues, and industrial and military accidents has been estimated at $230,000,000,000;

Whereas the competitiveness of the United States is eroded by the presence in the workplace of millions of Americans who are functionally or technologically illiterate;

Whereas there is a direct correlation between the number of illiterate adults who are unable to perform at the standard necessary for available employment and the money allocated to child welfare and unemployment compensation;

Whereas the percentage of illiterate persons in proportion to population percentage is higher for African Americans and Hispanics, resulting in increased economic and social discrimination against these minorities;

Whereas the prison population represents the highest concentration of adult illiteracy;

Whereas 1,000,000 children in the United States between the ages of 12 and 17 years old cannot read above a third grade level, 13 percent of all 17-year-olds are functionally illiterate, and 15 percent of graduates of urban high schools read at less than a sixth grade level;

Whereas 85 percent of the juveniles who appear in criminal court are functionally illiterate;

Whereas the 47 percent illiteracy rate among African American youths is expected to increase;

Whereas ½ of all heads of households cannot read above an eighth grade level and ⅓ of all mothers on welfare are functionally illiterate;

Whereas the cycle of illiteracy continues because the children of illiterate parents are often illiterate themselves due to the lack of support the children receive from their home environment;

Whereas Federal, State, municipal, and private literacy programs have been able to reach only 5 percent of the total illiterate population;

Whereas it is vital to call attention to the problem of illiteracy, to understand the severity of the illiteracy problem and the detrimental effects of illiteracy on our society, and to reach those who are illiterate and unaware of the free services and help available to them; and;

Whereas it is necessary to recognize and thank the thousands of volunteers who are working to promote literacy and provide support to the millions of illiterate persons in need of assistance: Now, therefore, be it;

Resolved, That the Senate—

(1) designates July 2, 1997, and July 2, 1998, as "National Literacy Day"; and

(2) requests that the President issue a proclamation calling on the people of the United States to observe "National Literacy Day" with appropriate ceremonies and activities.

ORDERS FOR TUESDAY, JUNE 24, 1997

Mr. ROTH. Mr. President, I ask unanimous consent that when the Senate completes its business today, it stand in adjournment until the hour of 9:30 a.m. on Tuesday, June 24. I further ask unanimous consent that on Tuesday, immediately following the prayer, the routine requests through the morning hour be granted and the Senate then resume consideration of the budget reconciliation bill, with 10 hours of debate equally divided remaining under the statutory time limitation.

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

Mr. ROTH. Mr. President, I further ask unanimous consent that there be 15 minutes equally divided prior to a vote in relation to Gregg amendment No. 426.

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

Mr. ROTH. I further ask unanimous consent that immediately following the 9:45 a.m. vote, Senator ROTH be recognized to offer an amendment.

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

PROGRAM

Mr. ROTH. Mr. President, for the information of all Senators, tomorrow morning the Senate will resume consideration of the reconciliation bill, and at 9:45 a.m., the Senate will proceed to a rollcall vote on, or in relation to, Senator GREGG's amendment No. 426. There are several other amendments that need to be disposed of; therefore, votes will occur throughout Tuesday's session of the Senate.

ADJOURNMENT UNTIL 9:30 A.M. TOMORROW

Mr. ROTH. Mr. President, if there is no further business to come before the Senate, I now ask unanimous consent that the Senate stand in adjournment under the previous order.

There being no objection, the Senate, at 7:45 p.m., adjourned until Tuesday, June 24, 1997, at 9:30 a.m.

NOMINATIONS

Executive nominations received by the Senate June 23, 1997:

DEPARTMENT OF STATE

MARTIN S. INDYK, OF THE DISTRICT OF COLUMBIA, TO BE AN ASSISTANT SECRETARY OF STATE, VICE ROBERT H. PELLETREAU, JR., RESIGNED.

IN THE ARMY

THE FOLLOWING NAMED OFFICERS FOR APPOINTMENT TO THE GRADE INDICATED IN THE UNITED STATES ARMY AND FOR REGULAR APPOINTMENT (IDENTIFIED BY AN ASTERISK (*)) UNDER TITLE 10, U.S.C., SECTIONS 624, 628, AND 531:

TO BE MAJOR

CORNELIUS S. MCCARTHY, x...
*TODD A. MERCER, x...

IN THE MARINE CORPS

THE FOLLOWING NAMED OFFICER FOR APPOINTMENT TO THE GRADE INDICATED IN THE UNITED STATES MARINE CORPS UNDER TITLE 10, U.S.C., SECTIONS 624 AND 628:

To be colonel

THOMAS W. SPENCER, x...

THE FOLLOWING-NAMED OFFICER FOR APPOINTMENT TO THE GRADE INDICATED IN THE UNITED STATES MARINE CORPS UNDER TITLE 10, UNITED STATES CODE, SECTIONS 624 AND 628:

To be lieutenant colonel

DENNIS M. ARINELLO, x...

THE FOLLOWING-NAMED OFFICER FOR APPOINTMENT TO THE GRADE INDICATED IN THE U.S. MARINE CORPS UNDER TITLE 10, UNITED STATES CODE, SECTIONS 624 AND 628:

To be major

CARLO A. MONTEMAYOR, x...