think, has the right message and has the right approach for protecting the future of America.

I think this is great. I am willing to brag about the fact that we protect every cent of Social Security's $1.9 trillion surplus in every year, which adheres to the spending agreement reached with the President in 1997. It also leaves $277 billion to finance emergencies and other priorities, like Medicare and prescription drugs, or simply additional debt reduction, yet still proposes returning $792 billion of the $1 trillion personal income tax overpayment to the taxpayers—I will run on that. I would be glad to run against any Democrat who would come up and say that he supports the President's plan which proposes to increase taxes by $100 billion over the next 10 years, a plan that, despite the largest Federal budget surplus in history, wants to increase taxes, wants $1.1 trillion more spending than a Congress which is adhering to the 1997 budget agreement, which raids Social Security for $30 billion over the next 10 years, which retires over $200 billion less in public debt than the Congress, and which would still not provide a single cent in net tax relief, despite a $1 trillion personal income tax overpayment.

I would be glad to run on that. It amazes me that as we get closer to the election, more and more of the debate gets to be toward cutting taxes. But when we are out from the election, then people criticize Republicans. Other Members in this body, on the other side, criticize Republicans for trying to do the responsible thing and recognize that the windfall that is coming into the Federal Government, the windfall that is coming into the States, actually belongs to the people. They are the ones who worked hard and the ones who earned it.

I want to come down on the side of many of my colleagues on the Republican side who have argued for a tax cut. I think we can do that and pay down the debt. As Senator ENZI mentioned in his comments earlier this morning, we can do both. We can pay down the debt. We can provide for a tax cut, and that is the responsible thing to do. To say that the responsible thing to do is more spending, I believe, is irresponsible.

I want to let it be known that I am strongly in favor of a tax cut, and I am strongly in favor of paying down the debt. I believe we can do both.

I yield the floor.

ORDER OF PROCEDURE

Mr. BAUCUS addressed the Chair.

The PRESIDING OFFICER. The Senator from Montana is recognized.

Mr. BAUCUS. Mr. President, I understand the other side had time, which would expire at 12:30, but I don't want to cut into that time.

The PRESIDING OFFICER. The other side has 4 minutes 5 seconds left.

Mr. BAUCUS. Mr. President, if the Senator from Colorado is not going to use that time, I ask unanimous consent to speak for the remaining 4 minutes.

Mr. ALLARD. Mr. President, if he asks unanimous consent to be allowed to speak for 2 minutes, I will be glad to yield that time.

Mr. BAUCUS. Mr. President, I ask unanimous consent to speak as in morning business when the Senate reconvenes at 2:15, for 15 minutes, and that Mr. SESSIONS be allowed to speak for 12 minutes as in morning business immediately following my remarks.

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

RECESS

The PRESIDING OFFICER. Under the previous order, the Senate stands in recess until the hour of 2:15 p.m.

Thereupon, the Senate, at 12:27 p.m., recessed until 2:17 p.m.; whereupon, the Senate reassembled when called to order by the Presiding Officer (Mr. INHOFE).

The PRESIDING OFFICER. The Senator from Montana is recognized.

THE TAX ''SURPLUS''

Mr. BAUCUS. Mr. President, when the tax reconciliation budget comes before the Senate tomorrow, I plan to offer an amendment which will provide for a lockbox on the Social Security surplus; that is, all the payroll tax surplus that would otherwise go to the Social Security trust fund would be locked into that trust fund. The amendment also provides that one-third of the onbudget surplus be set aside for Medicare.

Why am I doing that? Very simply, Mr. President, because I believe that as we leave this century and this millennium and as we move into the next century and the next millennium, we are faced with a historic opportunity to make decisions that are going to either correctly or incorrectly affect lots of Americans.

What do I mean? Very simply this. A little history first:

About 18 or 19 years ago, after the 1980 elections, this Congress passed a very large tax reduction bill—very large—proposed by the President and passed by this Congress.

What happened as a consequence of that very large tax cut in 1981? I think all commentators will agree—at least a vast majority of commentators will agree—that it caused the deficits in this country to shoot up and the national debt to rise. That tax cut was accompanied by a big increase in defense spending. I am not going to quarrel how much that increase was correct or incorrect. But the agreement is—and by far most people agree—that as a consequence of that action deficits rose dramatically.

If we add up the annual deficits beginning with President George Washington and continuing every year through all the Presidents in American history, up through and including Jimmy Carter, they total about $1 trillion.

In 1988, when Congress passed a tax cut, what happened? The national debt shot up. Why? Because deficits shot up. The national debt in 1980 was about $1 trillion. Twelve years later, the national debt was about $5-, $6- or $7 trillion. It increased $4- or $5 trillion, from $1 trillion to $6- or $7 trillion in that 12-year period—a huge national debt—and we are paying interest on that national debt in the neighborhood of $267- to $280 billion a year. That is what happened.

What did Congress do? It passed two tax increases. The Republican President, Republican Congress, passed two tax increases. There was a significant tax increase in 1982 because the deficits were going out of sight and, in 1984, another tax increase with the Republican President, Republican Congress because the deficits were still going out of sight. That is what happened in the 1980s when Congress was tempted and succumbed to the get-rich-quick siren song with huge tax reductions. That is what happened: instant gratification. However, the future kids and grandkids paid for it in the national debt increase. We passed on the burden and gave it to ourselves, saddling the future with the burden. That is what we did in 1981, pure and simple.

In 1999, what happened? Through a lot of factors, including the Democratic President and the Democratic Congress in 1993, we enacted a large deficit reduction, half tax increases and half spending cuts. Economists agree, as a consequence of that, the national deficit started coming down. The debt starting coming down.

That is not the only reason the debt started coming down. The economy was doing pretty well. Interest rates were down, probably because the market saw the President was going to get a handle on spending and handle on the deficit because the deficits were so high. With increasing technology and globalization, American firms became much more competitive in competing in world markets. The American economy did very well in the last several years as a consequence of all those factors. Incomes have gone up, payroll tax revenues have gone up, and income tax receipts have gone up.

What does that mean today? In 1999, we are projecting a $3 trillion surplus over the next 10 years. Mr. President, $2 trillion of that is payroll tax revenue increases, which we all agree will go to the Social Security trust fund; $2 billion of the $3 billion comes from payroll taxes, and we all agree it will go to the Social Security trust fund. That leaves $1 trillion in the surplus. That $1 trillion is generated by income tax receipts.

The question before the Congress is: What are we going to do with that $1 trillion? That is the question. As we are poised to move into the next millennium, I say we ought to make careful decisions about that. We better not

blow it. We better be careful, be prudent with the taxpayers' money, and do what is right.

What is right? I have two charts. The first chart shows the proposal that will come to the floor tomorrow, passed by the majority party, that will provide for a huge tax cut of $792 billion over 10 years. You have to add back $179 billion in interest over 10 years on the national debt because of the tax cut. That means the debt will go up, with more interest payments to make. What does that leave? That leaves $7 billion less after 10 years. That is all.

Man, oh, man, I could stand here for days and days and talk about the problems with that proposal. Let me mention a few. No. 1, this is only a projection. We have no idea what the surplus will be over the next 10 years. It is just a guess. Most commentators think the economy is overheated now. Maybe there is a bubble economy, and maybe the economy will not do so well over a good part of the next 10 years compared to the last 5 or 6 years.

This is a projection. What do we do with the projection? We are locking in tax cuts for the future, offset by a hope that we will have the revenues to pay for it. That is what we are doing. That is one thing that is wrong with this: A tax cut in place by law, offset by a hope that the money will be there—and it probably won't be there.

Second, I point out that the tax cuts are, in fancy parlance, backloaded. Most go into effect near the end of the 10-year period, meaning in the next 10 years, boy, we will really pay. That is when the deficit will start to increase. I said ''deficit'' increase, not ''surplus.''

The next chart shows that the baby boomers will start to retire about the year 2010, and in 2020 and 2030 most baby boomers will be hitting retirement age. That is when the tax cuts go into effect an even greater amount, meaning we have less money to take care of the baby boomers.

I say the size of this tax cut is much too much. Alan Greenspan does not agree with it. He says now is not the time for a tax cut because he knows it will tend to put upward pressure on interest rates. We all don't want to see an increase in interest rates.

In addition, there is nothing left over for Medicare. Medicare is an extremely important program for Americans. Ask Americans which national programs they think make the most sense, and most, I daresay, think Social Security is one and Medicare probably is another. Before Medicare went into effect, 50 percent of seniors had no health care; 50 percent had no health care benefits or programs when Medicare went into effect. Now virtually every senior has some kind of health care program.

What are the current problems with Medicare? There are several. Let me name three. No. 1, it does not provide for prescription drugs. Senior citizens get drugs when they are in the hospital, but Medicare will not pay for prescription drugs when they are out of the hospital. There is zero payment under Medicare for prescription drugs.

We all know that health care is changing in America. It is changing a little bit more from procedures and a little more toward drugs, DNA benefits, and things of that nature. Drugs have become much more important. That is one problem with Medicare. We have to provide for prescription drugs. Medicare does not now provide for outpatient prescription drugs.

No. 2, this Congress cut back on Medicare payments too much in 1997 with the so-called Balanced Budget Act of 1997. Medicare payments to hospitals increased significantly, I think on average about 10 percent over the 1990s. Now it is negative, it is cut back, because of provisions this Congress enacted a couple of years ago, which were too great, too much. We all hear it from our hospitals back home, whether they are teaching or rural hospitals, that it has been too much. That has to be dealt with. The majority budget does not deal with it, which is another reason for my amendment.

No. 3, Medicare is in trouble, folks. We all talk about Social Security. The Social Security trust fund will not reach zero deficit for 20 or 30 years. The Medicare trust fund will come down to zero, depending upon who is making the estimates, perhaps 12 or 15 years from now, much sooner than the Social Security trust fund.

I say, therefore, we should pay attention to Medicare. The amendment I will offer will provide that one-third of the on-budget surplus, one-third of the $1 trillion, will be dedicated to Medicare.

I know the arguments. We have to have structural reform of Medicare first before we can put more money into Medicare. I think most agree we need both structural reform and additional money for Medicare. When we in the Congress begin to address structural reform in Medicare, my guess is we will probably not have money anyway so it is good to set aside one-third of the on-budget surplus for Medicare.

If we do not need that one-third at the time, we can send it back to the people in tax cuts or we can use it for veterans' care or for education or for whatnot.

In summation—and I thank the Chair for his patience—at the appropriate time, I will be offering an amendment along with Senator CONRAD to provide that one-third of the on-budget surplus be dedicated to Medicare along with the off-budget surplus dedicated to Social Security. I thank the Chair.

The PRESIDING OFFICER. The Senator from Ohio.

Mr. VOINOVICH. Mr. President, I ask unanimous consent that the time for Senator SESSIONS be reserved for use later in the day.

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

Mr. VOINOVICH. I also ask unanimous consent that I be recognized for up to 15 minutes as in morning business and that Senator LANDRIEU follow me.

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

THE TRUTH ABOUT BUDGET SURPLUSES

Mr. VOINOVICH. Mr. President, there is an old saying most of us learned as children that goes: If it sounds too good to be true, then it is. The news we have been hearing about bigger than expected budget surpluses for the next 10 to 15 years is precisely that—too good to be true.

Why is that? After all, our economy is strong and is still growing, unemployment is at record lows, and the strength of our economy means our Government is able to take in more revenues from taxpayers and businesses alike. Most people would say things are wonderful. Indeed, just ask anyone. Ask the President. Ask Congress. They will tell you there is money for increased spending, there is money there for tax cuts, and we will be able to meet all our needs. After all, we have these enormous surpluses for as far as the eye can see.

The truth of the matter is, there is no budget surplus. Let me say it again: There is no budget surplus. The truth is, we are actually running a budget deficit this year. According to both CBO and OMB, as this chart from CBO shows, we currently have an on-budget deficit of $4 billion, and the only way the President, or anyone else, can claim a budget surplus today is by taking that surplus and accumulating the Social Security trust funds and using it to mask the deficit, just as we used Social Security to mask the deficit in 1988.

I recall, as Governor of Ohio, everyone celebrating the great budget surplus. The fact of the matter is, in 1988, we were $30 billion in the hole, and what we did with that $30 billion in the hole was mask it with Social Security. For over three decades, Presidents and the Congresses have been using this gimmick: unifying the budget in order to make budget deficits smaller than they really are.

It is disingenuous. It continues to jeopardize the stability of the Social Security trust fund, and it is about time we had our lockbox. The American people are smarter than Washington politicians give them credit. They know their Social Security pension funds are being raided for other Government spending programs. They are mad about it, and they want us to stop doing it.

We need to get honest budget surplus numbers, and in order to do that, we need to leave Social Security alone and pay attention to creating an on-budget surplus.

But here is the President's 15 years of projected surpluses. The whole bar is the unified surplus. The green part is the off-budget Social Security trust fund, and the red part is the true on-