have the Bush deficits that we have to deal with, and we cannot rewrite history. It is our responsibility to balance the Federal budget.

The budget resolution we have before us, offered by the Budget Committee, puts us on a glidepath to balancing the budget at a faster rate than the President's budget would. So we are acting fiscally responsible and investing in America's future, investing in jobs, and providing the appropriate tax relief for middle-income families.

I thank Chairman CONRAD for his cooperation and leadership and for bringing us all together on the Budget Committee. I particularly thank him for the help on an amendment I was able to get into the budget resolution, which will help in providing dental care particularly to our children.

I mention that whenever I can because a little over a year ago, a 12-year-old boy from Maryland, who lived about 6 miles from here, Deamonte Driver, had a toothache. His mom tried to get him to a dentist. Social workers made numerous phone calls to try to find a dentist to take care of his needs. That was in 2007, in the United States of America, in my own State of Maryland. They could not find a dentist who would take care of him. He only needed an $80 tooth extraction. Instead, he suffered from abscessed teeth and he had to go through two brain surgeries, costing a quarter of a million dollars, and he lost his life because we would not invest in access to affordable dental care for our children.

I thank Chairman CONRAD for allowing an amendment to be added to this budget bill that will allow the Finance Committee to bring a bill to this floor that will make sure we will have no more tragedies like Deamonte Driver's in America, and make sure our children have access to dental care. It is the No. 1 leading disease affecting children. The number of children who have untreated tooth decay is alarming, particularly in minority communities and in rural areas. We can do much better. This budget resolution will allow us to move in that direction.

I thank Chairman CONRAD for allowing us to move forward with NIH research so we can do much better. In the 1990s, we were committed to doubling the amount of money in NIH. It was a great day for this Nation. But the Bush budgets would have us fall back and lose our competitive advantage. The budget before us will allow us to continue to make progress in the Federal Government on NIH research.

On Amtrak funding, I thank the chairman and the committee for allowing us to move forward. Senator LAUTENBERG has been particularly effective in bringing this issue to our attention. We need an efficient rail system in this country.

We have read recently about how we have to monitor our water more effectively. The budget before us gives us a much better chance of achieving those objectives than the President's budget. This budget is a good investment for America's future—that is what it is—so we can become more competitive and pay down our debt, so we can provide the appropriate relief to middle-income families. It is about choices, and we made tougher choices. We could not do everything we wanted to do.

I want to make this point: Considering the legacy of the Bush deficits we have to deal with, considering the economic problems this Nation is confronting, considering the political realities we have to work with, where there are serious differences between the majority in Congress and President Bush, considering all those issues, considering the Bush budget and how that would lead us into red ink by providing tax relief to individuals who I don't believe need it—particularly when we are asking our children and grandchildren to pick up those costs—considering all that, and considering that this budget puts a priority on job growth and the competitiveness of our Nation, I urge my colleagues to support this resolution. I think it is worthy of strong support in this body. I am certain when we pass this resolution and reconcile it with the House, many of the implementing bills are going to enjoy large bipartisan support.

This budget resolution deserves that support. I am proud to endorse it, and I urge my colleagues to support it.

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

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

The assistant legislative clerk proceeded to call the roll.

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

The ACTING PRESIDENT pro tempore. Without objection, it is so ordered.

RECESS

Mr. CARDIN. Mr. President, I ask unanimous consent that the Senate stand in recess under the previous order.

Thereupon, the Senate, at 12:25 p.m., recessed until 2:15 p.m. and reassembled when called to order by the Presiding Officer (Mr. CARPER).

AUTHORIZING USE OF THE ROTUNDA

Mr. BAUCUS. Mr. President, I ask unanimous consent that the Senate proceed to the immediate consideration of H. Con. Res. 313, received from the House and at the desk.

The PRESIDING OFFICER. The clerk will report the concurrent resolution by title.

The assistant legislative clerk read as follows:

A concurrent resolution (H. Con. Res. 313) authorizing the use of the rotunda of the Capitol for a ceremony to honor the 5 years of service and sacrifice of our troops and their families in the war in Iraq and to remember those who are serving our Nation in Afghanistan and throughout the world.

There being no objection, the Senate proceeded to consider the concurrent resolution.

Mr. BAUCUS. Mr. President, I ask unanimous consent that the concurrent resolution be agreed to and the motion to reconsider be laid upon the table.

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

The concurrent resolution (H. Con. Res. 313) was agreed to.

CONGRESSIONAL BUDGET FOR THE UNITED STATES GOVERNMENT FOR FISCAL YEAR 2009—Continued

The PRESIDING OFFICER. Who seeks recognition?

AMENDMENT NO. 4160

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

The PRESIDING OFFICER. The clerk will report.

The assistant legislative clerk read as follows:

The Senator from Montana [Mr. BAUCUS], for himself, Mr. BAYH, Mr. PRYOR, Mr. NELSON of Florida, Mr. SALAZAR, Mr. ROCKEFELLER, Mr. TESTER, Mr. BROWN, Mr. MENENDEZ, Mr. BINGAMAN, and Mr. CONRAD, proposes an amendment numbered 4160.

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

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

The amendment is as follows:

(Purpose: To provide tax relief to middle-class families and small businesses, property tax relief to homeowners, relief to those whose homes were damaged or destroyed by Hurricanes Katrina and Rita, and tax relief to America's troops and veterans)

On page 3, line 11, decrease the amount by $1,755,000,000.

On page 3, line 12, decrease the amount by $1,730,000,000.

On page 3, line 13, decrease the amount by $28,324,000,000.

On page 3, line 14, decrease the amount by $167,072,000,000.

On page 3, line 15, decrease the amount by $141,689,000,000.

On page 3, line 20, decrease the amount by $1,755,000,000.

On page 3, line 21, decrease the amount by $1,730,000,000.

On page 3, line 22, decrease the amount by $28,324,000,000.

On page 3, line 23, decrease the amount by $167,072,000,000.

On page 3, line 24, decrease the amount by $141,689,000,000.

On page 4, line 5, increase the amount by $22,000,000.

On page 4, line 6, increase the amount by $97,000,000.

On page 4, line 7, increase the amount by $846,000,000.

On page 4, line 8, increase the amount by $5,664,000,000.

On page 4, line 9, increase the amount by $13,496,000,000.

On page 4, line 14, increase the amount by $22,000,000.

On page 4, line 15, increase the amount by $97,000,000.

On page 4, line 16, increase the amount by $846,000,000.

On page 4, line 17, increase the amount by $5,664,000,000.

On page 4, line 18, increase the amount by $13,496,000,000.

On page 4, line 23, increase the amount by $1,777,000,000.

On page 4, line 24, increase the amount by $1,827,000,000.

On page 4, line 25, increase the amount by $29,170,000,000.

On page 5, line 1, increase the amount by $172,736,000,000.

On page 5, line 2, increase the amount by $155,185,000,000.

On page 5, line 8, increase the amount by $1,777,000,000.

On page 5, line 9, increase the amount by $3,604,000,000.

On page 5, line 10, increase the amount by $32,774,000,000.

On page 5, line 11, increase the amount by $205,510,000,000.

On page 5, line 12, increase the amount by $360,695,000,000.

On page 5, line 16, increase the amount by $1,777,000,000.

On page 5, line 17, increase the amount by $3,604,000,000.

On page 5, line 18, increase the amount by $32,774,000,000.

On page 5, line 19, increase the amount by $205,510,000,000.

On page 5, line 20, increase the amount by $360,695,000,000.

On page 26, line 16, increase the amount by $22,000,000.

On page 26, line 17, increase the amount by $22,000,000.

On page 26, line 20, increase the amount by $97,000,000.

On page 26, line 21, increase the amount by $97,000,000.

On page 26, line 24, increase the amount by $846,000,000.

On page 26, line 25, increase the amount by $846,000,000.

On page 27, line 3, increase the amount by $5,664,000,000.

On page 27, line 4, increase the amount by $5,664,000,000.

On page 27, line 7, increase the amount by $13,496,000,000.

On page 27, line 8, increase the amount by $13,496,000,000.

The PRESIDING OFFICER. The Senator from Montana.

Mr. BAUCUS. Mr. President, this is the amendment about which I spoke this morning. This amendment would take the surplus in the budget resolution and give it back to the hard-working American families who earned it. It would make permanent the 10-percent tax bracket. It would make permanent the child tax credit. It would make permanent the marriage penalty relief. And it would make permanent the changes to the dependent care credit. Further, it would make changes to the tax law to honor the sacrifices our men and women in uniform make for us every day. We lower the estate tax to 2009 levels. And it would allow middle-income taxpayers who do not itemize their deductions to nonetheless take a deduction for property taxes.

I offer this amendment on behalf of myself, Senator BAYH, Senator PRYOR, Senator NELSON of Florida, Senator SALAZAR, Senator ROCKEFELLER, Senator TESTER, Senator BROWN, Senator MENENDEZ, and Senator BINGAMAN.

The amendment shows our commitment to American families. The amendment takes the surplus and returns it as tax relief to those hard-working families. I urge my colleagues to join me in supporting this amendment.

I spoke at length about this amendment earlier today. This is a very brief summary, now that we are on the amendment.

The PRESIDING OFFICER. The Senator from North Dakota.

Mr. CONRAD. Mr. President, I ask the chairman of the Finance Committee, Senator BAUCUS, if I might be listed as an original cosponsor as well.

Mr. BAUCUS. Mr. President, I make that request.

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

Mr. CONRAD. Mr. President, I thank the chairman of the Finance Committee, Senator BAUCUS, for this excellent amendment. This will extend the middle-class tax cuts, the 10-percent bracket, the childcare credit, and the marriage penalty relief provisions. All those tax cuts will be extended.

In addition, as I understand it, the chairman of the Finance Committee has crafted an amendment that will include significant estate tax reform because we are now in this unusual situation of where, under current law, the estate tax will go from a $3.5-million exemption per person in 2009 to no estate tax in 2010, and then in 2011, the estate tax comes back with only $1 million exemption per person. The amendment of the Senator from Montana would make certain it stays at $3.5 million and is allowed to rise with inflation.

The Senator from Montana has also added provisions for those who are serving in the military and also has provisions that will provide for property tax relief because we know that across the country, at the very time house prices are falling, property taxes in many jurisdictions are rising, and people don't get the benefit of the deduction because of the formalities of the current Tax Code. All these items are addressed in the amendment of the chairman of the Finance Committee.

I wish to express my appreciation. This will still permit the budget to be in balance by the fourth year and to stay in balance in the fifth year. The President's budget, by contrast, balances in the fourth year, but then it quickly slips right back out of balance again. Ours does not.

I take this moment to again thank the chairman of the Finance Committee for his work on this amendment and to thank his staff as well. I know they put a great deal of time and effort into this amendment, meeting with many interested parties, as one can imagine with an amendment of this magnitude. It makes a very, I think, important contribution to the consideration of this resolution.

The PRESIDING OFFICER. The Senator from Montana.

Mr. BAUCUS. Mr. President, there is one point in this amendment that needs explanation, and the Senator from North Dakota touched on it. It is basically this: Under our tax laws today, only those tax filers who itemize their deductions can take advantage of the property tax deduction. Only those Americans who itemize their deductions can take a property tax deduction which, therefore, lowers their income taxes. About two-thirds of Americans do not itemize. Two-thirds of Americans take the standard deduction. If they take the standard deduction, they cannot, therefore, deduct their property taxes from their income taxes.

This amendment says all homeowners can take the standard deduction; that is, it makes no difference whether you itemize or whether you take the standard deduction. In either case, you are able to take full advantage of the property tax deduction to lower your property taxes.

This will help in some small way to prevent the reduction of housing prices in some parts of the country where it is a real problem. It is clearly not the full answer, but it at least is a way to help and also gives tax relief to middle-income taxpayers because those taxpayers who do not take the standard deduction, those taxpayers who itemize are probably a little bit wealthier than are taxpayers who take the standard deduction.

We are saying, if you take the standard deduction, you now can itemize this one item; that is, your property taxes. Technically, it is called above the line. Basically, it means if you take the standard deduction, you get full benefit of your property taxes; you can take the deduction against your income. And that is in this amendment.

The PRESIDING OFFICER. The Senator from North Dakota.

Mr. CONRAD. Mr. President, I thank the chairman of the Finance Committee. I also ask him, as I understand it, the Defenders of Freedom Tax Relief Act is also part of this package.

Mr. BAUCUS. That is correct. Basically, it is in this amendment, honoring our men and women who are standing up for us in Afghanistan and Iraq.

Mr. CONRAD. And that package would provide, as I understand it, significant tax relief for our fighting men and women overseas, and it will continue to help them save for retirement and expand their opportunities for home ownership. It will also help the employers of reservists and National Guard who are called to Active Duty. This is a package that passed the Senate last year by unanimous consent. It did not get to the President's desk but is included in this package, which I think will make it even more attractive to our colleagues.

Mr. President, I know Senator MURRAY was here seeking recognition. Then I think Senator CORNYN would like to be recognized.

I will conclude, if I may, on this matter. This amendment is an important amendment, and I hope my colleagues will support it.

The PRESIDING OFFICER. The Senator from New Hampshire.

Mr. GREGG. Mr. President, this amendment is a game. Last year, we saw the same game. Last year, the Democratic Congress was in its first year of having the majority in both the House and the Senate, so people gave it the benefit of the doubt. They said: OK, you claim you are going to do something, we certainly hope you will.

So last year they once again set up a false surplus and then they cut taxes and then they brought forward the Baucus amendment to pick up all that surplus as part of the tax cut, claiming both a surplus and a tax cut, which was good talking but a little inconsistent.

Their tax cut last year, the Baucus amendment had in it the extension of the 10-percent bracket, the extension of the $1,000-per-child tax credit, and the extension of the marriage penalty. I believe it had some estate tax language in it. It might have. But I know it didn't have this property tax itemizer in it. It had those four items in it for sure. So all the Members voted for it and took credit: Oh, we are for these tax extenders because we think they help middle Americans, which they do, obviously, which is why President Bush proposed them originally, and that is why it passed under a Republican Congress.

So what happened after this amendment was voted for and everybody sent out their press releases from the other side of the aisle saying: My goodness, we are for these tax cuts, we are going to vote for them right here on the floor of the Senate—even though they could have put them in the original Senate bill, which they didn't do because they wanted to have a bill reported out of committee with a big surplus so they could talk about that, knowing when they got to the floor they were going to eliminate these surpluses for the tax cuts—what happened after they put out all their press releases? Where are these tax-cut extenders they claimed they were going to pass last year? They don't exist. They never marked them up. They never voted on them. The real action of extending these tax cuts never occurred, even though they took credit for them last year.

They said: My goodness, that is a great idea, we get a press release out saying we are for cutting taxes; let's do it again. They did not cut the taxes because the taxes are still there, so they say let's do it again. So we see the same cynical action brought forward in this amendment. They are offering this amendment to cut the same taxes they cut last year—at least they took credit for cutting last year but they actually didn't cut.

It is to say the least a game—a game. That is why I call this the ''fudge it'' budget because so much of it is built around this gamesmanship in language and setting up false hopes and then proceeding with the press releases and then proceeding with not following through on what they claim they were going to do.

It also should be noted that left out of the Baucus amendment are a lot of fairly important issues of tax policy. For example, the present rate on capital gains and dividends is not in the Baucus amendment. So they are presuming it will go back up. That is a pretty stiff hit for a lot of Americans, especially senior citizens. Ironically, senior citizens benefit uniquely from capital gains rates being at their present level. Senior citizens benefit uniquely from dividend rates being at their present level because much of a senior citizen's retired individual income is capital gains income or dividend income to the extent they have some income beyond their basic pension, and many of their pensions are, of course, based off capital gains and dividends. So they are going to raise those rates. They are going to double the capital gains rate, essentially. The dividend rate will not only double, it goes up by 2½ times for some Americans under their proposal.

The deduction for qualified education expenses is not extended. Small business expensing—that is a pretty important item, especially in an economic slowdown that should be extended—is not extended in this bill.

Other extenders that are left out of the Baucus amendment include the research and development tax credit, that is pretty important; the energy tax credit, that is pretty important; State and local tax deduction, some people think that is important. AMT relief is left out.

The practical effect is even though they make this representation they are going to reduce taxes, the exact same representation they made last year on these ''motherhood'' tax extenders, let's call them, which they never followed through on last year, they leave on the table massive increases in taxes—massive increases in taxes—which will fall on working Americans.

We hear all this gobbledygook from the other side of the aisle that they are just going to tax the rich, we are taxing the rich, we are taxing the rich. I bet I heard their Presidential candidate, Senator OBAMA, use that term to justify his spending policies probably 15 times in the last debate I listened to in which he participated. We are just going to tax the rich, the wealthy Americans. Well, fine, OK. The only problem is they cannot raise enough money to pay for their budget by just taxing the rich. If you take the basic rates and you move them back to the Clinton days, when we had high tax rates in this country, you take the top rate on the high-income individual, 35 percent, and you raise it back to 39.6 percent, what do you generate in income in an annual year? About $25 billion.

Mr. GREGG. What do they plan to spend? Senator OBAMA plans to spend $300 billion under his plan. In order to reach the numbers they want to spend in this bill, there is a lot of spending in this bill. There is $200-plus billion in discretionary spending increases.

There are $400-plus billion entitlement increases in this budget. There are big holes that we know are going to have to be filled, or at least we hope they will be filled, because otherwise you are going to end up with our troops stuck overseas without being able to get home, because their budget does not fund the cost of bringing them home, much less supporting them while they are in the field.

We know these expenditures are going to occur, and those expenditures have to be paid for, and the way they are paying for them is by increasing taxes, not on the wealthy—they do on the wealthy too, but on every American. The average American's taxes will go up about $2,400 under this bill. Senior citizens' taxes will go up about $2,100; small business taxes will go up about $4,700; $2,400 for an individual family with $50,000 of income. That is what their tax increase goes to: for seniors, about $2,100; for small businesses, about $4,700.

That is a lot of money. You can buy a lot of groceries and at least get some relief from the cost of energy if you get to keep that money rather than have it taxed away as is proposed in this bill. It should not come as a surprise to people that they are doing this in their budget, because that is what they do well; they like to spend money and they love to raise taxes.

Then they claim, well, we are going to tax the rich. It turns out they are not only taxing the rich, they are taxing senior citizens, working Americans, small business Americans, Americans who get their income from small businesses, they are taxing R&D, they are taxing energy, the production of energy.

In addition, there is a little game being played here on their own rules. We hear the sanctimonious discussion about how they are going to use pay-go to discipline the budget. They are going to use pay-go to make sure we stay within our spending priorities, and that we do not raise taxes without offsetting these taxes.

Well, this amendment is set up to game pay-go. Pay-go is not going to apply when this amendment is passed or, if it does apply, it is going to be structured in a way that it can be waived. There is no expectation that there will be any pay-go applied to the Baucus amendment, should it ever actually be brought to the floor.

It is a game. It is, of course, one of the reasons why I think the American people get a little cynical about their Government. Here is the second year in a row that we are going to have press releases flying out of the Democratic Senatorial Committee claiming that they voted for these tax cuts. And then what happens? The tax cut never gets passed. This is a nice charade; that is all it is. We wish they were sincere when it came to cutting taxes.

I yield the floor.

The PRESIDING OFFICER. The Senator from North Dakota.

Mr. CONRAD. Mr. President, first, I recognize the ranking Republican on the Budget Committee, Senator GREGG, to thank him for his cooperation in bringing this budget resolution to the floor. While we have serious substantive differences, and we will be discussing those, I do have a high regard for the Senator from New Hampshire for the way he conducts himself.

He, in the Budget Committee, did something I want to recognize publicly. One of our members was ill. We have a rule in the Senate Budget Committee that Senators are not allowed to vote by proxy. We are the only committee in the Senate that has that rule. We have that rule because we are the only committee with the power to bring a fast track vehicle to the floor for immediate vote. That rule has been a long-standing rule in the Senate Budget Committee. Senator GREGG and Senator MCCONNELL, when we told them of the problem we were confronted with, one of our members was ill—with only a 12-to-11 margin on the committee, that would have meant we could not report a bill to the floor.

In a gracious way, in a way that I think reflects well on the Senate, in fact, makes me proud to be a Member of this body, Senator GREGG and Senator MCCONNELL allowed a unanimous consent motion to come to the floor of the Senate so all Senators could pass judgment on whether we should exempt one member from the requirement to be present because he could not be.

I want to start by thanking Senator GREGG for that professionalism, for that graciousness, and I do. I give my appreciation to Senator MCCONNELL as well.

Now, on the substance of what the Senator has said: I do not think anybody would be surprised that we have a strong disagreement with respect to the way he characterizes this amendment. This amendment is to a 5-year budget resolution. This amendment specifically extends the middle-class tax cuts and provides for estate tax reform and for provisions that are of assistance to our men and women in uniform, and will provide for certain property tax relief as well.

With respect to the middle-class tax cuts, it is true we offered a similar amendment last year. It is true we offered it containing estate tax reform as well. It is true that final action was not taken because there was no need to take final action in 2007. There is no need to take final action in 2008. There is no need to take final action in 2009, because all of these tax cuts under current law do not expire until 2010.

It is not a game; it is reality. The reality simply is, this is a 5-year budget resolution that is recognizing that we will extend those tax cuts, we will do it in a way that still allows the budget to be balanced in the fourth year, and remain in balance in the fifth year, and there is no need to take the final action, because all of those tax cuts exist until the end of 2010. That is a fact.

The second point the Senator makes and makes repeatedly is all of these tax increases in this budget. No, there are not. He made the exact same speech last year. Second year, second verse. He said we were going to increase taxes last year $1 trillion. Now we can go back and look at the RECORD. We do not have to resort to rhetoric, we do not have to resort to projections, we do not have to resort to forecasts; we can look at the RECORD of the Congress last year and the beginning of the year.

What has happened? Taxes did not increase by the trillion dollars the Senator warned about last year. In fact, taxes have been cut by $194 billion. This is with offsets of $8 billion. So on a net basis, taxes have been reduced by $186 billion by this Democratic Congress that my colleague claimed last year would increase taxes by $1 trillion. Those words ring pretty hollow when you compare them to the actual record.

Now, how did Democrats cut taxes by a net of $186 billion since last year? In two ways: No. 1, the stimulus package. The stimulus package, supported by the President of the United States, passed by the House of Representatives, passed by the Senate, and the alternative minimum tax relief provided last year. That combination has provided a net reduction in taxes to the American people of $186 billion. Not a tax increase, a tax cut. When the Senator says this budget is going to increase individual taxes $2,400, no. With the adoption of the Baucus amendment, which virtually every Democrat will support, we will extend the middle-class tax cuts.

When he says: You are going to increase taxes on this category and that category, the fact is, you could accomplish the revenue numbers in our budget, which is 2.6 percent more revenue than is in the President's budget—that is how much more revenue we have, 2.6 percent—we believe that amount of revenue can be achieved not by tax increases—in fact, I think it would be unwise to ask the American people for a tax increase before going after three other categories of revenue: No. 1, offshore tax havens. Offshore tax havens, according to the Permanent Subcommittee on Investigations, are now causing us to lose $100 billion a year. Offshore tax havens. That abuse is proliferating.

No. 2, abusive tax shelters. Let me give you an example. Right now we have the spectacle in the United States of U.S. companies buying foreign sewer systems, not because they are in the sewer business but because they want to depreciate those systems on their books for U.S. tax purposes. They then lease the sewer systems back to the European cities that built them in the first place. They are not just doing it with sewer systems, they are doing it with European city halls. Companies and wealthy investors in this country are buying European city halls, writing them off on the books in the United States to reduce their tax obligation here, and then turning around and leasing them back to the European cities that built them in the first place. That is a scam. It ought to be closed down. The estimates are that is costing us $40 billion a year.

On top of that, the tax gap, which in 2001 was identified at over $300 billion a year, the difference between what is owed and what is paid—while the vast majority of us pay what we owe, we have a number of people, unfortunately an increasing number, who do not pay what they owe, companies and individuals. Before we ask for a tax increase from anybody, we ought to go after those folks.

Now we will have a debate on these issues, but to suggest there is a massive tax increase here, no, there is not a massive tax increase here. The exact same speech was given last year, $1 trillion of tax increases. What happened? On net, this Congress reduced taxes by $186 billion. That is a fact.

The PRESIDING OFFICER. The Senator from New Hampshire.

Mr. GREGG. First, let me thank the Senator from North Dakota for his kind comments relative to our efforts to make sure that the unfortunate situation with one of our members did not inappropriately impact the majority position on the committee. We were happy to do that as a courtesy, because it is part of the proper comity of the Senate, quite honestly.

To move on to the substance of his comments, his actual praise of me was not inconsistent; I thought it was brilliant. But there is such inconsistency in the substance of what he said that I am amazed. I mean, first, the argument is made: Well, the reason the Baucus amendment did not have to be actually executed is because we did not need the money or we did not need to extend those tax cuts because they do not lapse until 2011 or 2012.

Well, why did you offer the amendment then? To put out the press release? It appears that is the only purpose of the amendment. Why are you offering the amendment this year? To put out the press release again? It appears that is the only purpose of the amendment.

What he is basically saying, if you read between the lines, is last year we did not execute on that, we did an amendment here, we got a press release—in fact, I have the press release here from last year: March 10, 2007. Baucus budget amendment funds children's health, tax relief for America's working families. That is the title of the release that was put out last year when this amendment was offered.

Of course, it never happened because the tax relief never occurred because the amendment was never passed.

This year, I guess we will get another press release from Members on their side saying: Senator so-and-so voted for tax relief for American families and for health care for American families by voting for the Baucus amendment which will not ever be executed on. It is a touch inconsistent, to be kind, to first claim that you didn't need to do the extensions until the year 2010 or 2011 or 2012, and therefore, last year, when you passed the amendment, it didn't mean anything, and then to bring the amendment forward again and take credit for cutting taxes. At what point does the American public simply shake their heads and walk away?

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

Mr. GREGG. I will finish my statement, and then I will yield.

Mr. CONRAD. I thank the Senator.

Mr. GREGG. The second point the Senator makes is that there are no tax increases in this budget. That is true if you look at this year. But this is a 5-year budget. It assumes revenues over 5 years and takes credit for those revenues which exceed the President's number and which reflect an increase in taxes of about $400 billion. That is their number. I actually believe it is higher.

Giving them the benefit of the doubt, they have a $400 billion tax increase built into their budget. That tax increase is built in on the assumption made by OMB that the capital gains rate will go back up, that the dividend rate will go back up, that the basic rates will go back up, that other expiring tax provisions will go back up, R&D, energy, qualified education spending, that those tax extenders will go back up. So you won't see a dramatic increase in taxes as a result of this budget because they turn around and spend the money. It is not that they not only increase the taxes and presume those tax revenues will come in, they spend the money.

Then the argument is made: But we don't really have to do it by allowing those provisions to expire. We can raise it all from this infamous tax gap, which last year they also took credit for for $300 billion, or claimed they would, if they were successful. Then they ended up cutting the IRS accounts. So the IRS not only did not collect this additional money, they didn't even have the resources to collect what they were supposed to collect the first time around.

So the tax gap is mythical. It is virtual. It may exist. It does exist. But the collecting of it has been proven to be a lot more difficult than just putting it in a budget and claiming you will get it. In fact, the IRS Commissioner, when he testified before our committee, made it very clear that he felt the maximum amount, even with all the resources he asked for, which he never got, that we would be able to collect out of the tax gap was somewhere between $20 and $30 billion. That is over 5 years, as I recall.

So if the Senator's position is that we don't need to raise dividend taxes to get the $400 billion, we don't need to raise taxes on capital gains to get the $400 billion, we don't need to raise taxes on the estate and death tax to get the $400 billion, we don't need to raise the brackets back up in order to get the $400 billion, I know that in order to stand behind that position, he is going to want to vote for the amendment which Senator CORNYN or I will offer which will do exactly that. It will say: Don't raise the dividend rate. Don't raise the capital gains rate. Don't raise the brackets. Because the Senator from North Dakota said we don't need to do that, he will want to be with us on that.

I am happy to yield to the Senator for a question.

Mr. CONRAD. I would just ask the Senator——

Mr. GREGG. My question is, You will be with us on that amendment, won't you?

Mr. CONRAD. I have not yet had a chance to study the amendment. I would be happy to do so and give you an answer after I have had a chance to review it.

Let me ask the Senator, did your budget resolution in 2006 extend the middle-class tax cuts?

Mr. GREGG. They didn't expire within the budget window.

Mr. CONRAD. You mean the same argument I have just made with respect to ours?

Mr. GREGG. Reclaiming my time, the point is, there is a 5-year budget window. They start to expire in 2010, not in 2007; therefore, your budget has to deal with that expiration. My budget didn't have to deal with that expiration because it was not within the 5-year window.

Mr. CONRAD. Did you not assume in your 2006 budget resolution the extension of all the President's tax cuts?

Mr. GREGG. I would certainly hope I did, but I don't recall.

Mr. CONRAD. Well, the answer is, you did. And the second question would be, Did you then execute on extending those tax cuts in 2006?

Mr. GREGG. I would certainly like to have. But unfortunately, at the time, again, we were not within the budget window. But you are within the budget window, and you are taking credit for those tax extenders lapsing. Are you not taking credit for $400 billion under the baseline? That number is reached by CBO by presuming that the tax extenders on cap gains, dividends, and rates will expire? Are you not taking credit for that in your budget resolution?

Mr. CONRAD. For precisely the same reason that the Senator has given for his including extending the middle-class tax cuts when he last wrote a budget resolution in 2006. It would have covered the years 2007, 2008, 2009, 2010, 2011. The Senator included the extension of those middle-class tax cuts, just as I have done, because it was a 5-year budget resolution, and then the Senator's side did not execute, just as we did not last year, because there was no necessity to do it because those tax provisions do not expire until 2010.

This is a case of the pot calling the kettle black. You extended the middle-class tax cuts in your 2006 resolution and then did not execute because there was no need to do so because those tax cuts don't expire until 2010. That is precisely what we have done.

Mr. GREGG. Mr. President, reclaiming my time, there is a pretty significant difference. We are talking about 3 years, which is massive amounts of revenue. Secondly, you spend the money. The difference is pretty significant. We are talking about this budget at this time, and you can try to go back to other budgets, which I am happy to do. We can obviously debate old budgets. But the budget that is on the floor right now—and it appears the Senator is agreeing with my assessment—has a $400 billion tax increase, which tax increase CBO assumes will be accomplished by not extending the rates on dividends, capital gains, and the basic rates, along with research credit, energy credit, the qualified educational expenses, and the small business expensing. That is where you generate your revenue from. That is a tax increase. That translates into $2,400 per family. That is your budget. You are in charge of the budget. You brought the budget forward. You have a $2,400-per-family increase in here.

The PRESIDING OFFICER. The Senator from North Dakota.

Mr. CONRAD. Mr. President, we have no such tax increase assumption in our budget. Here are the facts. It is true we have $400 billion more in revenue over the 5 years than the President has in his budget. That is a difference of 2.6 percent. We believe that revenue can be attained without a tax increase. How? The pool of money I am talking about is the tax gap, the difference between what is owed and what is paid. The vast majority of us pay what we owe, but we have a group of people who don't. No. 2, offshore tax havens. The Permanent Subcommittee on Investigations has told us we are losing $100 billion a year to offshore tax havens. I have shown many times on the floor the Ugland House in the Cayman Islands, a little five-story building that claims to be the home to 12,600 companies. How can that be, that a five-story building in the Cayman Islands can be the operational home to 12,600 businesses? They are not engaged in business out of that building. They are engaged in monkey business. That monkey business is costing us a lot of money.

Now we have new evidence from the Boston Globe of another building in the Cayman Islands, this time a four-story building. In that building, they are also engaged in massive tax fraud. How? The company that is hiring the contractors for the United States in Iraq, KBR, is using that operation in the

Cayman Islands to avoid paying their Medicare and Social Security taxes in the amounts of hundreds of millions of dollars for one company.

The New York Times has just reported in Liechtenstein that they have uncovered massive tax fraud.

I would say to the American people, before we ask for a tax increase from anyone, we ought to go after these tax scams. What is the amount over 5 years? The estimates are at least $2.7 trillion. If we get 15 percent of that—not 50 percent, 15 percent of the abuse in tax havens, the abuse of tax shelters, the tax gap, 15 percent of it—we can balance this budget with no tax increase. Yes, additional revenue, revenue acquired by going after people who are cheating.

Senator DORGAN and I are perhaps the only two Members who have actually audited the books and records of major corporations, because we used to be the tax commissioners for our State. I have looked at the books and records. I have audited the books and records. I found tens of millions of dollars from my little State of North Dakota. One of the things I learned when I did it and actually examined the books and records is how much fraud is going on. This is fraud not just from my conclusion or Senator DORGAN's conclusion, this is what has happened as a result of investigations by our own Permanent Subcommittee on Investigations that have uncovered massive fraud, massive cheating. We ought to go after it.

The PRESIDING OFFICER (Mr. SANDERS). The Senator from New Hampshire.

Mr. GREGG. Mr. President, CBO scores zero in this budget for money coming from the tax gap that is represented by Senator CONRAD as existing. The point being, of course, that you can talk about the tax gap all you want; it would be nice if we could generate some money from the tax gap. But IRS gives us no credit for generating money. They claim you can't generate the type of dollars the Senator has been talking about, and CBO doesn't give us any score for tax gap unless we significantly increase IRS funding, which we do not do.

Mr. CONRAD. Will the Senator yield?

Mr. GREGG. Just a second. Furthermore, what you have to recognize is CBO does score the $400 billion, which the Senator refers to as revenue, I refer to it as a tax increase—I mean, it is a tax increase—and CBO gets that $400 billion number because they assume the tax rates on capital gains, dividends and the personal rates, along with the other items I have listed, will go back up when they expire. That is how the number comes about. It doesn't come about from the tax gap.

You can say: I am going to get money from Liechtenstein as a way to cover the American tax gap, and therefore no Americans are ever going to have to pay any more in taxes. You can make that statement, but that is not the way the budget works. CBO tells us how they are going to score it. We all work off of the CBO baseline. The CBO baseline assumes, under the Democratic budget, that taxes will go up above what the President asked for. That is clearly because they want to repeal the tax rates that are in place today and were put in place by President Bush. I don't know why they resist so aggressively admitting to this. Their Presidential candidates, that is all they talk about. So clearly, that is the game plan. Why try to obfuscate it with this tax gap debate?

In addition, we have this issue of what happened under our budget versus what happened under their budget. This is their budget. It is not our budget. They are responsible for this budget. The U.S. Congress has to pass a budget. The President doesn't sign it. Congress passes it. This is what they have brought forward. Their budget assumes, takes, and spends—and that is the important part—a tax increase which results from basically raising the tax rates on capital gains, raising tax rates on dividends significantly, which will dramatically impact all Americans, raising rates, raising a variety of other taxes such as R&D and energy. That is where they get the revenue which they then turn around and spend. We didn't do that in our budget. We accepted a higher deficit and didn't raise the tax rates. So there was a difference. It is substantive between the two. The core of it goes to the fact that they need revenue to spend, and to get that revenue, they are going to aggressively raise taxes $2,400 on working Americans.

The tax gap is a smokescreen for what is really going on. I don't even know why they put it up because there is no contention out there in the public arena about what the game plan is.

Senator CLINTON and Senator OBAMA have said over and over and over again they intend to raise taxes. They claim it is just going to be on the wealthy, but they cannot get where they want to go by just raising taxes on the wealthy because, as I pointed out before, if you raise the marginal rates on the highest earners from 35 percent to 39.6 percent, you do not generate anywhere near the amount of money you would have to generate to cover all the spending that is proposed in this budget and has been proposed for new programs by Senator OBAMA and Senator CLINTON, as they have been campaigning.

It will be, and this budget is, a general increase on the taxes of working Americans—to the tune of $2,400 for most families in the $50,000 range, to the tune of $2,100 for 18 million seniors, and to the tune of $4,700 for 24 million small businesses. There are no two ways around it. That is what is going to happen if this budget is extended throughout the 5-year experience it is planning to budget for.

The PRESIDING OFFICER. The Senator from North Dakota.

Mr. CONRAD. Mr. President, I know the Senator insists on his point of view on this, but I have to say there is another point of view which I have articulated and have articulated repeatedly. There simply is not an assumption that there is a tax increase embedded in this budget. In fact, what is included, after the Baucus amendment is adopted, is significant additional tax reduction: tax reduction for middle-class families, tax reduction for estates, tax reduction for those who would otherwise be subjected to the alternative minimum tax—some 20 million families.

So that is the fact. If you go to the record of what this Congress has done so far, after the Senator gave his same speech last year, almost verbatim, saying we are going to increase taxes by $1 trillion, which is his favorite number—I tell you, I do not think it would matter what document we brought to this floor, the Senator would say there is a trillion dollar tax increase because that is what he said last year. Let's go back and check the record. What happened?

Since last year, this Congress, controlled by Democrats, has reduced taxes on a net basis by $186 billion. It is not a statement. It is not a speech. It is a fact. This Democratic Congress—after all the warnings last year: We are going to increase taxes $1 trillion—has reduced taxes, in 1 year, by $186 billion.

Now, the Senator says: The CBO does not score tax gap provisions. Well, let's be clear. The CBO does not score tax provisions. That is the job of the Joint Committee on Taxation. That is not the job of the Congressional Budget Office. All of us who serve on the Finance Committee know that is the case. CBO does not score tax provisions. That is the responsibility of the Joint Committee on Taxation.

The Senator has asserted we have a $400 billion tax increase. No, we do not. We have $400 billion more in revenue over 5 years than the President has. That is a difference of 2.6 percent.

As I have asserted repeatedly, I believe additional revenue could be obtained by going after the tax gap, by going after these tax havens, by going after abusive tax shelters—a pool of money over this 5 years that is some $2.7 trillion—$2.7 trillion. And that is probably a conservative estimate. So we would only have to get $1 in every $7 in that pool to balance this budget, with no tax increase on anyone.

I believe the first thing that ought to be done is to go after those abusive tax havens, those abusive tax shelters, and that tax gap, where the vast majority of us pay what we owe, but some number of us do not.

One other thing: The Senator referenced his budget. The fact is, he has no budget. They have no budget. If our budget is so egregious, why haven't they offered a substitute budget? They have not. They have not offered a budget. They did not offer a budget in the committee. They do not have a budget on the floor. They do have the President's budget, and we have compared, repeatedly, our budget to the President's budget because it is the only alternative that is out there. They have chosen not to offer an alternative. That is their right.

The majority has the responsibility to offer a budget, but the minority, if they feel it is grievous, can offer a substitute, and they have not.

I thank the Chair and yield the floor.

The PRESIDING OFFICER. The Senator from New Hampshire.

Mr. GREGG. Mr. President, we will go to the Senator from Texas.

The PRESIDING OFFICER. The Senator from Texas.

Mr. CORNYN. Mr. President, I think people watching this on C–SPAN or wherever they may be watching—from the Galleries—can be forgiven if their head is spinning after this back and forth of how their tax dollars are being spent.

At a time when our economy has undergone tremendous growth over the last 5 years but has now hit a soft stretch, particularly in the housing area, where we are talking about the credit crunch coming from the subprime credit crisis, we have acted in a bipartisan way to try to get the economy moving again by passing a stimulus package. The Speaker, the Republican leader of the House, and the White House have joined to try to do what can be done on a bipartisan basis to get the economy moving again.

But the fact of the matter is, there is no better stimulus for the American economy other than leaving people with their own hard-earned money to spend it as they see fit. That is what helps create jobs in this country. The last thing we would want to do or should do is to see taxes be increased, particularly on small businesses, which are the primary job generator in this country, because it is through jobs and opportunity that people are able to achieve their own life and their own dreams and not depend on Government.

We ought to aspire to be a country where everyone can declare their own independence on Government and not say we must be more dependent on Government, which seems to be the conflicting visions we see play out on the Senate floor.

Mr. GREGG. Mr. President, will the Senator yield for a parliamentary question?

Mr. CORNYN. Mr. President, I will.

Mr. GREGG. I apologize for interrupting the Senator.

Mr. President, I ask unanimous consent that we proceed to the time on the resolution so the time during the debate will run against the resolution.

The PRESIDING OFFICER. The Senator has that right.

The Senator from North Dakota.

Mr. CONRAD. Mr. President, I ask unanimous consent that, unless stated otherwise, the time comes off the resolution.

The PRESIDING OFFICER. Is there objection?

Without objection, it is so ordered.

Mr. GREGG. Mr. President, I thank the Senator from Texas for his courtesy.

Mr. CORNYN. Mr. President, so the question presented by this budget is whether we are going to make it easier for the average American to meet the obligations of their family budget or whether we are going to grow the size of the Federal Government to the point that it makes it virtually impossible for them to balance their own budget. This budget, unfortunately, does nothing to bring down the price of gasoline at the pump or to make it more affordable to buy your own health insurance, which are the two primary cost drivers which are making it harder and harder for people working in this country to make ends meet.

Instead, what this resolution does is, it adds additional burdens onto the average taxpayer. I know, as I said a moment ago, the heads of the people who are listening must be spinning trying to keep up with the various arguments that are being made back and forth. But the fact of the matter is, this budget resolution is the blueprint which authorizes additional activity, such as tax cuts.

The Baucus amendment is nothing more than an authorization, which if there is no action to actually cut those taxes, nothing will happen. That is what happened, that is what occurred last year. Under the very pay-go principles, the pay-as-you-go principles—which is sound, certainly, in theory, which says the Federal Government will not spend money it does not have, that it will pay as you go—that is a promise made to the American people that is honored more in the breach than in the observance.

I agree with the Senator from New Hampshire, the ranking member of the Budget Committee. This class rhetoric of: Well, we are just going to tax the rich—let me give you an example of how that usually turns out. The best example I can think of is the alternative minimum tax, which back in the 1960s was designed to target about 155 taxpayers who did not otherwise pay Federal income tax because of deductions they had.

Well, as a result of the failure to index that tax, 155 taxpayers turned into, last year, 6 million taxpayers and would have turned into 23 million middle-class taxpayers if we had not acted to provide some temporary relief on a 1-year basis last year.

That is exactly what happens every time the Federal Government says: We are just going to tax the rich. Because people will be amazed at how much the Federal Government considers ultimately the middle class, those people who are the most productive in our society, those people who create the jobs—by creating the small businesses that produce that opportunity—those are the producers who basically the Federal Government all too often seems at war with in the way we spend their hard-earned money.

Now, this budget does set out the framework over a period of 5 years. It contemplates a source of revenue in order to pay the bills. Under the pay-go principles that Congress has embraced, the only way those bills can be paid is if you have additional revenue or taxes to pay for them. So that is why, under this resolution, you will see, for example, 18 million seniors who will incur an additional tax burden of $2,200 each. You will see 43 million families incur an additional tax burden of $2,300 each. You will see the small businesses—27 million small businesses—incur additional tax obligations of $4,100 each.

Now, if our goal is to create jobs, it ought to be to lower the burden, to lower taxation, to lower the regulatory burden, and to reduce frivolous litigation to the point that small businesses can prosper and create jobs, not add to their burden. Additional taxes for each of these categories of taxpayers will do nothing but depress job creation in this country, not encourage it.

But I have to tell you, the most discouraging part of this budget is not what it does but what it fails to do. As the distinguished chairman of the Budget Committee knows, because he is the chief sponsor, along with the ranking member, of a bill that creates a task force to deal with runaway entitlement spending, this budget does nothing to deal with $66 trillion of future obligations of the American Government under entitlement spending, under Medicaid, Medicare, and Social Security.

As a matter of fact, if we do nothing, within the next decade we will see both Medicare and Social Security become insolvent. That is because, irresponsibly, we are spending the surplus of Social Security today to try to balance the books of the Federal Government, by spending Social Security taxes that are paid by average American workers. We are spending that in order to try to fund the operations of the Federal Government today.

So what this plan does, by inaction, is it creates the additional debt for our children of $27,000 each. I believe, if I am correct, the unfunded liabilities going into the future of $66 trillion, if you divide that by each and every American man, woman, and child, would result in $175,000 of debt for each of those men, women, and children. This budget does exactly zero to address that.

I don't blame people across this country who look at Washington and are absolutely convinced that Washington is broken, because rather than solving problems, rather than trying to work together on a bipartisan basis to address these legitimate concerns, all they hear is more and more talk and precious little action, and particularly when it comes to the growing threat of entitlement spending and the increased debt that is passed down to our children and grandchildren.

I know we didn't get here overnight. This has been a long time coming, but

I hope we have the courage to deal with this today because, frankly, it is no mystery why change is the most dominant word in our political discourse today. The status quo is broken because Washington is not working, and people increasingly are turned off by what they see coming out of our Nation's Capital. They feel as if it is absolutely irrelevant to their lives or, if relevant, that Washington is burdening them and not helping them with their day-to-day concerns.

By raising taxes by $1.2 trillion over the next 5 years, by dramatically increasing spending, by growing debt by $2 trillion, by playing gimmicks with things such as pay as you go, which is more honored in the breach than in the observance, by ignoring $66 trillion in unfunded liabilities into the future, this budget resolution is a failure. We can and we should do better. We should focus on what we can do to help the average American balance their family budget and not present a budget that is a train wreck upon delivery. This budget will not work. If the average American tried to conduct their business—if a small business man or woman tried to conduct their business as the Federal Government, they would find themselves bankrupt or else they would find themselves in jail. It is only the Federal Government that can operate this way. It is only the Federal Government that can operate in a way that every man, woman, and child in this country cannot, and we can do better. I urge my colleagues to do better by turning down this budget and coming up with one that will help the average American balance their budget and not wreck the Federal budget in the process.

The PRESIDING OFFICER. The Senator from North Dakota is recognized.

Mr. CONRAD. Mr. President, I ask unanimous consent that the Joint Committee on Economics be recognized at 5 o'clock for 1 hour for their Humphrey-Hawkins testimony—5:15 I am now told—that the Joint Economic Committee be recognized for 1 hour at 5:15. That would involve both the chairman of the committee and the ranking member of the committee for that 1 hour.

Mr. GREGG. And the time would be equally divided.

Mr. CONRAD. And it would count against the resolution. That would be correct.

The PRESIDING OFFICER. Is there objection?

Without objection, it is so ordered.

Mr. CONRAD. Mr. President, the Senator held up a chart about the growth of the debt. The exact same chart applies to the President's budget—precisely the same. In fact, his is worse in terms of additional debt burden put on the American people by the President's budget compared to ours.

The Senator also raised the point, as did the ranking member earlier, of why we have not addressed in this 5-year budget resolution the long-term entitlement challenges that we face as a nation, the shortfall between what we are spending and what we are raising, and the entitlement obligations this country has made but has not funded. Let me say I have never believed that the long-term entitlement challenges that are 10, 15, 20-year problems are going to be resolved in a 5-year budget resolution. That is why I joined with the ranking member of the committee on something where we do agree, which is an approach to address these long-term imbalances by creating a working group of 16 Members—8 Democrats, 8 Republicans—given the responsibility to come up with a plan to deal with our long-term challenges, and only if 12 of the 16 could agree would legislation advance. If they could agree, 12 of the 16, then we would have a circumstance in which there would be a vote in both Houses of Congress. Not only would it involve Congress, it would also involve the administration, because if we are going to address these long-term challenges, it has to be done with all of the players at the table.

This is something Senator GREGG and I are advancing. I believe it is very important. I believe it is the only way we are going to deal with these long-term challenges. I don't believe it is ever going to happen in a 5-year budget resolution. No. 1, it is too short term. No. 2, it is typically carried just by one party. That is the way budgets are around here. These longer term challenges can only be addressed by both sides coming together and grappling with it in a joint way.

I yield the floor.

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

Mr. GREGG. Mr. President, I appreciate the chairman outlining for the body the initiative which he and I have pursued in the area of entitlement reform. I appreciate his leadership on that and I look forward to continuing to work with him on it. I certainly hope we can pass it. It is one way to get at the fundamental fiscal imbalance our country is facing and the threat it represents to our children having an affordable government. But that should not mute or sideline legitimate efforts to try to begin the process of controlling entitlement costs in a way that is fair and does not unfairly impact beneficiaries.

The President did make suggestions in this area. The President's budget is not on the floor. I would note that the reason we don't offer a budget is for the same reasons the Senator from North Dakota didn't offer a budget when I was the chairman and the Republicans controlled the Senate. In fact, I will quote him. He said:

> The chairman—

At that time he was referring to myself—

> well knows the majority has the opportunity to offer a budget, and our responsibility is to critique the budget.

That is the way the Senator from North Dakota viewed the budget process and it is the way I view this budget process. But independent of that, the President's budget, as he sent it up, at least had guidelines which I thought were very constructive in the area of trying to control our costs in Medicare specifically. He had three different proposals. The first suggested that people with high incomes should pay a larger burden of the cost of their drug benefit, Part D premium. Today, if you are Warren Buffett—we use Warren Buffett because he is nationally known, obviously, and is extraordinarily successful—if you are Warren Buffett, you qualify for the Part D drug program, but you don't have to pay the full cost of that program. You don't pay a full premium. You pay about 25 percent of the cost of that premium. That means that John and Mary Jones, working at a restaurant in Epping, NH, or Sally and Fred Upton, working in a real estate firm in Concord, NH, are paying 75 percent of the cost of the drug benefit which goes to wealthy Americans, and specifically the example I used would be Warren Buffett. That seems totally inappropriate to me.

So the President sent up a proposal which said if you make more than $80,000 as an individual—which is a good deal of income for an individual, a single individual, especially a retired individual—or if you make more than $160,000 jointly, you and your spouse, if you are retired and you qualify for the drug benefit, then you have to pay more. You don't have to pay the full cost even, you just have to pay more. It was a reasonable proposal and it would help with the imbalance of the Medicare accounts.

He also suggested we should improve our use of technology within the health care industry, making more information more available to more people so they can make better decisions. That scores, interestingly enough, as a savings, not surprisingly, because if more people have more information about, first, the cost of a medical procedure and, second, the outcomes of a medical procedure at A hospital versus B hospital or at an A group of family practitioners versus a B group of family practitioners, they can make a thoughtful, intelligent decision as to which group they use, especially if they are a corporation with a fair number of people they are insuring or self-insuring. So that proposal was a step in the right direction toward cost containment and scored in a very positive way.

The President sent up ideas—ideas that made sense—and they didn't impact ordinary beneficiaries. The only beneficiaries who were impacted under the President's proposals were high-income beneficiaries who would be asked to pay a fair share of the cost. I do think that type of reform should have been carried in this bill, and we will offer an amendment—I will offer it or Senator ENSIGN, I suspect, will offer it because he offered it last year, Senator ENSIGN from Nevada—asking that high-income individuals pay a fair share of their drug benefit costs, and that is only right. Hopefully that will be approved and put into this budget.

So there are initiatives that can occur here which I think should occur and we should not simply leave this massive fiscal imbalance which we are facing in these entitlement accounts to be fixed by this task force which hopefully we will get in place, but we should start the process now. This budget unfortunately punts that issue and has zero—zero—savings in the area of Medicare—net savings in the area of Medicare. In fact, it ends up with an expansion in entitlement costs of about $466 billion.

Mr. President, at this point I yield the floor.

The PRESIDING OFFICER. The Senator from North Dakota is recognized.

Mr. CONRAD. Mr. President, this is an area where there is agreement between the ranking member and myself.

This is a statement Senator GREGG made in the Senate Budget Committee about the proposal he and I have made to deal with these long-term challenges. This is a quote from Senator GREGG, and one I agree with:

> We have come to the conclusion that everybody who puts policy on the table first ends up getting it shot at by the different interest groups, and that putting policy on the table simply doesn't work in our institution; that the only way to do this is—

Talking about the long-term gap between spending and revenue and the commitment on entitlements—

> the only way to do this is to create a procedure which is viewed as absolutely fair, absolutely bipartisan and that that decision by that task force will then be voted up and down by the Congress.

The task force we are talking about which Senator GREGG and I have proposed would address the long-term fiscal imbalance, would include a panel of lawmakers and administration officials, 16 in number, with everything on the table, with fast-track consideration. That means Congress ultimately would have to vote, and that would require a bipartisan outcome because it would require a supermajority.

The ranking member referenced what the President has called for. Let me put up what the President has called for in his budget. He has called for savings from Medicare and Medicaid of $536 billion over the 10 years of his budget proposal, but at the same time he calls for $2.4 trillion of additional tax cuts, most of which goes to the wealthiest among us. Those are priorities we don't share. I don't think the answer is to cut Medicare over $500 billion, Medicare and Medicaid, at the same time cutting taxes $2.4 trillion disproportionately on the wealthiest among us. Who would be affected by these Medicare reductions? I will tell my colleagues one group that would be affected: the rural hospitals I serve as a representative from the State of North Dakota in the Senate. Rural hospitals already on average have negative margins. That means they are losing money. Why? Because they get one-half of the reimbursement rate of more urban hospitals to treat the very same illnesses. In other words, if you have a heart attack, you go to an urban hospital, that hospital gets twice as much under Medicare to treat you as a rural hospital. Unfortunately, there are no rural discounts available to those rural hospitals. When they go to buy technology, they don't get a rural discount.

When they go to attract a doctor, they don't get a rural discount. In fact, it costs more to attract doctors to rural areas than to urban areas. That is proven by the MediPAC studies.

The proposal by the President would cut these hospitals. Can I tell you what that would mean in my State? Hospitals would shut down. We have more than 40 hospitals in my State. My State is a very large State, although sparsely populated. At least eight hospitals in my State would fail under these provisions. So, no, we don't support that. I certainly don't support it. I don't think most Democrats think this is the priority—cut Medicare, cut Medicaid, and at the same time you are cutting taxes on the wealthiest among us. I think many of the wealthy would say that should not be the priority.

Warren Buffet points out that he pays a lower effective tax rate than the woman who is his secretary and than the woman who is his housekeeper. Why? Because most of his income comes from dividends and capital gains that are taxed at a 15-percent rate and his housekeeper is paying at a higher effective rate than that. How can that be fair? I don't think it is. So even Warren Buffet doesn't think it is fair. He has pointed this out on repeated occasions. He questioned, How can you have an equitable tax system in which he, the richest man in the world, is taxed at a lower rate than his own housekeeper and his own secretary?

Mr. President, we talk about debt. Here is what happens if all of the President's tax cuts are extended without being paid for. The debt takes off like a scalded cat, the debt that is already out of control, already burgeoning, already burdensome to future generations. If you extend all these tax cuts without paying for any of it, what happens? The debt grows inexorably, and in a way that fundamentally threatens the economic security of this country.

Mr. President, I hope very much that as we continue this debate we will focus not just on the 5 years of this budget resolution but also that we remind ourselves and the American people of the very daunting challenges we face long term. This is one place where I am in complete agreement with the Senator from New Hampshire, the ranking member of the committee.

I yield the floor.

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

Mr. GREGG. Mr. President, I appreciate that explanation on Warren Buffett because I think it confirms my prior representation, which is that this proposal increases capital gains and dividends. It is assumed by CBO that it does that. Language he has used relative to the view of the Senator from North Dakota would imply the same also. I think it is important to know—not important, but I think the record ought to show the charts that reflected the savings that were reflected in the President's proposals on Medicaid and Medicare were not reflective of the proposal that came up on Medicare in this budget. They were a prior proposal.

Second, I think the proposals that came from the President involve the Part D premium, IT, malpractice reform, all of which were reasonable, all of which could be accomplished, in my opinion, without having any significant impact on beneficiaries. Yes, they would impact providers because, as a practical matter, the IT improvements would put more pressure on providers to basically deliver good-quality services. Essentially what the administration proposed was to take savings that occur from significant improvements in IT and those savings which basically end up in the pockets of the providers and say to the providers that we will split the difference; you get half and we get half, but you are still going to get half of the savings you create out of IT. I don't think it affects the actual providers. It affects how much they save.

At this point, I see the Senator, the ranking member of the Finance Committee, the former chairman, so I will yield the floor.

The PRESIDING OFFICER. The Senator from Iowa is recognized.

Mr. GRASSLEY. Mr. President, I wish to discuss with my colleagues one of the sources of revenue that the chairman of the Budget Committee claims would bring in $100 billion per year to offset the cost of extending existing tax policy, and that would be the issue of shutting down offshore tax havens.

I feel that I have been very aggressive as a member of the Finance Committee in combating abusive tax shelters offshore or otherwise, so I am not here to find fault with anything in the budget about going after abusive offshore tax havens. But I do have a degree of disagreement on the amount of revenue that will come in and whether this is the ''goose that laid the golden egg'' that will solve all of the problems we have with the budget.

So I have worked hard on this subject for a long period of time. In fact, I would go to a bill that we passed in 2004 called the JOBS Act. It shut down the tax benefits for companies that enter into corporate inversion transactions and abusive domestic and cross-border leasing transactions. The JOBS bill also contained a package of 21 anti-tax shelter provisions—not just 1 or 2 but 21.

Now, of course, I am ranking member of the Finance Committee, but having a good working relationship with Senator BAUCUS, we have been continuing to look at all these abusive parts of the Tax Code, or these parts of the Tax Code that are abused, and look at where we can get some additional revenue. We are not out to tax people who would not otherwise be taxed or to change the rate of taxation, and we are not out to get people who should pay more money than what we are paying if they are doing it in a legal way. We are after subverting the Tax Code in a way that wasn't intended by Congress.

So in my role on the minimum wage small business tax relief bill that passed the Senate last year, we also included provisions that contained anti-tax loophole provisions, including shutting off tax benefits for corporations that inverted—after Senator BAUCUS and I issued a public warning on that issue that legislation would stop these deals, shutting off tax benefits from abusive foreign leasing transactions that weren't caught in the passage of the JOBS bill, and, of course, doubling penalty and interest for offshore financial arenas.

In that particular bill, the minimum wage bill I referred to—it happened to be that the House Democrats rejected our offsets. It was kind of surprising to me, but they did that. I use it as one example that is a somewhat unrealistic account on these offsets in the budget resolution.

The chairman of the Budget Committee went on and on yesterday about abusive foreign sewer systems and city hall leasing deals on which U.S. banks were claiming depreciation deductions. I didn't disagree. I led the effort to shut down these deals on a prospective basis, which we did in the 2004 bill, and I have continued to lead the effort to legislatively deny future tax benefits for deals that were entered into before the 2004 legislation. But here again, people, for reasons I don't know—and it was quite surprising to me—in the other body, the leadership of the Ways and Means Committee over there has continued to stop us cold. In fact, while the chairman of the Budget Committee was holding up a chart of a German sewer system during last year's budget debate—I am referring to last year's budget debate, but it is a prop that can be used this year as well—the chairman of the Ways and Means Committee at that time was holding a hearing that sympathized with U.S. banks that entered into these very same deals.

So I sure hope this distinguished chairman, my friend, the Senator from North Dakota, is not counting on any revenue for doing something the House Democrats have rejected over and over again. But do you know what. My distinguished friend and chairman of the committee, it seems to me that he is counting on that revenue. Well, maybe he will have better luck a second time. We didn't do very well the first time.

The Budget Committee chairman is also continuously referring to the billions of dollars that the Permanent Subcommittee on Investigations says we can get through offshore tax scams. Well, those of us who have to do this heavy lifting in this area, by passing tax legislation, know that whatever numbers the Permanent Subcommittee comes up with have tended to be meaningless. We all know there is not a dollar's worth of tax legislation that can be based on the Permanent Subcommittee's estimates. That is not their expertise, nor their job. That falls into the area of the Joint Committee on Taxation.

So having studied these issues and having legislated in these areas for a long period of time, I consider my views on tax policy directed at tax shelters and tax havens to be credible. From what I can tell, the chairman of the Budget Committee views the problem of offshore tax havens in two categories: one, the ability of U.S. multinationals to shift income to these tax havens, and two, the evasion by U.S. citizens who hide assets and income in these tax havens.

We have seen Democratic Senators, including the chairman of the Budget Committee, hold up a picture of the Ugland House, a law firm's office building in the Cayman Islands, which is home to 12,748 corporations. Senator BAUCUS and I asked the GAO to investigate the Ugland House. In fact, the Government Accountability Office is down there doing that right now. As often as that building is used to justify a pot of tax haven gold, it will be good to get an independent agency, such as the Government Accountability Office, to give us an objective perspective on this issue.

I would like to give Senators some background on where that picture comes from and what issue it is aimed at. The picture comes from an article published in the Bloomberg Market, August 2004, titled ''The $150 Billion Shell Game.'' The article focused on the ability of U.S. multinationals to shift income to low-tax jurisdictions through transfer pricing.

''Transfer pricing'' is the term for how affiliated corporations set prices for transactions between those corporations. Transfer pricing is important because it determines how much profit is subject to tax in the different jurisdictions involved in related party transactions.

The $150 billion figure is an academic estimate of the annual amount of profits that corporations shift outside the United States with improper—and I emphasize ''improper''—transfer pricing—in other words, trying to violate the law.

One of the Democrats' revenue raisers that is still on the shelf purports to target this transfer pricing problem. But you would not know it by looking at the language of the proposal because it doesn't make any changes to our transfer pricing rules. Instead, the proposal would eliminate deferral for income of any U.S. multinational foreign subsidiaries incorporated in certain black-listed jurisdictions. It is called the tax haven CFC proposal.

Deferrals have been part of our Tax Code since 1918. Deferral means that U.S. multinationals do not pay tax on the active income of their foreign subsidiaries until that income is repatriated to the United States. Passive income is subject to tax on a current basis. Deferral only applies to active income.

I agree with the premise of this proposal that the U.S. multinationals should pay their fair share of U.S. taxes. I think I proved that with closing some of these tax shelters and improper offshore activities in previous legislation. I have already talked about that issue. U.S. multinationals who use improper transfer pricing do so to obtain the benefit of deferral on profits that economically should be subject to tax in the United States on a current basis.

Here is my quote from this Bloomberg article:

> We have to get on top of corporate accounting and manipulation of corporate books for the sole purpose of reducing taxes.

My view is that stronger transfer pricing rules and stronger enforcement of those rules is the way to target this problem in our current international tax system.

The IRS is taking steps to tighten our transfer pricing rules. For example, the IRS has proposed regulations that would overhaul the rules for the so-called cost-sharing arrangements. These are arrangements by which multinationals of our country are able to transfer intangible property to subsidiaries in low-tax jurisdictions. Based on the volume of complaining I have seen from lobbyists and their leveling it at the Treasury and the IRS, the proposed IRS regulations would go a long way to prevent this artificial income shifting. I hope to see these regulations finalized soon, and I believe they will be. Others have a whole different view. They would eliminate deferrals altogether.

Another quote in the Bloomberg article succinctly states this view. This is a quote from Jason Furman. He is a former aide to Senator KERRY:

> American companies should pay taxes on their profits in the same way whether they earn them in Bangalore or Buffalo.

That is where these proposals to eliminate or curtail deferrals on a piecemeal basis are headed. They are headed to the complete elimination of deferrals for U.S. multinationals.

Without a significant corporate tax-rate reduction—and thank God some candidates for President are talking about that. There are Members of this body who believe we ought to reduce the corporate tax rate so we can be competitive on an international basis but without a significant corporate tax rate reduction. Eliminating deferrals altogether would have the effect of exporting our high tax rates and putting U.S. multinationals at a competitive disadvantage in the global marketplace.

Understand, our corporate tax rate is the second highest in the world. We are not even learning from Germany yet, a socialist country that decided they have to reduce their marginal tax rate to be competitive in the world market. Ireland found that out in 1986 and has economically advanced since they did that. Everybody understands our tax rates make us uncompetitive. Do we want to make it worse so we lose more jobs? I don't think so, but I don't think people have thought about it.

The Senate is on record as wanting to protect the competitiveness of U.S. businesses in the global marketplace. The Senate passed the American Jobs Creation Act of 2004. I referred to that bill before in my remarks this afternoon. That bill contains several international simplification provisions, and it passed with a vote of 69 Senators, including 24 Democrats. The Senate version of the JOBS bill, which also contained these provisions, received a vote of 92 Senators, including 44 Democrats.

There has been a longstanding debate about whether our international tax system should be fundamentally changed, and that is a legitimate debate. Some say the transfer pricing regime used by virtually every major country is broken and calls for taxing all foreign income on a current basis. Others argue for completely exempting active foreign income under a territorial system, as many of our trading partners do and, consequently, one of the reasons behind our uncompetitiveness. But we want to have that debate, and if we do, then it is a fair debate.

The budget resolution does not contain specific proposals, but if the Democratic record is assumed on offshore tax issues, then we can count on a lively debate from this side to eliminate deferrals because we do not intend to do anything to make our businesses in America that create jobs more uncompetitive. We have to do things to make us more competitive.

We have already seen what the House Democrats would do, and I am a referring to points I referenced already this afternoon. I may disagree with most of the international proposals in that bill that was referred to as ''the mother of all tax bills'' last fall—that is what the chairman of the Ways and Means Committee called his tax reform plan—but at least the chairman of the Ways and Means Committee raises the issue in an intellectually honest way, setting the stage then for fundamental reform and also proposes to lower the corporate tax rate to 30.5 percent. That rate may still be too high, but at least the Ways and Means Committee chairman recognizes the concern that I laid out earlier about exporting our high tax rates.

The piecemeal cutbacks on deferral for active foreign income that we have seen in the Senate would do nothing but complicate the Tax Code and create opportunities for tax planning around these cutbacks.

The other offshore issue identified by the chairman of the Budget Committee is U.S. tax evasion by individual taxpayers who hide their assets and income in foreign bank accounts and foreign corporations. Let's go back to the beginning of the Tax Code in 1913. Our Tax Code has subjected U.S. citizens to tax on their income wherever it is made worldwide. No matter what the Internet purveyors of tax evasion say, this principle cannot be avoided by putting passive assets and income into foreign corporations. The Tax Code has rules to prevent that. Taxpayers who willingly violate these rules are guilty of tax fraud and, in many cases, criminal tax fraud.

The problem of offshore tax evasion is not that our laws permit it; the problem is there are some taxpayers who are intent on cheating and hiding their income from the Internal Revenue Service.

The IRS has been successful in catching many of these tax cheats, but more can be done. The IRS has difficulty detecting tax evasion and obtaining the information necessary to enforce our tax laws. One important tool for the IRS is information exchanged with other jurisdictions. Our double-tax treaties contain an article on information exchange designed to help the IRS obtain quality information to enforce our tax laws.

In addition, administrations, past and present, have entered into over 20 tax information exchange agreements with jurisdictions that are often referred to as tax havens. We are seeing this information exchange network in action as we speak, providing the IRS and other countries with information related to the use of bank accounts in Liechtenstein. Sensible solutions to this problem should aim to improve on our tax information exchange network and not put that network at risk or the efforts at risk.

Underreported income is the largest piece of the tax gap. We should keep in mind that hiding assets and income from the IRS is not just an offshore tax problem, it is not an offshore tax haven problem; it may also be an onshore problem. In fact, it is an onshore problem.

An article in USA Today last year noted that ''there is a thriving mini industry that has capitalized on real or perceived gaps in domestic and corporation laws and virtually nonexistent Government oversight to promote some U.S. States as secrecy rivals of offshore havens.''

The picture of the Ugland House in the Cayman Islands that I referred to earlier makes for good grandstanding, but as I am sure the distinguished chairman of the Budget Committee is aware, there are also office buildings in some States that are listed as addresses for thousands of companies that are incorporated in those States for similar reasons as those incorporated in the Cayman Islands: secrecy of ownership and a permissive regulatory environment. Whatever additional solutions the Finance Committee comes up with to shine sunlight on tax evaders will need to consider both offshore and onshore evasion of taxes.

I emphasize that I am all for shutting down inappropriate tax benefits from offshore arrangements. The chairman of the Budget Committee has said he thinks we could get, I believe, $100 billion from this source. I have not seen any proposals scored by the Joint Committee on Taxation that come close to bringing in this kind of money, and the Joint Committee on Taxation is the official scorer. The last score I have seen for a tax haven CFC proposal is about $1.5 billion per year. The more fundamental ''mother'' bill that I referred to from the chairman of the Ways and Means Committee in the other body would raise about $10 billion per year.

I wish to emphasize to my colleagues another point. Each of these proposals that would eliminate or curtail deferral involve tax policy changes that raise taxes, which is the last place the distinguished chairman of the Budget Committee said he wanted to go to raise revenue.

On the offshore evasion issue, Senators Levin, Coleman, and Obama have introduced a bill that contains several proposals, and these proposals are aimed at offshore tax havens. Yet, again, I have not seen a Joint Committee on Taxation score of that bill, and they are the official scorer.

Once again, it will be the Finance Committee's responsibility to come up with real, sensible, effective proposals that combat offshore and onshore tax evasion, which I am glad to do, but the likelihood that they will be scored by the Joint Committee on Taxation to bring in the kind of money assumed in this budget resolution is very remote at best.

Given these facts, it should be obvious how much of a shell game is going on and how unreal this budget resolution is.

Mr. President, as my colleagues know, within the Finance Committee, we have jurisdiction over health care issues. I wish to address those health care issues in this budget resolution as well.

The biggest health care issue in this budget resolution is a stealth provision—stealth. You cannot see it, but it is there. And I am going to talk about the issue of reconciliation, a process that was supposed to be used to save money, but I think in a stealthy way, before this is done and out of conference, it is going to be used to increase expenditures.

It is true there are no reconciliation instructions for spending in the Senate resolution, but there is in the House version, and that is going to make it conferenceable.

Last year there was a single committee instruction in the House-passed resolution but not in the Senate-passed resolution. The final conference version last year deferred to the House, no reconciliation. So I am willing to bet that the House instructions will be the final budget that comes back from the House-Senate budget conference.

Truthfully, it makes no sense for the House to have reconciliation instructions in the first place. The House does not need reconciliation protection. The Speaker and the Rules Committee make sure the House is strictly controlled by a majority vote. Reconciliation is only important for the purposes of the Senate to avoid filibuster, to avoid a 60-vote supermajority, to get to finality in the process, limiting the role of the minority. And, remember, the Senate is the only institution in our political system where minority rights are meant to be protected and are, in fact, protected.

I do not think the other side wants a debate in the Senate about reconciliation, so they have hidden the reconciliation instructions in the House bill so they can drop it in their final budget. Since I am pretty confident it will be there in the final budget, I want to bring attention to the problems this creates as we consider all the work, and three-fourths of it comes out of the Finance Committee over the next few months of this session.

It is true, of course, that reconciliation can be a very useful and powerful tool for actually making policy to reign in Government spending. Reconciliation can be used to pass controversial reductions in entitlement spending. By design, the reconciliation process greatly reduces the role of the minority, be it Democrats for 12 years prior to now or Republicans now. But let us review the basics on how to make law around here. To make law, not only does Congress have to pass it but the President has to sign it or you have to have votes to override a veto. In the last 20 years, precisely four vetoes have been overridden—not a very high percentage.

Pursuing an override strategy is an uphill battle as anyone such as Senator BAUCUS and I, who have worked so hard on the SCHIP bill last year, found out. To have the President sign it means the bill will have to be bipartisan. The President is not going to sign a partisan bill. The President will not sign a bill that lacks involvement and support from the minority as well as the majority.

Since reconciliation cuts Republicans out of the process, it ain't going to work. Likewise, what do you have to have to override a veto? Republicans, of course. About 16 in the Senate and 60 in the House if you are going to get anything done. Since reconciliation is a partisan process, it is passed with only partisan support, it is pretty clear it will not work. It will be a pointless political exercise. It will not become law, plain and simple.

If you want to make law around here, it has to be bipartisan. That means in this body involving the Republicans, and since you will need Republicans to make law, you do not need reconciliation to get a bill passed in the first place. If the effort is bipartisan, you do not need the restrictive rules of reconciliation to get it done. I think Senator BAUCUS and I, working together in this legislative process in this body, have proved that over and over and over in the 8 years we have been working together.

What we are considering today is not about making policy. So what is the point of it? Well, I think it is about playing politics. We are in an election year. In fact, it is a Presidential election. We all know the stakes are very high. So why on Earth should anyone believe that trying to move a partisan Medicare and Medicaid reconciliation bill makes any sense at all?

Exactly what bill does the majority want to pass that will not have broad bipartisan support? Fortunately, the chairman of the House Ways and Means Committee answered that question for all of us. He confirmed that he wants to include the House-passed Medicare bill from last year in reconciliation, a bill better known in the health care circles as the CHAMP Bill, acronym C-H-A-M-P, CHAMP.

You may be wondering what it is in the CHAMP bill that would not pass unless it would be included in reconciliation. Fortunately, there is an answer. The House CHAMP bill includes drastic cuts to home health care, to hospital care, and skilled nursing care. The House CHAMP bill also would end availability of Medicare Advantage plans and their extra benefits in most of rural America. It would also drastically cut benefits for rural seniors who are enrolled in Medicare Advantage plans throughout the country. It would also cut other benefits such as preventive health benefits that seniors rely on when they enroll in Medicare Advantage plans.

The House CHAMP bill would also result in higher out-of-pocket costs for lower income seniors who are enrolled in Medicare Advantage. The House CHAMP bill also has some changes in the State Children's Health Insurance Program that merit further discussion, to be sure. It would turn the capped SCHIP block grant program into an uncapped entitlement program. Childless adults would be allowed to stay on SCHIP indefinitely. Remember, we had that debate last year. Everybody said a children's health insurance bill is for children, not for adults. We did things in this body to make sure adults were not covered by the children's health insurance bill because it cheats children.

So why would you want to go back to something we debated and carried by a two-thirds vote in this body? And it would add coverage for immigrants who have come here illegally to the SCHIP program as well.

None of those provisions were included in the bipartisan package we worked out together last year. I have got a chart here that will emphasize this. It is the whole to-do list that is hidden in their agenda for the year. It is hidden in their stealth plan to do a reconciliation bill this year.

One logical question you might ask is: Why would they be thinking about using reconciliation this year? The answer is simple. They know they do not have the votes to pass these kinds of dramatic Medicare cuts and they do not have the votes for these bad policies we changed in SCHIP last year. So they want to force it through the process by stuffing it into a partisan reconciliation bill.

Now, focusing back on Medicare, let us consider what is at stake. We have until the end of June to pass a Medicare bill that the President signs into law. If the Democratic leadership insists on using budget reconciliation for this Medicare bill, they will fail to get a bill enacted. Failure to get this done by June 30 has serious consequences for seniors and disabled Americans who rely on this important Government program we call Medicare for their health care. Failure to get the bill done and signed means that severely disabled and injured Medicare beneficiaries will not be able to get the therapy they need beginning in July. Failure means that sorely needed doctors and other health care professionals in rural areas are going to see drastic reductions in their Medicare reimbursement. It means low-income beneficiaries who need help with their Part B premium will not be able to get it because the Qualified Individuals Program in Medicare will have expired. It means patients with end stage renal disease who need dialysis will still be in the system in need of payment reform. Necessary reforms are needed to improve how end stage renal disease facilities are paid so they have stronger incentives for improved critical outcomes and enhanced quality of care.

Reforms are also needed to eliminate incentives for the overuse of drugs in that program. It means that seniors' reliance on ambulance services in rural areas will be put at risk because of underpayments for rural ambulances. It means that beginning in July, Medicare beneficiaries will have their health care threatened when family doctors, surgeons, medical specialists, and nurse practitioners all across the country will have Medicare payments cut by more than 10 percent.

I hope you realize how demoralizing that will be to doctors in this country when they face a 10-percent reduction. In many areas, doctors are already in short supply. With a 10-percent pay cut, some may solve their problem by not accepting Medicare beneficiaries. New beneficiaries may also have trouble finding a doctor.

Failure also means other important initiatives will not get done. It means that legislation to strengthen incentives for physicians to use electronic prescribing will not happen. This means we will continue to have higher rates of dangerous medical errors, that people have their lives put at risk.

It means our Nation's seniors and disabled Americans will still be in the health care system that rewards poor quality care, because enacting hospital value-based purchasing in Medicare is not going to happen. These are some of the reasons why we should not be thinking about reconciliation as a way to avoid this set of outcomes in July. I hope we can set aside this reconciliation charade. I hope we can continue to work in this body in a bipartisan way, as we have a reputation for doing in the Finance Committee, to get a Medicare bill passed and signed by the President by the end of June.

It is quite clear: The stakes for failure are too high. So let us not kid ourselves about including a reconciliation instruction in the final budget, meaning what comes out of conference. It is not about making policy. No one should mistake it for a serious effort. It is about jamming a bill through Congress and forcing the President to veto it. It is about making politics that threaten the Medicare Program and the seniors who rely on it. I will have nothing to do with that sort of a process. I do not think very many people on this side of the aisle will either.

What we are considering today is not about making policy. Then what is the point? It is politics. If we are going to have a serious effort at legislating, I hope the other side would decide not to pursue a partisan reconciliation bill. Instead we need to work out a bipartisan bill that can become law.

The bottom line is that reconciliation is a bad idea. It is partisan. It will not become law. We have serious work to do before the end of June, and a sham political reconciliation exercise is not getting us any closer to getting the job done.

While the stealth reconciliation instruction is the most disturbing facet of this budget, it is not the only problematic health care provision. The budget misses the opportunity to continue the bipartisanship that was forged in the Senate over the State Children's Health Insurance Program last year that passed this body, sometimes with 69 votes.

Last year, SCHIP reauthorization was a top health priority. It was a difficult and it was a bruising battle. But the $35 billion compromise bill garnered 68 votes in the Senate. It was a true show of bipartisanship.

Now, rather than come back to the second session of this Congress to roll up their sleeves and finish the job, it looks to me as if the Democratic majority is abandoning that bipartisan work from last year.

Now you might say, how do I know that? Well, it is very clear, because the budget before us returns to the $50 billion reserve fund for SCHIP from last year's Democratic budget, a figure that was soundly rejected by the Senate last year in the compromise that was put before us that got those 68 votes.

My colleagues know that a key feature of last year's SCHIP deal was to cap spending at $35 billion. But they did not include the $35 billion for SCHIP that had bipartisan support. So where, then, is the bipartisan spirit on SCHIP that was here last year? Why is it not here this year?

Mr. CONRAD. Will the Senator yield on that point?

Mr. GRASSLEY. Yes, I will yield.

The PRESIDING OFFICER (Mrs. MCCASKILL.) The Senator from North Dakota.

Mr. CONRAD. I asked that same question myself. Why do we not put in the $35 billion figure? And the answer was: It is up to $50 billion so it would accommodate the $35 billion compromise, but it also was with the understanding that a year later, maybe that would need to be $36 or $37 billion, to have the same force and effect.

I would say to the Senator, there was no intention here to leave an impression that we were not eager to continue the bipartisan effort.

I wish to salute the Senator. He made an enormous effort, as did Senator BAUCUS, Senator ROCKEFELLER, and Senator HATCH. They spent many hours putting together a bipartisan agreement on SCHIP. We certainly don't want to in any way leave the impression that we don't want to pursue that again.

Mr. GRASSLEY. The Senator from North Dakota backed us on that effort, and I thank him for that. And the extent to which you say you would be willing to work, I assume you are speaking as a person, for $35 billion instead of 50, I accept that. But I am saying for the public who is looking at this document we call the budget resolution, that has $50 billion in it. You draw other conclusions.

Mr. CONRAD. If the Senator will continue to yield, that is why the language in the resolution says up to 50. Again, I say to my colleagues, I have every intention to pursue again the effort that you and the chairman of the committee pursued so vigorously last year.

Mr. GRASSLEY. I thank the Senator. I am happy to yield to the Senator from New Hampshire without losing my right to the floor.

Mr. GREGG. In order to accomplish the goals the Senator wishes to accomplish and which have been subscribed to by the chairman of the committee, you wouldn't need reconciliation to accomplish that, would you?

Mr. GRASSLEY. No, you would not. In fact, it detracts from it. Because too often reconciliation tends to be a partisan issue, and we will never get SCHIP through here that is not bipartisan. I think you are making the case that I have taken a long time to make, that reconciliation is not a process we need to accomplish most of the major goals in some of these areas that there is bipartisan agreement to reach.

Mr. GREGG. That was my point. I think the Senator from Iowa has made an excellent case for why this reconciliation, I think he called it a stealth vehicle floating around here, should not be used. It is inappropriate and certainly undermines the integrity of the process to use reconciliation for this type of an issue.

Mr. GRASSLEY. Based upon what the Senator from North Dakota said about SCHIP, I will not go on making my case about that. He has pointed out what the intention is, which is not to preclude something less than $50 billion, and that brings us back to the possibility of a bipartisan compromise, assuming we don't have reconciliation.

I will go on then to certain CMS regulations and how they are treated in the budget resolution. I know some people have concerns with the CMS Medicaid regulations. I will not argue that these regulations are perfect. In fact, I have written for my constituents a lot of letters to CMS raising questions about some of these regulations. However, the regulations do address areas where there are problems in Medicaid. Somehow I read this budget resolution as not recognizing those real problems. States don't have clear guidance and could be inappropriately spending taxpayers' dollars. We ought to make sure that since Medicaid is a Federal-State program, that we have 50 States to deal with, they ought to have as much assurance as they can have in our basic law and regulations as to what they can do and not do. We ought to be concerned that they know that. Because if they do something wrong, we pay over half. In my State, we pay 62 percent of the cost of Medicaid. So let's talk about how many dollars might be involved.

The budget resolution provides for $1.7 billion that is going to be addressed by these regulations. The amount is only to delay the regulations until the end of March of next year in hopes the next administration will pull back those regulations. Of course, that is what the people who are supporting this provision are hoping for. What would it cost if we tried to completely prevent these regulations from ever taking effect? Not the $1.7 billion that is in this budget resolution to get us through to March of next year. It would actually cost taxpayers $19.7 billion over 5 years and $48 billion over 10 years. Let me emphasize that, $48 billion over 10 years. It is a farce, from my position, an absolute farce for anyone to argue that all those dollars are being appropriately spent and that Congress ought to walk away from these issues, forget about what CMS is trying to do to bring some rationale to the spending of taxpayer dollars.

CMS still has a fundamental responsibility to combat fraud, to prevent inappropriate spending, and to protect the integrity of the Medicaid Program. This budget resolution tells CMS to stop your work. Take the rest of the year off. Your work is no longer necessary.

This is a serious mistake. What we ought to do is have an instruction that requires the Finance Committee to replace the regulations. Instead of making the regulations go away, the Finance Committee ought to be tasked with replacing them with a policy that fixes the problems. That is what we should be doing for the American taxpayer.

So let's review what we have in the budget resolution. First, we have a stealth reconciliation provision that promises to place politics over getting important policies accomplished. Second, we have an SCHIP provision that abandons the bipartisan progress made in 2007, recognizing the dialog I had with the chairman of the Budget Committee on that point, after I made my point. Third, we have a Medicaid provision that carelessly abandons the integrity of programs in several key areas, costing, if it would stay in place forever, $48 billion over 10 years. With spring training in full swing, I would like to borrow a baseball analogy. That is one, two, three—well, you know all the rest.

I have some comments I wish to make about the provisions that might be offered in what is called the tax relief measures and particularly those that might not be included in an amendment that is going to be offered from the other side of the aisle. I would like to define for my colleagues some of the widely applicable expiring tax relief provisions that are not going to be covered by an amendment that I think is going to be offered by my friend from Montana, Senator BAUCUS, in an amendment he has. I know already that Senator GREGG, the ranking Republican on the Budget Committee, has pointed this out, that the lower rates on capital gains and dividends would rise after 2010, under the pending amendment. That means that lower income taxpayers', those in the 10- and 15-percent tax brackets, capital gains rates rise from the current zero rate to 10 percent.

It means for dividends for the same group, the tax rate would go from zero rate to either 10 or 15 percent. Why would anybody want to discourage people who are in those brackets, usually lower income earning people, from having to pay a higher rate of tax on their savings, when the rate of savings in this country is at such a low level compared to other countries? In fact, last year it was a negative savings rate for all America. For all other taxpayers, though, the capital gains rate would go up 33 percent, from 15 percent to 20 percent. For those taxpayers, the dividend rate would go from 15 percent to as high as 39.6 percent on dividends as opposed to capital gains.

As important are marginal tax rate hikes that would kick in after the year 2010. Here I am talking about all the tax brackets above the 15-percent bracket. We have a chart that tells exactly what is going to happen with each of these and how many families and individuals are being affected by these tax rates—who are going to have the tax rate increase. The chart shows the current law brackets and the number of tax-paying families and individuals in each bracket. The data is the latest available from the Internal Revenue Service Statistics of Income Office. There are four brackets above 15 percent. The first is a 25-percent bracket which contains 22 million families and individuals. The next bracket is 28 percent. There are almost 4 million tax-paying families and individuals in that bracket. The next bracket is the 33-percent bracket. There are 1.5 million tax-paying families and individuals in that bracket. And the top bracket is 35 percent, and in that 35-percent bracket is almost a million people. This is a group whom you will hear most about from the other side. Even it is a sizable group, 963,000 people. It contains a lot of stable and long-term small business owners who create most of our jobs. The other side would like to leave the impression that these are nothing but Wall Street moguls.

If we were to raise this rate, as proposed, to 39.6 percent, the small business owners would be facing a 13-percent penalty vis-a-vis the largest corporations in the land.

Now where do you get the idea that is good for America, that small businesspeople, sole proprietors filing individual taxes and in the business of creating jobs, ought to pay 13 percent more than what corporations pay? In fact, the whole purpose of the 2001 tax bill was to make sure there was parity between sole entrepreneurships creating jobs and corporations creating jobs. We are talking about a small group of people, 963,000.

If you total the number of tax-paying families and individuals affected by these marginal rate increases, it is a total of 28 million families and individuals. Keep in mind, as I said yesterday, that is a group of tax-paying families who start paying on taxable income of $63,000, and for individuals it starts for as low as $32,000 of taxable income. This large group of taxpayers would face various marginal rate hikes, if the policy underlying the pending amendment were to become law.

The better way to deal with these current law levels of taxation would be to make them permanent because permanency of tax policy is the best tax policy that is going to create the most jobs.

There will be an amendment to be offered by Senator GRAHAM that ensures capital gains and dividend rates stay at the current low levels for lower income taxpayers. The Graham amendment will ensure that roughly 28 million families and individuals would not face marginal tax rate increases after that.

For those Members waiting to speak, I have one more fairly short comment I wish to make on another provision in the bill that was put in, in committee. I come before you to discuss payment limitations, meaning payments to farmers.

For years I have been leading an effort to put a very hard cap on the amount of Federal subsidies going to farmers. Last year, as everybody knows, I stepped aside. I wish to say I graciously stepped aside during the budget debate when—

Mr. CONRAD. Madam President, will the Senator yield?

Mr. GRASSLEY. Madam President, I will yield to the Senator.

Mr. CONRAD. Madam President, let me say there have been a number of examples last year and this year of what I think distinguishes the Senate. The actions by the Senator from Iowa last year were an example of courtesy and graciousness that I will never forget. I want to say publicly, as I have said before, how very much I appreciate what the Senator did last year to withhold an amendment that would have otherwise taken down the budget. It was an act of great courtesy, and I thank the Senator for it.

Mr. GRASSLEY. Well, Madam President, I appreciate the Senator's kind words. I am going to kind of use some words that I think he spoke to me last year, and I would not say they are an absolute quote, but it went something like this: Chuck—that is my first name. This was in private. You do not call us by our first name on the floor of the Senate. But something like this was said to me: Chuck, hold off on this. We will do this on the farm bill in 2007.

Well, we did do the farm bill in 2007, but we do not have it done yet. Anyway: Chuck, hold off on this. We will do this on the farm bill in 2007. You know you have the votes there.

So I backed off and I waited, as has been verified by the chairman of the committee. Everyone knows what happened. His colleague, Senator DORGAN of North Dakota, and I worked hard over a period of a couple years to be able to offer an amendment of a $250,000 hard cap to the commodity programs on the Senate floor to the farm bill. Do you know what. We had a majority. We had 56 Senators who voted to support this hard cap. I can tell by looking at some other Senators here, we probably had 58, but there were reasons otherwise for voting. But leadership—and all I can say is in a generic way—leadership imposed a supermajority requirement on the amendment. We did not have 60 votes. So if you do not have 60 votes around here, sometimes you do not get anything done.

At this point there is no guarantee we are even going to have a farm bill. I think we will, but I cannot guarantee it. I do not like to say this because I am very hopeful that we will, but there are a lot of hurdles to jump before we get there. We have not been able to come up with acceptable offsets that the administration can agree to. We have not been able to find a structure for the Finance Committee's assistance that the House can live with. The House has not even named conferees, so we have not even begun to engage in the very serious, substantive policy issues that get us to finality, even though there is a lot of talk going on and there are a lot of meetings going on. So this year, we are back where I was a year ago on the budget. Last week, Senator ALLARD and I offered an amendment on payment limits during committee consideration of the budget resolution. This amendment would limit commodity payments and allocate the savings to nutrition. The amendment was agreed to by a bipartisan vote of 13 to 9.

Here I am to put everybody on notice that this $250,000 hard cap should be carried through to the conference report. I want to have an adequate safety net for family farmers in the tradition of farm programs for six, seven, or eight decades, where it was targeted toward small- and medium-sized producers, people who maybe cannot ''weather the storm'' as the big gigantic farmers can. That storm can be natural or it can be politically instituted or it can be internationally instituted—a lot of things beyond the control of the family farmer. So we have had a safety net to guarantee a stable supply of food for our people, both for social cohesion as well as for national defense.

Now, in recent years, however, assistance to farmers has come under increased scrutiny by urban communities and the press.

Do we have a chart? Yes, we have a chart here I wish to have you look at.

The law that is now being administered maybe has unintended consequences, but they are real consequences. The law creates a system that is clearly out of balance. If we look at the results posted on this chart, we have a system where 10 percent of the farmers—the biggest farmers—get 73 percent of the benefits out of the farm program, and the top 1 percent gets 30 percent. I am not saying these corporate farms should not have a safety net like everyone else. This amendment is not means testing anybody. But it is saying at some point: Enough is enough. We have to set a hard cap, a hard level of payments that is equitable to all producers, no matter their size, with emphasis upon helping small- and medium-sized farmers.

My amendment adopted in committee and included in this resolution will help revitalize the farm economy for young people, at the same time saving taxpayers money or, better yet, using that money in nutrition where it will do some good for lower-income people.

The amendment will put a hard cap on farm payments at $250,000. I want to make a very clear distinction here. Even if we have a farm bill—because the arguments are going to be made against this bill: We are in negotiations on a farm bill. Why mess with this in a budget? Well, if we do have a farm bill, I have a feeling it is going to end up relaxing payment limit laws that we have in the 2002 farm bill. The House of Representatives, in their farm bill, actually increases direct payment caps. And both the House and the Senate totally eliminate the cap on marketing loan gains, making them virtually unlimited.

So you have farm bills passed by both Houses that you could drive a gigantic 9620 John Deere tractor through—and those are big tractors. I will support trying to lower the adjusted gross income limits, but I have seen a lot of data that suggests that not many farmers are going to be kicked out of the program if they are filthy rich, do not need the help, do not need the support, do not need to be subsidized to get bigger. They have the ability to get bigger on their own economic entrepreneurship. We should not have to subsidize them.

In addition, I have evidence that the U.S. Department of Agriculture is not even enforcing current law, the current adjusted gross income cap of $2.5 million. So what makes us think they are going to enforce something at $500,000?

This to me is more than just economics of the farm program. This is about good government. This is about responsibility to the taxpayers. Most importantly, this is about protecting the livelihood of America's small and midsize farmers who you might say are protected anyway because there is a safety net for them.

But my point is, you pay these 10 percent of the biggest farmers 73 percent of all the money out of the pot that is set aside for support for farmers, and we are going to lose urban support for the farm safety net, and small, medium, or big, there is not going to be any farm safety net, and someday you are going to wonder why there is not enough food in America.

I want to take a minute to outline some of the folks who have supported this in the past. All 12 Democrats on the Budget Committee have voted to support this measure at one time or another. Last week, we had 13 votes in favor of a $250,000 hard cap, including a majority of Democrats. We have support from groups that are concerned about hunger in America or hunger in the world. We have the support of environmental groups. We have churches backing this. We have small and beginning farmer advocates.

Let me remind this body of a report that was put out because of the 2002 farm bill. Remember, we had this argument in 2002. We won overwhelmingly in the Senate. It was taken out in conference because of big corporate farm interests that were on the House Agriculture Committee, and they are probably still there, even though it is under Democratic leadership.

We did not get these limits. So we had a commission report: Let's study this. Let's find out what we can do to make sure that 10 percent of the biggest farmers do not get 73 percent of the benefits out of the program.

Well, do you know what the report said. After about 2 years of study, it said: Do exactly what was done in the Senate in 2002. And that is exactly what we got 56 votes to do a couple months ago when the farm bill was up in the Senate—but not 60 votes to get over that hurdle.

The report also said that the 2007 farm bill is the time for these reforms to be made as part of a change in permanent law.

Well, that time has come. By supporting the policies included in the Allard-Grassley amendment, we can allow young people to get into farming and lessen the dependence upon Federal subsidies. This will help restore public respectability for public farm assistance by targeting this assistance to those who need it.

You might remember the last time we had a vote on payment limits was on the budget bill. Many of our colleagues said they agreed—no. The second time back we had a vote on this was on a budget bill. Well, at that time it was argued: Wait until the 2007 farm bill. It needs to be done on a farm bill. Well, you know what happened. You change the rules in the middle of the game. You think 51 votes will get an amendment adopted around here. Then somebody says: Well, we can't beat DORGAN and GRASSLEY with a majority vote, so we will somehow scramble around and wiggle the rules—and I don't know what all it takes; and it will never be in the history books—but it happens that all of a sudden you need 60 votes to get something done around here. We only got 56 votes, so we did not get it done.

But to all my colleagues who said: Wait, a couple years back during the budget debate, we are done waiting. We will not be brushed off again. Payment limits must be done now, and waiting for a stalled farm bill is not an appropriate strategy. I call upon my colleagues to back this commonsense measure which a majority of this body has supported numerous times in the past. I hope we can count on our Senate colleagues to support the Senate position on payment limitations in conference.

I yield the floor and thank all of my colleagues who were patient while I expressed my views.

The PRESIDING OFFICER. The Senator from North Dakota.

Mr. CONRAD. Madam President, I thank the Senator from Iowa. You do not have to agree with all the Senator has observed. I do not agree with everything he said here, but I do have great respect for him. He has conducted himself as a gentleman, especially with respect to these budget matters. I very much appreciate that. I want to make certain I say it publicly.

I ask unanimous consent that Senator STABENOW, who has now waited well over an hour, be recognized for 15 minutes, to be followed by Senator GRAHAM on the other side for 15 minutes, before we go to the joint economic presentation which has already been locked in at 5:15.

The PRESIDING OFFICER. Is there objection?

The Senator from Kentucky.

Mr. BUNNING. Madam President, I was assured I would have time at 5 o'clock to speak for up to 10 minutes.

Mr. CONRAD. Madam President, why don't we go to Senator STABENOW for 15 minutes, and then we will hopefully work out this matter with our other colleagues.

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

The Senator from Michigan is recognized for 15 minutes.

Mr. CONRAD. I thank the Senator from Kentucky for his courtesy.

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

Mr. GREGG. Could we amend the unanimous consent to say that after Senator STABENOW speaks for 15 minutes we go to Senator GRAHAM for 10 minutes and then to Senator BUNNING for 10 minutes and the time that was supposed to start at 5:15 be moved to 5:20?

Mr. CONRAD. Well, the only problem with that is I might need to respond. Why don't we do this: Why don't we proceed with the understanding of Senator STABENOW for 15 minutes—and then the desire is to go to Senator GRAHAM; is that correct?

Mr. GREGG. For 10 minutes, and then Senator BUNNING for 10 minutes.

Mr. CONRAD. I would like to reserve the right to be able to respond to Senator GRAHAM, if I might. Will Senator BUNNING be speaking on the same subject?

Senator BUNNING has been gracious. Why don't we do that. We will have 15 minutes for Senator STABENOW, 10 minutes for Senator GRAHAM, and then we will go to Senator BUNNING for 10 minutes, and then I will reserve time in case it is needed to respond. We thank the Senator from Kentucky for his courtesy.

Mr. GREGG. Then we will amend the agreement so the Humphrey Hawkins time will start at——

Mr. CONRAD. At roughly 5:20. We pose that unanimous consent request.

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

The Senator from Michigan is recognized for 15 minutes.

Ms. STABENOW. Madam President, as my friend from Iowa is leaving the floor, I thank him for his incredible leadership on children's health insurance and the bipartisan way we came together around that measure. We hope to be able to do it again because we have millions of children and families who are still waiting for children to be able to receive health insurance.

I wish to speak, though, as a cosponsor of the Baucus amendment, to the middle-class tax relief amendment, which is so significant. I find it interesting: my friend from Iowa was referring to a chart that related to the payment limitation issue, with 73 percent of the benefits going to 10 percent of the farmers, where you could cross that out and put President Bush's tax cuts at the top, and you could have the very same kind of ratio or even more of a difference. You could take estate tax repeal and put that up there and have the very same kind of ratio. So I hope when we get to a debate of a permanent extension—which I understand is coming—of the President's tax cuts, that we will see that same kind of concern about where tax benefits are going in America. I have middle-class families, working families who are still waiting, frankly, to receive the benefits they have heard so much about.

That is what this amendment, the Baucus amendment, is all about: focusing on the extension and addition of tax cuts for middle-class families and for our brave men and women who are serving in harm's way right now around the globe, particularly in Iraq and Afghanistan, and their families. This is a very important amendment.

Let me start by saying what we want to address is the situation that is now occurring. We want to change what is now occurring as it relates to tax policy. Last year, in 2007, those who were earning more than $1 million a year received a tax cut of $119,557. So, roughly, it is fair to say $120,000 in average tax cuts for somebody earning over $1 million a year. That is more than twice what the average hard-working person in Michigan is earning, the paycheck that they are earning every single year.

What we are seeing across the country are folks in the middle class being squeezed on all sides and actually seeing their incomes going down. Too many times we are seeing jobs being lost overseas. We are seeing people being asked to take less in terms of a paycheck. But gasoline now is projected to be inching up toward $4 a gallon, if my colleagues can believe it. Health care costs are going up. The cost of college is going up. Everything is going up, while wages, for most people, are either staying the same or going down.

So when we talk about where we want to focus tax cuts for this country, it ought to be the folks who are working hard every day, who love this country and want to have the American dream available for themselves and their families but have not seen the tax cuts that have been talked about so much by the administration. So that is what this amendment talks about. Instead of $120,000 a year for somebody earning over $1 million, let's focus on middle-class families.

The Baucus amendment would permanently extend the 10-percent income tax bracket. Everybody would get relief, but proportionately it would be relief for low- and moderate-income families. It would extend the refundable child tax credit. We want to make sure those families who have more than one child—two, three, four children or more—are able to benefit from the child tax credit. The marriage penalty—we want to make sure that is extended. Certainly, we ought not to be in America penalizing folks because they are married when it comes to their tax returns. This permanently extends marriage penalty tax relief.

We also permanently extend the tax credit for childcare expenses. No one who has a child in America today will speak about childcare expenses as a frill. It is a necessity. If we care about children, children's well-being, and families, we need to make sure we are recognizing that childcare expenses are a very important and expensive cost for families, and we need to address that by permanently extending the tax credit for childcare expenses.

We also permanently extend the increased adoption tax credit. We want to make sure families who are reaching out to children, who want to be able to adopt a child, have support and incentive to do that. Certainly, the biggest incentive is that beautiful baby, but we want to make sure the Tax Code will help them with their costs and expenses as well. Again, this is a pro-family, pro-children, pro-middle class amendment. I am hopeful it is one that we are all going to embrace.

We all want to bring certainty to the estate tax law. No one, I believe, wants to see in 2010 the old law take place. We don't want to have uncertainty for families, for family farms, and small businesses. This permanently extends the tax relief that has already been adopted, the tax cuts that have already been adopted.

Something else is very important for families right now as they are struggling to keep their homes. We are all very focused and have spent time on the floor talking about what we need to do. Senator REID has put forward a very important proposal addressing what we can do to help with the home crisis and so many families losing their homes. This particular amendment includes a first of its kind standard deduction for property taxes for Americans who don't itemize on their Federal income tax returns but would allow them a tax deduction for their property taxes. This is a very important piece for supporting families who are working hard to be able to literally keep their home.

The other provision that is so significant is to focus on those things that are needed in the Tax Code to support our brave men and women who are serving us in Afghanistan, in Iraq, and around the globe. We have men and women now who are on third and fourth redeployments. They have made tremendous sacrifices, and their families are as well, and we need to be doing everything we can to support them. So this does a number of things. It has a permanent allowance for soldiers to count their nontaxable combat pay when they figure in the earned-income tax credit, so they can get the benefit of the earned-income tax credit for low-income working families. We provide a tax cut for small businesses that are paying some of the salary of the members of the National Guard and Reserve who are called to duty. Again, we have families now that are really at a point of desperation trying to figure out how to pay the mortgage, how to keep going, and we have so many small businesses that are being supportive, and we want to recognize that and give them some support as well.

A permanent allowance for all veterans to use qualified mortgage bonds to purchase their homes, again, is another way to help people be able to purchase homes, to be able to do what we all want, which is to have a home, save through the equity of a home, and be able to live a good life in America.

We also have created the ability for Active-Duty troops to withdraw monies from retirement plans without penalty. This is very important, when people unfortunately now have dipped into savings. They may have a home equity loan going on and they find themselves in strapped situations and we ought to allow them to take their savings and retirement plans without penalty to be able to help them pay the bills.

We have an extension of a provision that gives retired veterans more time to claim a tax refund. Under certain disability benefit payments, the ability for families of reservists killed in the line of duty to be able to collect life insurance and other benefits provided by civilian employers and the ability for families of soldiers killed in the line of duty to contribute 100 percent of survivor benefits to retirement savings accounts or education savings accounts. This is a very important part of this amendment that pays tribute to those who have been asked to sacrifice the most, whether it be someone bravely serving right now in the war, someone who has come home disabled, or the family of someone who did not come home.

We are debating a budget resolution right now and talking about who receives benefits and where we have to make hard choices. The folks who have made the toughest choices are the folks who are serving us, serving our country in war halfway around the world. I have a lot of folks who are in this category of getting the more than $120,000 a year in tax cuts this last year who have said to me: I don't need it. I earn over $1 million a year. I don't need this. Give this to the men and women who are serving us. Help pay for the war so that we are not paying for it on a credit card or make sure our veterans have the health care they need when they come home or make sure we fund a GI bill that Senator WEBB has introduced that would provide educational opportunities for the men and women who have come home from this war that so far has lasted 5 years.

So there are many wonderful people who love our country who are saying this kind of a tax system where those who make less than $100,000 a year get $674, but if you make $1 million a year or more you get $120,000 in a tax cut, just doesn't make sense. In my opinion, it doesn't represent the great values of America, our values and priorities, what we are all about in this country. We are not about having a system where a privileged few receive all of the benefits, while we are asking so many others to sacrifice and to be able to be required, unfortunately, on too many occasions now, to lay down their lives for their country.

So I hope the Baucus amendment is passed overwhelmingly. Then I hope we say no to what I believe will be an additional amendment, which would extend this tax policy. It would extend it out. With a war unpaid for, with the massive debt that we have in our country, the obligations to our veterans and their families when they come home, we do not need to extend a tax policy that has given so many of our precious resources to a blessed few people in our country, many of whom are asking us, in fact, not to do that.

So I thank our leader on the Budget Committee for all of his wonderful leadership, as well as the ranking member.

I yield back the remainder of my time.

Mr. CONRAD. Madam President, would the Senator withhold for just one moment for the purpose of a unanimous consent request that the ranking member and I previously worked out?

Mr. GRAHAM. Yes.

Mr. CONRAD. Madam President, I ask unanimous consent that the Baucus amendment be temporarily laid aside for the purpose of the Republicans offering the Graham amendment, and that the Baucus amendment remains as the regular order, regardless of the pendency of other amendments.

The PRESIDING OFFICER. Is there objection?

Without objection, it is so ordered.

Mr. CONRAD. I thank the Chair, and I thank the distinguished Senator from South Carolina for his courtesy.

The PRESIDING OFFICER. The Senator from South Carolina is recognized.

AMENDMENT NO. 4170

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

The PRESIDING OFFICER. The clerk will report.

The assistant legislative clerk read as follows:

The Senator from South Carolina [Mr. GRAHAM], for himself, Mr. MCCAIN, Mr. KYL, Mr. MCCONNELL, and Mr. DEMINT, proposes an amendment numbered 4170.

The amendment is as follows:

(Purpose: To protect families, family farms and small businesses by extending the income tax rate structure, raising the death tax exemption to $5 million and reducing the maximum death tax rate to no more than 35%; to keep education affordable by extending the college tuition deduction; and to protect senior citizens from higher taxes on their retirement income, maintain U.S. financial market competitiveness, and promote economic growth by extending the lower tax rates on dividends and capital gains.)

On page 3, line 11, decrease the amount by $949,000,000.

On page 3, line 12, decrease the amount by $3,215,000,000.

On page 3, line 13, decrease the amount by $93,791,000,000.

On page 3, line 14, decrease the amount by $127,024,000,000.

On page 3, line 15, decrease the amount by $151,137,000,000.

On page 3, line 20, decrease the amount by $949,000,000.

Qn page 3, line 21, decrease the amount by $3,215,000,000.

On page 3, line 22, decrease the amount by $93,791,000,000.

On page 3, line 23, decrease the amount by $127,024,000,000.

On page 3, line 24, decrease the amount by $151,137,000,000.

On page 4, line 5, increase the amount by $18,000,000.

On page 4, line 6, increase the amount by $110,000,000.

On page 4, line 7, increase the amount by $2,487,000,000.

On page 4, line 8, increase the amount by $8,005,000,000.

On page 4, line 9, increase the amount by $15,207,000,000.

On page 4, line 14, increase the amount by $18,000,000.

On page 4, line 15, increase the amount by $110,000,000.

On page 4, line 16, increase the amount by $2,487,000,000.

On page 4, line 17, increase the amount by $8,005,000,000.

On page 4, line 18, increase the amount by $15,207,000,000.

On page 4, line 23, increase the amount by $967,000,000.

On page 4, line 24, increase the amount by $3,325,000,000.

On page 4, line 25, increase the amount by $96,278,000,000.

On page 5, line 1, increase the amount by $135,079,000,000.

On page 5, line 2, increase the amount by $166,344,000,000.

On page 5, line 8, increase the amount by $1,214,000,000.

On page 5, line 9, increase the amount by $4,539,000,000.

On page 5, line 10, increase the amount by $100,817,000,000.

On page 5, line 11, increase the amount by $235,846,000,000.

On page 5, line 12, increase the amount by $402,190,000,000.

On page 5, line 16, increase the amount by $1,214,000,000.

On page 5, line 17, increase the amount by $4,539,000,000.

On page 5, line 18, increase the amount by $100,817,000,000.

On page 5, line 19, increase the amount by $235,846,000,000.

On page 5, line 20, increase the amount by $402,190,000,000.

On page 26, line 16, increase the amount by $18,000,000

On page 26, line 17, increase the amount by $18,000,000

On page 26, line 20, increase the amount by $110,000,000

On page 26, line 21, increase the amount by $110,000,000

On page 26, line 24, increase the amount by $2,487,000,000

On page 26, line 25, increase the amount by $2,487,000,000

On page 27, line 3, increase the amount by $8,005,000,000

On page 27, line 4, increase the amount by $8,005,000,000.

On page 27, line 7, increase the amount by $15,207,000,000.

On page 27, line 8, increase the amount by $15,207,000,000.

Mr. GRAHAM. Madam President, consistent with the unanimous consent request, I will talk for 10 minutes about the outline of this amendment. I, too, would like to recognize the chairman of the Budget Committee and the ranking member for dealing with what I think is a very fruitful and important exercise in American democracy, and that is setting the budget. We are going to try to create a budget to guide the Federal Government not just this year but in coming years.

If I had to showcase a difference between honorable men and women in the Senate about our philosophies, how you think about the economy, showcase differences between people who are very sincere and all love their country, it would probably be this amendment. Senator BAUCUS's amendment—I will vote for that; it extends tax cuts to families, child tax credits. The details of the amendment will be discussed on the floor. Certainly, it is needed.

My amendment is about those tax cuts that will be left behind if we pass Senator BAUCUS's amendment and we let current law expire. This probably illustrates the difference between the parties as much as any other event that I could offer to the American people. We live in a global economy, and the question for America is this: What kind of tax structure do we need in place to make sure capital will be formed here and not leave? Does your Tax Code matter when it comes to creating jobs? Does the amount you take from a business—a small business or a major corporation—matter in terms of a global economy? Does it affect people's decision about where to do business? What is fair?

This idea of class warfare—that it is not fair to do this for one group if you are going to do something for the other group—would be a great debate to have. What I am trying to do is offer an amendment to complement Senator BAUCUS's, to make sure our tax structure in America is fair to those who work hard, who hire people, who create capital and jobs, to those in retired status who are depending on their investments earlier in life to get them through.

Here is the question for the country: Under the current law that we passed several years ago, which expires in 2010, the top tax rate is 35 percent. The question for America is: Is a 35-percent top tax rate at the Federal level fair? It seems to be a gracious plenty to me—35 percent out of whatever you earn going to the Federal Government as the top rate. Should it be more? Should it be less? Well, 35 percent, to me, is more than a gracious plenty to be sending to the Federal Government because most people have to pay taxes at other levels of government.

Now, in 2011, if we do nothing, the 35-percent rate goes to 39.6; the 33-percent rate goes to 36; the 28-percent rate goes to 31; and the 25-percent rate goes to 28.

If you ask a variety of Americans—and this has been true for 10, 15, 20 years—what is a fair amount for an American to pay to the Federal Government in terms of the income they earn, the No.1 answer is consistently 25 percent—regardless of income, region, rich, poor, black or white. Most Americans view 25 percent as a fair amount that somebody should have to pay to the Federal Government in terms of their income. We are now at 35 percent, and we are trying to hang on to that.

Our Democratic friends, by opposing this amendment, would allow the top rate to go to 39.6. But most importantly, it would allow the 25-percent rate for that class of taxpayers to go to 28. Who is at the 25-percent rate? It starts with income levels of $31,850 for single and $63,700 for married couples. In 2011, they would, at that rate—if my amendment is not passed—have to pay 28 percent.

That is a lot of money from the economy going to Washington, at a time when we need money at home for families and businesses. Small business owners are in the 35-percent rate in large numbers. Do we want to take every small business that is paying 35 percent of their income to the Federal Government and, 3 years from now, make it 39.6 percent? Numbers matter. To us, we are picking numbers. At home, it is the bottom line. I grew up in a small town in South Carolina, where my dad owned a liquor store, a restaurant, and a pool room. I can remember that we got by. Neither of my parents graduated high school. The one thing I can remember about small business life is you have no option not to get up and go to work. If you are dog sick, you still have to go to work because nobody will pay the bills if you don't open the door. We had health insurance basically for the four people in our family. My mother got Hodgkin's disease, and I paid those bills up through when I was in the Air Force. To the people out there making a living, the burdens of regulations matter.

I think we should come together and say something simple: 35 percent is enough to take from anybody. If you don't like rich people, if you think there is an amount of money that is too much to make, then that is one way to run the Government, I guess. That is one way to create a society—put a ceiling on what people can do. As long as you earn your money honestly and fairly, the better you do, the happier I am for you. If I take 35 percent of what you make, I think I have probably taken enough. Should I take 39.6 percent because somebody makes too much? If you let the Government do that, I think you are letting the Government get out of line and out of control.

And it is just not the people who make a lot of money whom I am worried about; it is people who are working for every dollar they can get to grow their business and pay the families' bills that I worry about.

As I said, the amendment I am trying to offer to the Senate will keep rates at 35, 33, 28 and 25 and not go to 39.6, 36, 31, and 28. If we don't pass this amendment, there is going to be a major tax increase coming to hard-working Americans out there, at a time when we live in a global economy; and if we take any more from Americans, a lot of our businesses are going to leave us. How many people are affected by my amendment? Twenty-eight million people will experience a tax increase by 2011 if this amendment doesn't pass.

Now, we have heard that two things are certain—death and taxes. The only thing I can tell you about taxes is that if you touch it, use it, put it in your car or eat it, in America it is taxed in some form. And then you die. Well, we have an estate tax law in America, and it goes kind of like this. The current law is you get a $2 million exemption for a couple at a 45-percent rate. If you have an estate over $2 million as a couple, the Government takes 45 percent of what is left. You have paid taxes on everything you have earned right before you died. Here comes the Government, after the $2 million exemption has been reached, and it takes 45 percent of what is left. That is current law. That is supposedly too good a deal. I don't think it is that great a deal.

In 2010, here is what happens if we do nothing: Instead of a $2 million exemption for a couple, it goes back to $1 million, and you get a 55-percent tax rate on everything else that is left. How many small businesses out there, on paper, have assets over $1 million or $2 million? How many farmers are land rich and cash poor? Is that good policy? One thing I can tell you for sure, being a former prosecutor, if we don't do something about this, there are going to be a lot of mysterious deaths on New Year's Eve 2010. Look at the consequences of dying one day versus the other. It is political malpractice for the Congress to put people in this bind, where estate tax rates go from 45 to 55 and the exemption is cut in half, based on dying one day versus the other. That is bad public policy. We need to fix it.

My amendment would say there would be a $5 million exemption for couples in this country and, after that, a top rate of 35 percent for the death tax. In other words, 35 percent of everything you worked for all your life, after a $5 million exemption, would be taken by the Government.

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

Mr. GRAHAM. May I have 5 more minutes?

Mr. CONRAD. Yes.

Mr. GRAHAM. What I am trying to do is offer an amendment that will preserve current law so in 3 years, in the case of the death tax, and 2 years, we don't hit people with a tax increase, at a time when we don't need to be raising taxes, at a time that we live in a global economy.

When it comes to the death tax, one in three small business owners is never able to pass their business on to the next generation because, when they die, the assets are evaluated in such a way that people have to break up the business to pay the taxes or they have to sell the family farm.

That is not what we need to be doing in America. That is not fair. The capital gains taxes are at 15 percent under current law. In 2011, they go to 20 percent. There are over 9 million families and individuals who will claim capital gains, and if this amendment doesn't pass and we don't do something about this, there are going to be 9 million families hit by a tax increase out there, at a time when our economy needs more money in the private sector, not in Washington.

As to dividends, there are a lot of people in this country—24 million families and individuals—who receive dividend income. Under current law, it is taxed at 15 percent. In 2011, the dividends go back to regular income tax rates—a dramatic increase.

What does that mean? That means owning stock becomes less attractive. There will be less people buying stock and receiving dividends from purchasing stock. That means people who are trying to create a company or expand their business will have to borrow the money from a bank, rather than getting investors from the market, and that will create more debt on top of what is already a debt-laden country.

As to small business expensing, under current law, firms may expense up to $250,000 of qualified assets of property they place in service in 2008. In 2011, the expensing allowance is scheduled to revert to $25,000. By being able to expense, from a tax point of view, the purchase of assets, you are able to grow your business, and it makes it attractive to expand your business.

If we don't pass my amendment, in 2011, that $250,000 allowance goes down to $25,000. My amendment reflects a Tax Code that is very generous to the Federal Government but is still burdensome on families and businesses. But to let it get worse, at a time when we are competing in a global economy, and try to pit one group of Americans against another, at a time when we are trying to put our best foot forward as a nation under a stressful business climate, is ill advised.

If you think America is undertaxed, then vote no. If you think we have taken a gracious plenty from business and families, then vote yes. If we don't make these tax cuts permanent in 2013, we are going to drive people offshore and create less jobs, not more; we are going to tax people who are struggling to make it as it is; and it will all be under the idea of fairness. It is unfair to not pass my amendment.

I think it would be incredibly shortsighted not to pass my amendment and make these tax cuts permanent that would allow Americans to keep jobs and grow jobs and pay the bills they are struggling to pay right now.

I yield the floor.

The PRESIDING OFFICER. The majority leader is recognized.

Mr. REID. Madam President, there will be no more rollcall votes tonight. There has been tremendously good debate. We have had few, if any, quorum calls all day long. It has been a good and productive debate. The two managers are working through the amendments. An amendment has been laid down on both sides. We are making good progress. Hopefully, tomorrow we will make even more progress. I appreciate the good work of the managers of the bill.

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

Mr. BUNNING. Madam President, I wish to speak today as a member of the Senate Budget Committee. I had hoped the budget that was presented before the committee last week was going to be fiscally responsible and would help to address the mounting financial problems families face today, problems such as the rising cost of filling up a tank of gas, increased expenses for health care, and declining equity in the family home. Instead, this budget before us assumes Congress will allow the largest irresponsible tax increase in the history of the United States to go into effect. At $1.2 trillion, it would be the largest tax increase in history, and taxes would go up $2,300 on 43 million American families, $2,200 more on 18 million senior citizens, and $4,100 more on small businesses. Because of this, I was not able to support the budget resolution in committee, and I will be forced to vote against it here unless some drastic changes are made.

This tax increase will hit family budgets hard. Let me tell my colleagues what $2,300 means to most American families. The family budget—and we are talking about groceries now—$2,300 is enough to buy 8 months of groceries. Next, we have the bills for gas and electric for heating; $2,300 a year is enough for 43 million American families to buy enough gas and electric for 1 year's heating. It is almost enough money for American families with two cars to buy gasoline at $3.20 a gallon for unleaded regular for almost an entire year. We should not, at this time, be placing more of a burden on the American people with a huge tax increase. Instead, we need to pass a budget that includes progrowth policies to help balance the family budget.

This budget proposal increases spending by $210 billion in discretionary spending—an increase of over 9 percent of what we spent in fiscal year 2008. Under this budget, we will see a $2 trillion increase in the debt of the United States by 2013. That is more than $6,000 in extra debt for each and every American citizen.

At $3.08 trillion, this budget resolution calls for $10,165 of spending for every man, woman, and child in America—all 300 million of us. But there are only about 130 million taxpayers who file an income tax return. Of those 130 million, only about 14 million had an average income liability of over $10,000 in 2005. Of these, about 11 million had gross incomes between $100,000 and $200,000. That leaves 3.5 million taxpayers—no more than 2 percent—with an income above $200,000. These wealthy few are paying an extraordinary 50.1 percent of all Federal tax revenues. But even if you taxed away half of their income, the additional revenue would not add up to enough to balance the budget and pay for programs in mandatory spending this budget resolution assumes over the long term.

The idea that money can be found in a mythical source of funding called the tax gap is unlikely as well. The chairman of the Budget Committee repeatedly has noted that the IRS estimate of the gross tax gap is close to $345 billion per year. However, the idea that anywhere near this amount of money can be raised by closing the tax gap is simply an illusion. It is nothing more than a figleaf meant to conceal the intent of spending beyond the means of the Federal Government.

The truth is, we are not really serious about this, and the proof is that we do not have a proposed penny more in this budget for the IRS than the President does in his budget. It would be difficult to drive the long-term history level of voluntary compliance from 85 percent, where it is now, to nearly 100 percent in order to tap into this mythical source of funding because that is what it would take to raise $345 billion per year. But it is hard to see how it can be done without a vast increase in the size of the IRS.

We also need to pass a budget that includes the necessary funding to help us stop our addiction to foreign oil.

In 2005, Congress enacted a comprehensive national energy plan—the first step toward energy independence. Nevertheless, this year has been a difficult year for Americans facing much higher energy costs. The policies we enacted in 2005 needed to be backed up with Federal funding in the budget, but this budget resolution fails to address important alternative-fuel technologies and other oil replacements.

One of our top priorities should be on our most abundant domestic fossil fuel: coal. New technologies will make burning coal both cheaper and more efficient. We are even developing coal-to-liquid technology that can create a synthetic transportation fuel from coal. American coal reserves will be our best tool to overcome our reliance on Middle Eastern oil.

I have three amendments I wish to propose to this budget resolution.

First, I wish to offer an amendment that will repeal the unfair tax Congress enacted in 1993. I have brought this issue before the Chamber before, so it should be familiar to many of my colleagues. In fact, the Senate adopted a very similar amendment by unanimous consent last year, and it passed by a recorded vote 2 years earlier.

When the Social Security Program was created, benefits were not taxed. In

1983, Congress decided that half the benefits of some seniors should be subject to taxation and in 1993 raised that amount to 85 percent of the Social Security benefits. Today, more than 15 million seniors are affected by that taxation of benefits. In 1993, the tax was intended to reach only wealthy seniors by the income levels which were set at $34,000 for a single and $44,000 per couple. This is hardly wealthy today.

My amendment is fairly simple. It drops the tax back to the pre-1993 levels, and it is paid for by an offset of $89 billion over 5 years by an adjustment in function 920. Over $300 billion in potential savings on Government programs over the next 5 years has been identified by the inspectors general report and the CBO options report. And it is my hope that the committees of jurisdiction will review wasteful Government spending to offset the repeal of this tax increase on America's seniors. It was unfair then when it was enacted, and we need to repeal it now. I urge my colleagues to support this amendment.

The second amendment I plan to offer, together with Senator BEN NELSON of Nebraska and Senator DEMINT, will make room in the budget to permanently extend the tax incentives for adoption that we enacted in 2001. This is a critical kitchen-table, family-budget issue for many middle-income families in Kentucky and across the country who are contemplating the adoption of a young child or facing costs of adoption. By helping to ease this financial burden, we can encourage the development of more stable families and provide a brighter future for thousands of children.

This important goal prompted us to act in 2001 when we passed these important adoption incentives in the form of tax credits. In 2005 alone, 85,000 families, 77 percent with an adjusted gross income of under $100,000, claimed $319.5 million in adoption credits.

The PRESIDING OFFICER (Mr. WHITEHOUSE). The Senator's time has expired.

Mr. BUNNING. Mr. President, I would like to mention the last one, and I will be finished. I ask for 1 additional minute.

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

Mr. BUNNING. Mr. President, last year the Joint Committee on Taxation scored the cost of my bill, the Adoption Tax Relief Guarantee Act, at $4.5 billion over 10 years.

The last amendment I wish to discuss will require the budget resolution to balance the Federal budget without Social Security taxes. For too long, we have been relying on payroll taxes to pay for general Government spending. As we all know, 2017 is the year in which Social Security obligations begin to equal payroll tax contributions, but our problems are likely to emerge much sooner.

In 2011, payroll tax contributions to the Social Security trust fund will begin to decline. Each year, we are going to have a problem, and by the year 2044, we will be paying 72 percent of the assigned benefits right now on our Social Security unless we address the Social Security spending in our current general budget.

I thank the Chair.

The PRESIDING OFFICER. The Senator from North Dakota.

Mr. CONRAD. Mr. President, I thank, once again, the Senator from Kentucky for his courtesy.

At this point, I wish to offer a unanimous-consent request that we have worked on both sides that would be this: From 5:20 p.m. to 6:20 p.m. will be the time for the Joint Economic Committee; the first 5 minutes of that time—is that sufficient for the Senator?

Mr. WEBB. That will be sufficient.

Mr. CONRAD. The first 5 minutes will go to Senator WEBB, then come back to, for the next 30 minutes, Senator BROWNBACK, then come back to this side for the final 25 minutes of JEC time; then at 6:20 p.m., to go to Senator DORGAN from 6:20 p.m. to 6:35 p.m.; to Senator HATCH from 6:35 p.m. to 6:50 p.m.; to Senator CONRAD or his designee from 6:50 p.m. to 7 p.m.; to Senator COBURN or Senator GREGG's designee from 7 p.m. to 7:15 p.m.; and to Senator BROWN from 7:15 p.m. to 7:30 p.m.

The PRESIDING OFFICER. Is there objection?

Mr. BROWNBACK. Mr. President, reserving the right to object, and I will not object, I know we need to move everything back 10 minutes because we were supposed to start at 5:20 p.m. and we are already 10 minutes past that time. So if we move everything 10 minutes back—

Mr. CONRAD. The Senator makes a good point; if we can adjust all those times to 10 minutes later.

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

Mr. CONRAD. Mr. President, that means we now go to Senator WEBB for 5 minutes.

The PRESIDING OFFICER. The Senator from Virginia.

The PRESIDING OFFICER. The Senator from Virginia is recognized.

Mr. WEBB. Mr. President, I appreciate the chairman allowing me to speak and also I appreciate the Senator from Kansas allowing me to speak briefly before he does.

I want to express my support for the provisions in this budget that go to the veterans programs. I want to deal with that in a minute.

First, I would like to point out to this body that this afternoon, ADM William Fallon, who is the commander of Central Command, resigned his position. We are not sure exactly how this is going to affect the administration's policies or Admiral Fallon's long-term willingness to express his views on administration policies, but I want to express my own regret that Admiral Fallon, who has served our country more than 40 years, has decided to resign his post in part, apparently, because of his concerns about some of the administration's policies.

I know a little something about resigning. I resigned my position when I was Secretary of the Navy when I was unable to support some dramatic reductions in the Navy shipbuilding program. Those are not easy decisions to make. I would also point out that this administration is not an administration that has tolerated dissent from our military leaders or, for that matter, is not an administration that has been very willing to seek advice from our military leaders, our senior military leaders, particularly when that advice is not in strict accordance with its own political views.

It should be pointed out that Admiral Fallon, who is the commander of Central Command, which is the overarching command that also includes Iraq, is now the third CENTCOM commander in recent history to have had at least some form of concerns about policies in that region.

Before we invaded Iraq, GEN Tony Zinni, Marine Corps general, former CENTCOM commander, spoke out strongly against invading Iraq, as did GEN Joe Hoare, former CENTCOM commander. So I think we need to see a greater willingness among our political process to listen to the views of people who have had long service and who have concerns about where this country is going.

There are too many people who have been involved at the top levels in the Pentagon who tend to believe that Iraq is something of an island, that you can separate what is going on in Iraq from other issues that are affecting the entire region. This is a region that is in chaos, all the way from Lebanon to Pakistan, as we well know. We need the advice, the contributions of global thinkers.

Admiral Fallon was one of them, Admiral Mullen is another, people who bring another sort of strategic perspective into this debate. I am profoundly concerned that Admiral Fallon has decided to take this measure, and I am hoping that we can hear from him in a more specific way in the future.

In fact, I would point out that I recently signed two letters on January 17, one to Chairman LEVIN of the Armed Services Committee and another to Senator BIDEN of the Foreign Relations Committee, both of which I sit on as a member, asking specifically that they invite Admiral Fallon, among others, to testify in consonance with General Petraeus's testimony coming up this year.

I was saying last September that it was an error, I believe, only to focus on what General Petraeus was saying in the stovepipe of Iraq rather than to hear these strategic thinkers talking about the region at large. So I hope we can do that in some greater detail in the near future.

Again, I want to express my profound appreciation for the service that Admiral Fallon has given our country.

With respect to the veterans provisions in this budget, we on this side have put more money into it. We have listened to the joint opinions of our major veterans groups. A big part of this is the GI bill, which I introduced my first day in office. We now have 49 cosponsors on this bill which will give those people who have been serving since 9/11 the same level of benefits as those who came back in World War II.

On the one hand, we hear so many people, particularly in this administration, talking about how these who have been serving since 9/11 are the next ''greatest generation,'' and on the other, this administration itself seems to oppose giving our veterans of this time period the same benefits we gave those who served during World War II—a GI bill that literally transformed notions of class and privilege in the United States.

I would remind my colleagues that for every dollar in tax remuneration that was paid on the World War II GI bill, we received $7 in tax benefits because of the way they were able to advance their careers.

I yield the floor.

Mr. CONRAD. Mr. President, we wish to amend the previous unanimous consent agreement to provide that Senator BROWNBACK finish his presentation on JEC by 6:05, from 6:05 to 6:30, that it be the JEC Democratic time; from 6:30 to 6:45, Senator HATCH be recognized; from 6:45 to 7:15, Senator COBURN be recognized; from 7:15 to 7:30, Senator BROWN be recognized; and that there also be an opportunity for Senator COBURN to continue after Senator BROWN, if he should desire; and that at the end of that time, both sides would yield back an additional 5 hours each off the resolution.

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

The PRESIDING OFFICER. The Senator from Kansas is recognized.

Mr. BROWNBACK. Senator WEBB and I are involved in the Joint Economic Committee's time. Under the Budget rules, we get a certain amount of time to talk about the impact of the budget on the overall economy. That is what I intend to do.

I think it is also important to do this because, obviously, the budget does not happen in a vacuum, and the size of the Federal budget and its impact on the economy is so profound that I think we need to spend quite a bit of time, a lot more than just an hour's time, about what impact the Federal budget has on our overall economy.

The things we do, it is impacting the overall economy. I appreciate Senators Webb's comments about the military actions. We actually have held a Joint Economic Committee hearing on the impact of the war in Iraq, in Afghanistan, on our overall economy.

While I certainly dispute some of what the economists came forward with, I thought it was a useful thing for us to discuss. I think we ought also to look at that as not in a vacuum, given potential large impacts if the United States pulls out of Iraq and Afghanistan and pulls back from engagement on the global war on terrorism. It can have a huge impact on our economy, in many ways unmeasurable, and in a lot of ways difficult to predict.

But the impact is enormous. I think we have to look at this and say: We need to stay in this. We need to be able to get this done. That stability has a clear, positive impact on the environment. And a change toward a more stable environment in the Middle East and toward a democratic process in Iraq and Afghanistan over a lengthy period of time has a very positive impact on the global economy and ultimately on the U.S. economy. I do not think we can discount those features. While members of the Joint Economic Committee on the other side of the aisle prefer to look only at economic costs associated with wars, there are clearly benefits derived from National security, which they should not ignore.

I wanted to talk about now the budget proposal in a couple of ways. I would like to speak first about the impact of tax-and-spend proposals that are too much of a feature in the overall budget put forward by the Democratic majority in the Senate. I appreciate the work by those who constructed the budget. I recognize the difficulty of crafting a budget.

But I think there are some fundamental flaws that exist in the Democrat's budget that if not addressed, or if addressed in the way that the Democratic majority puts forward, are going to have fundamentally negative impacts near term and long term on the U.S. economy and on our opportunities and our hope for the future.

I think as a premise that we need to look at the United States as a place for a growth platform. We need to look at how we can grow the economic activity, increase the freedom for our people and the population overall, provide for everybody, and in that process grow and provide more opportunities for people here and for us in our future and future generations.

If we go the way the Democratic majority is putting forward in this budget, we are going to see increased taxes, we are going to see increased spending of a substantial nature. We are not going to deal with the entitlement crisis we are already in, and we are not going to be able to provide for opportunities in our future.

There are fundamental choices that people need to make and I will articulate these and I will go through them specifically. Our economy is currently experiencing a significant slowdown associated with the subprime mortgage meltdown, difficulties in financial markets, and certainly a slowing in our housing markets, which includes rising foreclosures.

With that backdrop, though, now would seem to be exactly the wrong time to be talking about tax increases. Just on a basic level, you would look at that and say: If you have a slowing economy, is that the time to raise taxes? And I think most people, if you ask them, they would say: No, that is the time you cut tax rates to try to stimulate economic growth.

Yet this Democratic budget provides just the opposite, a very large tax increase, raising taxes by $1.2 trillion, the largest tax hike ever. That is not something you want to do when the economy is slowing. It goes against economic fundamentals. But it also shows the fundamental impact of the Federal budget on the overall economy. This tax increase will be wide and deep, affecting nearly 116 million Americans, millions of American families, including seniors who will owe thousands of dollars more to pay for more and more Government.

And, yes, this budget projects to make the Federal Government even larger and more intrusive. Not satisfied in the Democrat's last budget with a $205 billion 5-year discretionary spending increase; this 2009 Democrat budget will increase spending by $210 billion over 5 years in this budget. Of course, this will lead to more and more debt that will pile up on top of more and more spending.

I think the second major shortcoming of the budget proposal put forward by the majority is the failure to confront the need for entitlement reform. Now this is something we have been talking about for some period of time. I stand ready, and I hope a lot of my colleagues do, to go at, on a joint, bipartisan basis, entitlement reform. We have talked about it a lot. I am going to show charts on this. But the entitlement plans are going to eat up the entire budget. We will go through the specifics, but it is clearly an unsustainable system that we are in right now.

Like in most problems, the earlier you deal with it the more options you have to deal with it. And the earlier you deal with it the more likely it will be that you successfully deal with it. And the earlier you deal with it the less pain there will be over a period of time, than if you deal with it later.

These problems with entitlement promises that are unsustainable are the same. If we can come together, on a bipartisan basis now, start an entitlement reform, A, the country would cheer that we would do it; B, we would have more options; C, it would be more successful; D, it would be less painful. That is the way we need to go at it in dealing with our entitlement reforms.

But in the Democrats' fiscal year 2009 budget, we see that they are again wishing to ignore this pressing problem associated with entitlement spending. So I wanted to take a look now at some of these problems and put a few charts up in front of people I think they are familiar with, but they remind us of the magnitude and the growing nearness of this problem of entitlement programs.

If you look at the red line on this first chart, you see that total primary spending is projected by the CBO, Congressional Budget Office, a nonpartisan office, to rise from its current level of 18 percent of GDP to more than 30 percent at the end of this chart, 2082, a long ways out there, but it shows you clearly where the trend line goes under the current entitlement programs.

Those are not adjustments to entitlement programs, those are current entitlement programs. Yes, Federal spending is projected to rise to over 30 percent of our Nation's GDP, under our current set of entitlement promises.

The second chart shows that the longer we wait to address the unsustainable nature of promises in our entitlement programs, which this Democratic budget totally ignores, the bigger will be the pain.

Now, here you can see reductions in spending that would be necessary to solve our entitlement crisis. For example, if we were to address our fiscal problems solely by cutting Federal spending starting this year, we would need an across-the-board spending cut of close to 7 percent. If we wait until 2020, we would have to cut spending across the board by 9 percent. To wait until 2040, you have to do it by 15 percent.

That is my point; that is, the sooner you start to work on these things the less pain you have to have in the process, and the more likely it is that you are going to be successful in getting this done. These are dramatic spending cuts. But what if we can get started now and on a bipartisan basis, just going on a slight level and give people time to prepare for adjustments that will surely have to be made?

You still get a much larger impact if you don't fix the unsustainable nature of our entitlement promises now, and instead wait longer. The longer we ignore the unsustainable nature of entitlement promises, the bigger will be the pain associated with bringing the Nation back to a sustainable fiscal course.

Now, this is a commonsense proposal. You would say: Of course, then, I should deal with that now. We are offering to do it on a bipartisan basis. The chairman of the Budget Committee from the majority claims that the task force he and Senator GREGG wish to form to study the entitlement programs is the only way to deal with the problems. I am a cosponsor. I would sponsor legislation to do this. But that in no way mitigates the need to get started as soon as we can to reform entitlements now. Why wait for a task force to form? I think we need to get started on this now.

To see how severe problems associated with the entitlement program promises are, consider the next chart which shows CBO's projection of health care spending. Now, here is the big one that eats us up. We know this. We have got fabulous things going in the health care field that probably are going to drive these costs up even more than this chart projects.

I want to see those things developed further as far as the technology and the ability. I was out at the National Institutes of Health this morning looking at some of the things they are working on at the National Institute of Mental Health, understanding the mind and how it works. Fantastic.

I want us to continue to fund that. That is going to probably drive this line up even higher. That may be the nature of where we are. We do not want to stop that funding. But then you see how dramatic and important it is to address this piece of it, the health care piece of it now, and to begin to address it at this point in time.

Net Federal spending on Medicare and Medicaid now accounts for about 4 percent of GDP. CBO projects, given current entitlement promises and not these major changes I am talking about, that spending will grow to almost 20 percent of GDP in the projected time period here of 2082. A long time now, still the trend line is known and knowable and we should use the ability to deal with it more now than putting that off until later on. So spending on Medicare and Medicaid alone, according to the projections on this chart, will use up the entire historic norms for tax collection and beyond.

But Medicare and Medicaid are not the only entitlement programs. The next chart shows Social Security spending as a share of GDP in the past and spending projections for the future. While spending for Social Security benefits has been between 4 and 4.5 percent of GDP for the past couple of decades, it is projected to rise significantly to 6 percent over the length of this chart's projection, not near the growth of entitlement programs, but still showing a significant 50 percent rise. If you add the 20 percent of GDP accounted for by Federal promises for Medicare and Medicaid, 6 percent for Social Security benefits, you see that the Federal Government has already promised over 25 percent of our total yearly output to entitlement spending. This only counts promised entitlement spending right now. As I mentioned previously, our historical norm for the amount of tax collection that our society gives and puts into the Federal Government is about 20 percent. If you get above that, people really start to yell. So we are already above that in the promises made in three entitlement programs. And that takes into account nothing for the military, for schools, for other social programs, for infrastructure, for unemployment, or for any discretionary spending.

The Democratic majority seems to want to focus on one route here, and that is tax and spend. The Democratic majority, unfortunately, has chosen in their budget to ignore our Nation's looming fiscal crisis that is sure to come from the unsustainable nature of entitlement programs. This fiscal year 2009 budget promises to impose the largest tax increase in the history of this Nation on American families and does this at precisely the wrong time, when the economy is struggling. This will be the largest tax hike ever, amounting to an additional $3,135 in taxes each year for every household, over $3,100 a year increase in household taxes at exactly the time when people are getting concerned about economic activity. Just when we did the stimulus, we raise taxes.

I want to take up the theme of the impact on our economy of this budget. That is the role of the Joint Economic Committee, and that is why they have been given a period of time to comment on this, because this has such a profound impact.

Now I want to talk about the impact of raising taxes at this point in time on the overall economy. I have talked about entitlement programs, the failure to address those, the long-term pain that is associated with that, and the additional pain by putting it off on a longer basis. Now what about the impact of raising taxes at this point in time on our economy and who is going to pay those increased taxes? The Democratic majority's budget will raise taxes on at least 116 million Americans. It is not just on the rich, unless there are 116 million people categorized as that in the United States. It will tax the hard-earned income and retirement benefits of millions of American families and seniors to pay for larger and larger government rather than reform. I think what people want to see is, you guys are going to operate within the amount that you have and reform the system. Reform what you have, don't tax and spend. Let's leave taxes where they are or make them lower so we can grow the economy more and then reform the system within rather than just adding and adding and adding.

The majority would have you believe that they will offer amendments to make the middle-class parts of the tax reductions permanent. They are not including any teeth in that budget amendment, and we will almost certainly not see legislation to accomplish that extension in this Congress. It is just empty promises. Democrats complain that the tax relief measures of 2001 and 2003 primarily benefitted the wealthy. Let's go through a couple of charts to look at that claim and see who is paying these tax increases or paying and receiving the tax relief of 2001 and 2003 and who would pay, if what the majority is putting forward is enacted, the tax increases.

As shown by the changes in the share of total Federal tax liability by income group on the chart, the percentage of all taxes paid by the top income group has increased since the tax relief measures were enacted, and the share of taxes paid by the bottom four income groups has declined. I think this tells a dramatic and different story than what we hear a lot of times in the rhetoric.

Where you look at the various income categories, the lowest 20-percent income category, next 20, next 20 up, and on up, and then we put a block here showing the top 1 percent income category. My point of showing this is on your bottom four income categories, the lowest 20 percent earners under the changes in Federal tax liabilities 2000 to 2005, this is the 2001 and 2003 tax cuts, the greatest beneficiaries under those tax cuts were the lowest income categories. The biggest beneficiary under those tax cuts was the bottom 20 percent. That is as it should be. The lowest income category should have the biggest impact, the most positive impact. You are seeing that in then the next lowest 20 percent, the bottom 40 percent here, then the 60, and then the 80 percent of lowest incomes.

Now you look at the top 20 percent earners, they pay an increase as a percentage of the Federal budget of taxes under these tax cuts in 2001 and 2003. And your top 1 percent is up 8.2 percent in terms of what they pay as their share of Federal taxes.

My point in saying this is, these tax cuts have worked as they should have. They have cut the overall tax rate for individuals, and particularly for lower income individuals. They have stimulated the economy, and they have shifted the tax burden to the higher end of the income distribution. When you say tax cuts for the rich, your really should be talking about tax cuts for most Americans and the percentage they pay. This is as it should be. This is how it was designed. So when people say we have done these tax cuts for the rich, we are not going to extend them, does this chart show tax cuts for the rich? I think it shows tax cuts primarily benefitting the lower 80 percent of wage earners and having a burden shifting to the top 20 percent of income earners. That is the design it should have. It has grown the economy overall. It has been the way we should go.

Yes, despite the tax relief measures that many tout as tax cuts for the wealthy, the share of taxes paid by the top 10 percent of income earners rose more quickly than during previous periods, including periods with higher top marginal tax rates. According to the most recent data, the share of all Federal income taxes paid by the top 10 percent has reached an all-time high of 73 percent. Let me say that again. According to the most recent data, the share of all Federal income taxes paid by the top 10 percent has reached an all-time high of 73 percent. You can see the trend line of what is taking place from 1979; the top 10 percent of income earners, 1979, the percentage of income taxes paid was below 50 percent. In 2000, 68 percent; now it is all the way up to 73 percent, as it should be.

Democrats talk about raising taxes on the wealthy, but fail to mention that not extending the tax relief measures of 2001 and 2003 will result in huge tax increases for all Americans, as this chart displaying average percent increases in taxes by income levels shows. I wanted to show you this one. Low- and middle-income families will be the hardest hit by the scheduled tax increases that will occur in 2011. These families benefitted the most from a reduction in the bottom tax rate, from the child tax credit and marriage penalty relief contained in the 2001, 2003 tax relief measures. If the tax relief measures of 2001 and 2003 are not made permanent, families with $50,000 in income will see their tax bills rise by 261 percent in 2011.

On the other hand, families with $500,000 or more in income will experience a 12- to 13-percent rise in their taxes. Is that what you want for a structure of tax increases, putting the largest hikes on the lowest earning families and the smallest hikes on the upper earners? I don't think that is the way you want to structure tax increases. I don't think that is the way the American public would want to see that structured. I don't think the American people would want to see any tax increases. The average household will pay an additional $1,833 under the Democrat's plan. Many will have their taxes rise by even more. Seniors, families with children will pay an additional $2,000 or more. Married couples will pay an additional $3,000. Small business owners will have their tax bills rise by more than $4,000.

Another shortcoming in this budget is the failure to adequately address the growing burden that the AMT will place on many middle-income families. Although the AMT was enacted initially to prevent millionaires from avoiding taxes altogether, it will soon ironically affect a greater percentage of middle-income married couples with children than millionaires. Let me show this chart, the ones it is going to impact.

This says, middle-income married couples with kids will be more likely than millionaires to pay the AMT in 2010. Here is your married couples with kids, AGI of $75,000 to $100,000, 89 percent will be in the AMT; millionaires, 39 percent will be in the AMT. The AMT needs to go. I think we should go and offer an optional flat tax for the overall Tax Code and do away with the AMT altogether. You can see its disproportionate negative impact on families, not hitting its target and having an overall very negative impact on the economy.

Given the time I have left, I want to talk about a proposal we are going to put up in this budget and it is a bill on the CARFA commission, the Committee on Accountability and Review of Federal Agencies. It is something we have talked about before and we have had it up as a proposal in the Congress. I have had it up as a proposal and I have had a number of cosponsors. On the current CARFA bill, we have 24 cosponsors. I hope it will be a bill that my colleagues in the majority will look at and support. It is built on the BRAC Commission. I would note that the BRAC Commission provided for a process to close military bases. Before we had BRAC, it was impossible to close a military base. Any time you wanted to close one, the people in that district, that State would fight you. You would never get any of them closed. We put together this BRAC process. They came up with a list of bases to close, and then they presented it to Congress. Congress got one vote up or down, close all of them, keep all of them, deal, no deal. Through that system, we have now saved the Federal taxpayer over $65 billion from that process of closing military bases and consolidating them in a few areas, working toward greater efficiencies. It has been very successful.

What we need to do now as a part of the Federal budget is take that to the rest of the Government so we can close Federal programs that are no longer working.

I want to show you this report card of how successful is the Federal Government. This is the Federal Government report card, and this is done as a scoring by Federal agencies, where they score the effectiveness of various programs for hitting their intended target when they were started and for the budget they have been given. I want to note that if you gave a GPA to the Federal Government on accomplishments that it does with the money it has been given, the overall grade point average that the Federal Government gets is a 1.14 out of a 4.0 GPA. Now, that is not very good.

What happens—everybody knows this is what takes place—we get a program started, it gets funded, and it is never ended. It may be completely successful and all is accomplished, but the program continues because we do not do any sort of culling process at all. Then we want to do something new, but wait a minute, we did not do away with the old.

The BRAC process we are talking about putting on the rest of Government—this CARFA Commission—would put that process on the rest of Government and I think dramatically improve this GPA because now you start getting rid of programs that are no longer effective, just like when we had military bases that were in places that were there because of maybe the Spanish American War or the early wars in this country—completely out of position, no longer necessary but sustained because they had supporters in the system, even though they were not being effective.

Well, imagine if you take that system of protection and nonculling and apply it to the rest of Government. How many programs do we have that we have created over the 200-plus-year history of the country, and we have never done away with any of them? We have not even adequately evaluated their effectiveness. You can see why we would be able to improve the government's GPA score and be able to have more money to put in higher priority areas, such as the National Institutes of Health, where I would like to do a war on cancer; or the things we need to do for infrastructure in the country. Yet we have never been able to eliminate any spending.

Here is a systems approach, under my proposal, that has worked in another area, that has been key, that has produced $65 billion in savings, that we need to take to the rest of Government.

So one of the amendments I will be putting forward is asking for the establishment of this CARFA Commission—Commission on Budgetary Accountability and Review of Federal Agencies—that will provide a list—a group on an annual basis—of programs that should be eliminated and give Congress then one vote, up or down: agree or disagree whether to eliminate this whole group or to keep the whole group.

I think that is something we need to do overall. It ought to be something we can come together on, on both sides of the aisle. I would note that in traveling across this country and talking with people, one of the big things the American public wants to see us do is get together and get something done on something that is significant to them.

One of those things is that we would be much more responsible to the Federal taxpayers as to what we are spending their money on. If we can become more responsible on that and work across the aisle and they could see Federal programs that are being eliminated because they are no longer effective or they are wasteful—and then they would actually see that taking place—I think people would then trust us more with taxpayer dollars rather than not trusting us with taxpayer dollars. If we can show them that, they would see us doing it on a bipartisan basis.

This is something for which the outcome is certainly not stacked. This is something that both sides could support as a process because we have in the past. We could finally see something starting to take place in eliminating waste, fraud, and abuse in the Federal Government. Everybody is opposed to waste, fraud, and abuse in this body—everybody. Yet it continues because the system is built to spend, it is not built to save, it is not built to reduce. We have a system that is built to save and reduce, and it is called that BRAC system in the context of military bases. Then that saved money is put into higher priority needs. Let's take that system out to the broader body of government.

This is the short period of time given to the Joint Economic Committee to talk about the impact of the overall budget on the U.S. economy. The impact of this budget that the majority is putting forward is profound and it is negative on the overall U.S. economy. I urge my colleagues to vote against it because of that.

It fails to address any sort of entitlement reform. It increases taxes at exactly the wrong time. You do not need to increase taxes, I think, at any time because of the scale of taxes. But when you have a slowing economy, it is the absolute wrong time to raise taxes. The Democrat's budget also does not deal with reform of the AMT, the alternative minimum tax, which it should. It raises taxes on lower income individuals in this society and in our economy, not on upper income individuals. Again, it does have tax increase at exactly the wrong time. And it does not include things such as fundamental spending reform through a CARFA type of process we used in the military base BRAC system before.

Because of these failures of big-ticket, overarching items, this is the wrong budget at the wrong time that will have a negative impact on our overall economy. It will have a profoundly negative impact on our overall economy. It is not the right medicine of what we need to move forward. For us to grow this economy at this point in time, we need lower taxes, not higher taxes. For us to grow this economy and provide for our future, we need entitlement reform now. We also need to be able to get at our wasteful spending in the Government. We need to adjust our systems to be able to do that. Those are reforms that if we did them now—and did them at this point in time—we could have a much brighter and sustained future. This budget does not provide for those. For those reasons, I will be opposing this budget.

Mr. President, I yield the floor and reserve any time I have on the Republican side for the JEC.

The PRESIDING OFFICER (Mr. MENENDEZ). The Senator from Pennsylvania.

Mr. CASEY. Mr. President, I ask unanimous consent that I be permitted to speak for up to 15 minutes within the time allocated for the Joint Economic Committee on the floor.

The PRESIDING OFFICER. Is there objection?

Without objection, it is so ordered.

Mr. CASEY. Mr. President, thank you very much.

I wish to, first of all, start my presentation today with an overarching commendation of the work of the Budget Committee and, in particular, Chairman KENT CONRAD, who worked, as he always does, along with the members of his committee from both parties who have worked very hard on this budget.

We are going to have a significant debate this week and we are doing that now and it will be fairly heated because we have broad disagreements about this budget. But I do wish to commend Chairman CONRAD and his work over many months, as he does every year, in his committee.

I wish to focus on three areas: First of all, our fiscal situation that we face now because of what has been happening in the last several years with our Federal budget; secondly, to talk about our families and the struggles so many families are living through right now; and then, finally, to summarize very briefly some of the Democratic proposals and how they compare to the President's budget.

But I wish to start first with our fiscal situation. And I wish to thank Nathan Steinwald, who is with us, who is not only helping with getting the right chart up but also has done a lot of work on our staff to prepare us for these budget debates.

The first chart sets forth the deficit as it has taken hold over time. It starts on the far left corner, with that green bar, which starts at the year 2001, the first year of President Bush's administration. That is his first year. There was $128 billion in surplus in his first year. I would argue that is a surplus that was left over from the prior administration.

But then you go into the 6 years after that, where we have data set forth and depicted on this chart showing the deficits since President Bush has been in office from 2002 to 2007—$158 billion in deficit; $378 billion in deficit; the largest deficit, $413 billion, in 2004; it reduced somewhat to $318 billion in 2005. It had been reduced and went down to $162 billion last year. But then here is where we begin to get into trouble again. The projected deficit, as it is set forth in President Bush's budget: $410 billion is a projection for 2008; for 2009, it is $407 billion.

So we go from a surplus, when he came into office, far into deficit. Just when you think we are crawling out of it, because of his proposal—if we enacted his budget—we are going to go back into almost record deficit. You can see they are almost at the record level of $413 billion. So that is a big problem. That chart alone is evidence to tell us we should not adopt President Bush's budget.

So let's go to the next chart, which focuses not on deficit but on debt. Unfortunately, this chart tells us even more. This is bad news. I will try to get to good news as soon as I can, but I think it is important to set forth where we have been, where we are, and where we are going. This is the debt of the United States: $5.8 trillion—that is what the T means—in 2001, the first year of President Bush's administration. As if it were ascending steps to an unknown height, step after step after step going up, the debt number is increasing year after year after year.

So we keep borrowing under this administration ad nauseam, borrowing against our children's future. It is not just about some far off debt that this Government has put on our children—that is bad enough; that is reason enough to try to bring that number down—but we are paying for this every year, hundreds of billions of dollars in debt service right now. In 2007, we had that, and in years before that—2008, 2009. So we are paying for it now to the tune of hundreds of billions of dollars.

Here is where we will be in 2009: a debt number of $10.4 trillion. At some point in that year, we will achieve a debt number of $10.4 trillion. The President, even though he will technically be out of office in January of 2009, bears responsibility, a large part, if not all the responsibility, for that number: $10.4 trillion. In essence, this President has become the ''10 Trillion Dollar Man,'' the ''10 Trillion Dollar President''—not something that anyone would want as part of their legacy.

It is important to note that $5.8 trillion—that was the level we were at when he came into office—that number was actually starting to go down in the last couple of years of the prior administration. So instead of staying on that path and having a flat line—so to speak, holding it under control—this President, with a lot of help from the Republican Congresses, by the way, sent that number through the roof.

As you can see, the final number—the most disturbing number, if we stay on the path we are on and do not adopt the policies that will lead us to get us on the path of fiscal responsibility—in 2013, the debt will be $13.3 trillion. Again, we are going to pay for that every year.

We spent last year, in terms of debt service, more money than all of the Medicaid Program, which is over $200 billion in and of itself, and all of the State Children's Health Insurance Program. And you can add more to that. But consider that: We spend more on debt service than we do on both of those programs that help poor children, Americans who are suffering from a disability, children of working families who have health care. All of that health care, all the good things that happen in those programs do not equal what we are paying in debt service to finance his debt.

So we are in a debt mess here. It is a fiscal nightmare. I will go to the next chart, which shows what we owe the foreign governments.

A portion of that almost $10 trillion in debt, of course, is foreign debt, debt to foreign countries. The top 10 foreign holders of our national debt: In first place, Japan. We owe the Japanese Government $581 billion. We owe China $478 billion. It goes down from there; the UK; the ''oil exporters,'' we owe them $138 billion. It goes down from there.

That is another piece of bad news. This is not some far off debt number. Some of them are allies; some of them are not. Some of them we have some real disputes with. We owe them hundreds of billions of dollars.

I will go to the next chart where we have been hearing a lot the last couple days about the tax cuts. Well, let's look at how much they have cost us and what they will cost us. The cost of extending the Bush tax cuts explodes outside the 5-year budget window. So when you are talking about here that we are debating the budget for 2009—talk about 2009, look at the way that number goes up starting in 2010: the 10-year cost of $2.9 trillion for the Bush tax cuts if we stay on this path from 2009 to 2018. So if you want to adopt the Bush tax cut, that is what you have to pay for. That is what you have to pay for in that 10-year window. To say it is unaffordable, to say it is fiscally reckless is a gross understatement, but I think we can see from all of the red why that is the case.

So what do we do when we debate this budget? We can talk a lot about the fiscal situation, but I think it is probably even more important to talk about what has been happening in our country with regard to our families.

It seems that in the life of a family, in terms of costs, everything that a family hopes would be going down is going up. A family would hope, I guess, that health care costs would be leveling off or going down. They have actually gone way up. We would hope the cost of a college education has flatlined or is staying at a certain level or going down. The cost of a college education is going up. Everyone knows the price of gasoline is going through the roof, is going up over and over again, month after month. The price of oil—I don't know what it did today, but we were over $105 a barrel; the subprime crisis we are living through and the cost of housing, the value of the house in terms of that family's value, their economic value on paper but also the value to our economy. So this housing crisis, caused in large measure by mortgage brokers and others who were unregulated and really took people over a cliff, so to speak, with regard to their housing costs, has caused tremendous pressure, first of all, on individual families but, of course, on our neighborhoods. Whenever we have a property foreclosed upon, a neighborhood disintegrates time after time. But at the same time, the costs of everything in the life of that family is going up, whether it is housing or gasoline or education or health care.

The things a family hopes would be going up are things like consumer confidence. That is going down. The value of one's home, one would hope it would be increasing, but that has been going down. All of these up and down problems for families are real-life crises for so many families across America. What they expect us to do with this budget is everything we can to help dig them out of the economic crisis they face.

So what should we do? Well, we can do a lot. We can, first of all, be fiscally responsible but also have budget policies and strategies in place that focus on creating not just jobs, not just any jobs, but good-paying, family-sustaining jobs. That means in particular budget proposals on how we fund an agency, what we cut and what we don't, what we increase and what we don't, but also it means trying to set aside places in the budget where we can make investments over time. These aren't things that will happen right away, these aren't things that can happen quickly, but these are priorities.

For example, education—I think our budget should reflect that we place a value upon and we are actually going to invest in education, just as a good CEO would invest in workers. First of all, this budget resolution invests in education strategies that create jobs and growth, preparing our workforce for the global economy, making college affordable, improving student achievement. You can see what it does there: education tax cuts up to $13 billion, $5.7 billion over the President's budget in discretionary funding for the Department of Education and Head Start. Thirdly, an education reserve fund for school construction and higher education authorization.

The second chart talks about the way we can grow our economy and create high-paying, good jobs by investing in energy. The old way of thinking about this was that if you had to conserve energy or be more efficient, that was going to cost jobs. Now we know that when we are not in conflict, one of the best ways to create jobs is to invest in green-collar jobs and in green energy.

I will go to the last chart in terms of our infrastructure, just to get this in before we conclude.

Our infrastructure, everyone knows—we knew this before, but certainly when we saw the bridge collapse in Minnesota—that we have to invest in basic infrastructure. This budget resolution sets aside room in the budget to do just that: to invest in our infrastructure, whether it is highways or mass transit, whether it is airports or what we call ready-to-go infrastructure projects. Sometimes, when a company wants to locate in a community, they don't have time for a lot of debate. They need to get moving very quickly. We need projects and land set aside to do that.

I will conclude with one final chart because I know the chairman of the Joint Economic Committee, Senator SCHUMER, is with us, and he is probably coming up next, and I want to make sure he has all the time he needs because he has been a great leader on these budget issues.

The final chart I will put up: We hear a lot about Democratic spending, spending, spending from the Republican side. The differential between what the President proposed—$3.04 trillion—in this 2009 budget and what we are proposing is $3.8 trillion. That is a 1-percent difference. So when we hear debate and arguments back and forth that Democrats are spending too much—more than the President—the difference is 1 percent.

I have a lot more to get into, but I am going to conclude with this thought: We have to invest in good-paying jobs, family-sustaining jobs, and we also have to get our fiscal house in order. Unfortunately, I think the President's budget does not do that. The Democratic budget will.

Mr. President, I yield the floor.

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

Mr. SCHUMER. Mr. President, may I make an inquiry of the Chair? How much time do I have?

The PRESIDING OFFICER. The Senator has 10 minutes.

Mr. SCHUMER. I ask unanimous consent for an additional 5 minutes. Is that in order?

The PRESIDING OFFICER. Is there objection?

Without objection, it is so ordered.

Mr. SCHUMER. Mr. President, first, I wish to thank my colleague from Pennsylvania before he leaves the floor. He is a great member of the committee, a great Senator, and always has his eye on the average family. One of the reasons he has been so effective on the Joint Economic Committee is he understands all the concepts, of course, but then he is able to take them and relate them directly to the needs of average families. I thank him for the good job he did this afternoon, which is typical of the good job he always does on the JEC and elsewhere. I also thank my colleague, Senator WEBB, who also took some time to speak on these issues.

Now I will conclude our Humphrey Hawkins budget debate.

Today, we are looking at an economy on the verge of recession. Many economists would say it is already in recession. The economic hits to middle-class American families just keep on coming and coming.

Before I talk about our Democratic budget package, which is far superior to the President's budget, I would like to use this Humphrey Hawkins debate time as chair of the Joint Economic Committee to talk a little bit about the economy.

In the last week alone, we have learned that we are experiencing record home foreclosures in the prime and subprime mortgage markets from coast to coast. Every single State has been affected by an increase in foreclosures. According to an analysis by the Joint Economic Committee, home prices in every major market are falling. Families have historically low equity in their homes.

Moody's Economy.com estimates that 8.8 million homeowners—that is 10 percent of all homeowners—will owe more money than their homes are worth. Think of that: 10 percent of all homeowners—not homes in foreclosure, not homes in trouble, but 10 percent of all homeowners will owe more money than their homes are worth.

Just this past Friday, the Labor Department reported back-to-back months of losses in jobs, with serious losses this past month in manufacturing, construction, and retail. Today, the Commerce Department released data showing rising trade deficits with China and oil-producing nations such as Venezuela and Saudi Arabia. Americans are paying a record average $3.22 per gallon of gasoline today, and if that wasn't enough, oil is selling for over $110 a barrel. Let me repeat that. Oil is selling for over $110 per barrel. That is an alltime record.

As we put forward a more sensible budget plan for our country this year, we have to recognize that the pressure on families has been made worse since President Bush took over. Over the last 7 years, Americans have been squeezed by skyrocketing energy, health care, and education costs. Energy costs have ballooned 64 percent during Bush's tenure. A gallon of regular-grade gasoline has increased 60 percent in real terms, up from $1.62 in January 2001. To put this in perspective, the average middle-class family is paying more just in higher gasoline prices than they received in the Bush tax cuts. Again, let me repeat that. The average American family is paying more just in higher gasoline prices than they received in the President's tax cut. That is appalling.

There are 7.2 million more people uninsured since the President took office, and average health insurance for families who do have it increased nearly 40 percent since 2000. Inflation-adjusted tuition for 4-year public colleges increased 36 percent, to $5,526 per year between 1999 and 2005. In February of 2008, 4.9 million people were working part time for economic reasons but wanted to work full time, and the underemployment rate is almost 9 percent—9 percent—up 1.6 percent since 2000. Now there are 1.4 million fewer people with jobs since the President took office—1.4 million unemployed.

The bottom line is that this administration is the owner of the worst jobs record since Herbert Hoover, and the last 2 months of losing nearly 90,000 jobs secures the President's unfortunate place in history, as this chart shows. Here is Herbert Hoover. Everyone did better than George Bush since Herbert Hoover.

The significant job losses in manufacturing and construction have continued since the housing market has been in trouble and doesn't seem to be getting better. The job losses in the retail sector are particularly troubling because it indicates that consumer spending, which has driven this economy, has also declined measurably.

The President's ''hear no evil, see no evil, do no evil'' policies on our economy simply don't work. It is only a matter of time before consecutive months of job losses, falling home prices, rising energy prices, and cutbacks in consumer spending lead us into a full-blown recession. It is crystal clear to everyone except the people in the White House that we are inevitably heading toward a recession.

It isn't a surprise to many in Congress that we are on the brink of recession—or are already in one—although the administration has done an excellent job of hiding its head in the sand, because their strategy has produced burgeoning budget deficits, a serious global trade imbalance, and brought us to the brink of recession. That is because their only economic strategy for everything is to cut taxes—help their wealthy friends and no help for the rest of America.

The unmistakable economic downturn began early last year as the subprime mortgage mess unfolded. The spillover effects into the broader housing market, the credit market, and overall economy are tremendous and ongoing.

According to the JEC's conservative estimates, by 2009 at least 1.3 million foreclosures will occur as the riskiest subprime mortgages reset over the course of this year and next. This will lead to the destruction of approximately $100 billion in housing wealth, including an estimated $71 billion in direct losses on foreclosed properties and a decline in the value of neighboring properties by an additional $32 billion.

Overall housing prices continue to fall, as seen in the almost 10 percent decline of the S&P/Case-Shiller national home price index since the first quarter of 2006.

Last week, the Federal Reserve released data showing that American families hold less equity in their houses than at any time since the Fed began tracking this data in 1945. Under the Bush administration, the primary source of wealth for most Americans—the equity in their houses—dropped by nearly 10 percentage points, from a 57.8 percent equity stake when Bush took office to a current low of 47.9 percent.

Given that housing wealth totaled about $23 trillion in 2006, the decline in household balance sheets is now between $1 and $2 trillion. Declines in house prices are likely to have significant negative effects on consumer spending and a host of other deleterious effects on the economy. But housing is the bull's-eye of this crisis. It has spread outward and outward and outward. Again, the administration, wrapped in ideological handcuffs, does nothing.

We are also borrowing to pay for this war in Iraq. The economic cost for the Iraq war is truly staggering. According to professor Joe Stiglitz, a Nobel Laureate who testified at our Joint Economic Committee last month, the war could cost $3 trillion—that is with a T—$3 trillion. According to a report our committee did in November—we have been pursuing this issue of the cost of the war—the war will cost each American household $37,000.

The Federal Government is increasingly reliant on the rest of the world to buy our public debt, and with falling dollars and skyrocketing debt, who knows how much longer we can count on the largesse of our trading partners.

President Bush turned huge budget surpluses into huge deficits in a few short years, as we see here. In January 2001, the CBO projected surpluses would total $5.6 trillion in 2002 to 2011. In 2001, CBO's projection was a surplus of $573 billion in 2007. In reality, the deficit was $163 billion, a turnaround of $736 billion, and more than $100 billion for every year that the President has been in office. This remarkable, dramatic turnaround in the budget picture shows a reckless disregard by this administration for living within our means and has, frankly, jeopardized the economic future of families across the country.

The President may have passed some big tax cuts for the people who need it least, the very well off. But he has not been very compassionate to future generations who will be paying for the increased debt for generations. I compliment the Senator from North Dakota for the amazing budget he put together. It is the best budget document I have ever seen since I have been in the Senate.

The Democratic budget provides some measure of sanity and order to our budget priorities and, hopefully, will put our country back on more solid economic footing. Senator CONRAD did an amazing job in crafting a budget resolution that gets us started on the road to recovery from these misguided policies.

One of the most important things about Senator CONRAD's budget is that by restraining spending and making the right choices on long-term tax cuts, it provides room for important middle tax cuts to ease the middle-class squeeze, such as the tax cuts provided in Senator BAUCUS's amendment. These tax cuts are not a fix for what ails our economy in the long term, but they will indeed help middle-class families make ends meet.

Senator BAUCUS's amendment is broad-based tax relief targeted to the middle class, plain and simple. Everybody benefits, but the middle class gets most of the spoils. That is the way we ought to provide tax relief in this country—not providing more and more tax breaks to the top one-tenth of 1 percent, whose incomes have shot up into the stratosphere. Tax cuts for those who need them, not for those who would not notice them. That is our watchword, while the other side continues to believe in trickle down, but not even trickle down from the middle class to the poor but from those higher regions of wealth.

If we look at the tax cuts that passed in 2001, we know which ones should be made permanent and which ones should not. The $1,000-per-child tax credit, marriage penalty relief, and the 10-percent bracket are all sensible tax cuts that can be made permanent with the surpluses provided for in the Conrad budget.

The Baucus amendment does some other sensible things as well. Across the country, parents are struggling to manage the crunch of work and family. According to a report issued by the Joint Economic Committee, full-time childcare costs average about $7,300 per year in the United States. That is almost 20 percent of the median income of families with young children. The Baucus amendment will permanently extend the tax credit for childcare expenses to provide essential benefits to working families.

Senator BAUCUS's amendment also includes provisions to offset the impact of rising local property taxes. I hear about that from my constituents every week. The amendment will make permanent the important military tax benefits passed both by the House and the Senate last December. These benefits are particularly targeted toward service men and women and their families. Given the multiple rotations many of them have endured, these tax provisions are supported by all, and they are the least we can do.

I know what the other side will say: ''Democrats are for tax increases.'' My friends, telling people who are making a million dollars a year or more that they should continue to get a tax cut is what is wrong, not saying they should begin to pay their fair share. I have news for my colleagues on the other side of the aisle. Their old arguments are not going to work because the middle class has seen promise after promise from this administration, and then they have seen the vast majority of the tax cuts go to the very top of the income scale.

I will repeat it again: The average middle-class person has paid more of an increase in gasoline than their entire Bush tax cut, while this administration twiddles its thumbs about the energy crisis and continues to tell those at the top of the economic ladder that they get the vast majority of the benefits, even though they don't need it.

So I hope we will support the Conrad budget. It is a good, fine, and well-thought-out one. I hope we will support the Baucus tax cuts, which are targeted at the middle class. I hope we will support a budget such as the one proposed on our side, which is smart and helps the middle class.

I yield the floor.

The PRESIDING OFFICER. The Senator from Utah is recognized.

Mr. HATCH. Mr. President, I ask unanimous consent that I be given an additional 5 minutes.

The PRESIDING OFFICER. Is there objection?

Without objection, it is so ordered.

Mr. COBURN. Mr. President, how much time does the Senator from Utah have?

Mr. HATCH. Mr. President, I have 15 minutes, and I have asked for an additional 5.

Mr. COBURN. According to the agreement we had, that would put us until 7:25 when Senator BROWN would be eligible to speak; is that right?

The PRESIDING OFFICER. The Senator from Oklahoma would start at 6:55 and have until 7:25.

Mr. COBURN. I thank the chair.

The PRESIDING OFFICER. The Senator from Utah is recognized.

Mr. HATCH. Mr. President, I rise to express my opposition to and disappointment with the fiscal year 2009 budget resolution before us today.

Interestingly enough, I listened to the Senator from New York talk about how the rich are getting away with things. Well, the upper 1 percent of all taxpayers paid 39 percent of all income taxes the last time I heard. The upper 5 percent paid 60 percent of the total income tax in this country. The upper 50 percent pay 97 percent of all the total income tax in this country. The bottom 50 percent generally pay almost nothing, and a good percentage of them get money from the Federal Government. So what is he talking about?

I think it was Yogi Berra who once said, ''This is like deja vu all over again.'' I am sure he was not talking about the Federal budget when he uttered these oft-quoted words, but he might as well have been. As I look at the budget resolution before us today, and as I listen to the arguments on both sides of the aisle, it seems to me that we could be talking about last year's budget resolution. The numbers are somewhat larger, but the arguments are about the same.

Now this might not be so bad if the budget resolution were a good one. No, you would not hear me complaining about a repeat of a budget that strengthened our economy, addressed our near-term problems, and prepared this country for the longer-term budget challenges of the future. Unfortunately, this is not the case. In fact, quite the opposite is true.

Once we were through with that resolution last year, it didn't even resemble what the budget resolution was calling for. In fact, I have been here for 31 years, and not one day has the conservative point of view been dominant in the Senate. The liberal point of view, with almost all liberal Democrats and a few liberal Republicans, has held sway. That is where all the spending is coming from.

Instead, we are, once again, talking about a budget that raises taxes by an unprecedented amount, which will do untold harm to our economy, exacerbates our near-term problems by not holding spending in check, and totally ignores the longer-term mandatory program challenges of the future.

Much has already been said on this floor about the budget resolution and its failings. I could add a great deal more, but instead I choose to focus my remarks on three premises on which this budget is based. Three premises that, unfortunately, are false. And every child in Sunday school knows that false premises are like the house whose foundation is built upon sand. We all know that a house built upon sand, or a budget built upon false premises, cannot stand.

The first faulty premise underlying this budget resolution is that it would not raise taxes on Americans. I know that my colleagues on the other side of the aisle have said and will continue to say that this budget does not raise one cent in taxes. Technically speaking, this is true. However, while the document before us may contain no actual tax increase language, it does nothing to prevent the largest tax increase ever, which is set to occur at the end of 2010 if the 2001 and 2003 tax cuts are allowed to expire as scheduled.

The American people need to ask a simple question of this budget. What is it doing to make sure that my tax bill does not go up in 2010?

They will be met with deafening silence.

Now, those on the other side will try and explain this deficiency away. They will argue that allowing a tax cut to expire is not the same thing as raising taxes. Well, try telling that to the 116 million American taxpayers who will face higher taxes if these tax cuts are allowed to expire. Try explaining this nuance to the 43 million American families who, on average, will owe $2,300 more, and to the 18 million seniors who will pay an average of $2,200 more.

This is not small potatoes. Families that do not consider themselves rich, that struggle to make ends meet, and that are doing all they can to make the mortgage and save for college, are going to get hit with massive tax bills. They are going to see their paychecks shrink by hundreds of dollars every pay period. This is real money. Money that families could use to pay medical bills or pay tuition, and instead it is going to go to the Federal Government.

It will not be much fun trying to explain this to the owners and managers of 27 million American small businesses. Try telling them that their higher tax bill is not really a tax increase. No, not at all. It is merely the reversal of a temporary lower tax rate they should have been grateful to have gotten for a decade, due to the generosity of Uncle Sam, who no longer deems it necessary to throw such favors their way.

Good luck selling that one.

I will tell you one thing—I do not want to tell the hundreds of thousands of Utah families, seniors, and small business owners that the extra dollars we were letting them keep for a few years are now needed for more urgent things, such as higher spending in Washington.

So if this is not a tax increase, I do not know what is. The other side can call it what it wants. But if the end result is more money coming to Washington, and less money staying in the paycheck, the family budget, or the small business expansion account, this is a T-A-X, Tax!

We have heard the other side talk about how they are for extending the middle-class elements of the 2001 and 2003 tax cuts. We have even heard them say that the budget resolution provides for this, through the adoption of an amendment offered by the Senator from Montana. $323 billion for middle-class tax relief. Does any of this sound familiar? It should, because the same amendment was offered, and adopted, in last year's budget resolution.

I have a question about that tax relief. Where is it? What happened? Last year's Baucus amendment offered pretty much the same kind of tax relief as this year's version. But, why did we need to adopt it again? The answer, of course, is that nothing happened because the tax changes necessary to carry out the stated intent of this amendment were never brought up in the Finance Committee or on the floor of this Senate. This is a shell game.

The reason why is that you have to look at the fine print on this amendment to see what is really going on. The Baucus amendment allows only for the consideration of so-called middle-class tax relief. It does not, however, provide a means to offset the lost revenue. Under the Democratic pay-go rules, along with the $323 billion of tax relief that the Baucus amendment purports to offer, there is an asterisk with fine print that says, provided that the revenue can be found to offset it. My goodness.

So this explains why we need the Baucus amendment again. The reason we did not provide that middle-class tax relief is that we could not find the revenue to offset it. But what about what my friend and colleague, the distinguished chairman of the Budget Committee, says? He points to the tax gap and says we can get the money there. All we have to do is stop some of the leakage in our tax system.

I agree with my colleague from North Dakota. I agree that we should be able to reduce the tax gap. It is too large and it is inexcusable why $200 to $300 billion or more in taxes that are due go uncollected each year. But you know what? Our tax system, as leaky and clumsy and unfair and antiquated as it is, is the envy of much of the world as far as the percentage due that we collect.

Can we do better? Of course. Do we need to crack down on tax abuse domestically and overseas? Indeed we do. Can we raise enough money by closing the tax gap to offset the revenue loss of the amendment of the Senator from Montana? Not even close. As Senator GRASSLEY very eloquently demonstrated on this floor on Monday, the real potential for revenue from the tax gap is very, very small in comparison to what the other side is claiming. If not, then where are the specific proposals from the other side to do it? Why haven't they been enacted, if it is so easy to get this revenue?

The tax increases inherent in this budget resolution will do untold damage to our economy. Even if the other side can find the votes to increase taxes enough to overcome the pay-go problem associated with some of the middle-class tax relief proposed by the Senator from Montana, we would still be doing major harm to the economy.

We can perhaps look to the model provided for us by the chairman of the Ways and Means Committee in his so-called Mother Tax bill. It is so named because my good friend Chairman RANGEL said it represents the Mother of All Tax Reforms. His ranking member, Congressman MCCRERY, more aptly describes it as the Mother of All Tax Hikes.

I can tell you right now, as much as I hate to say this about my friend CHARLIE RANGEL, Congressman MCCRERY is right. This ''mother'' bill includes plenty of tax offsets. It would increase the income tax rates across the board to where they were in 2001, with the top rate exceeding 40 percent at the margin. This may sound as if it would affect only the wealthy, but this is another false premise. In reality, it would affect millions and millions of small and midsized businesses, the great majority of which pay their taxes through the individual Tax Code.

How is this going to help us solve the economic problems our Nation is facing? This budget is nothing but a recipe for disaster.

The second faulty premise underlying this budget resolution is that the increase in spending it authorizes will solve our long-term economic problems. Yes, I think we have heard this before as well. Yes, it was last year in the fiscal year 2008 budget debate. That budget resolution called for $205 billion in increased spending over 5 years, and this number ballooned to $350 billion over 10 years. Apparently, this amount was not high enough, so this budget ups the amount to $210 billion over the next 5 years, and it will have the same ballooning effect over the years beyond because the spending gets built into the baseline. That is the danger of a seemingly small amount of additional spending. It is insidious. It seems relatively small in the first year, and so it may be, but the way we do budgeting in Congress has a way of multiplying the seemingly small increases so they are huge in a few years. There is a compounding effect.

In his opening remarks on Monday, the distinguished chairman of the Budget Committee talked about the need for additional investment in America. He spoke about priorities in education, energy, infrastructure, law enforcement, weatherization, health care, uninsured children, food, drug safety, veterans, and much more.

I know the Senator from North Dakota is sincere, and I know he works hard and is very effective in presenting his side of the argument. I have much admiration and affection for him. I care a great deal for him. He has a very tough job, and he does it well.

The Senator from North Dakota is right about the needs of this country—they are unlimited, just like the needs of the typical American family. The needs of the American people as a whole are unlimited. The problem in both situations is that we do not have unlimited resources, and neither does the family. We have to make choices, and we have to set priorities. It would be nice if we could simply take care of every problem in this Nation by spending the money that is needed, just as it would be great if every American family had enough money to solve all of its problems. But that is not reality.

In reality, we are in serious financial trouble in this country. Money trouble, if you will. When a family faces reality and knows it has money trouble, that family will sit down at the kitchen table and decide where to prioritize and what has to go. That is exactly what we need to do at the national level.

The Senator from North Dakota is correct about another point, and that is that the discretionary portion of our budget is getting squeezed. According to Comptroller General David Walker, the portion of discretionary spending in 1966 was 67 percent of the total budget. By 1986, this portion had dropped to 44 percent. By 2006, a couple years ago, it was down to 38 percent.

This shrinking percentage of discretionary spending, however, is not because we are spending less in terms of nominal dollars. The fact is we spent almost twice as much on discretionary programs in 2007 as we did in 2000. However, our mandatory spending is increasing so much faster. This growth in the entitlement programs, such as Medicare, Medicaid, and Social Security, is squeezing out our ability to grow the amount we spend on discretionary programs.

But the answer is not to increase discretionary spending even by what the proponents of this budget are calling a very small amount. We are going in the wrong direction, and this small amount will compound into a large amount in a few years. And guess what. Once we spend and it gets built into the baseline, it is almost impossible to get it out.

This leads me to the third faulty premise underlying this budget resolution, and that is it is safe to ignore our longer term problems with Medicare, Medicaid, and Social Security. I know if I were to separately ask each Member of this body if we need to do something about the growth of these programs, there is a good chance that every single Senator would agree we cannot afford to ignore them and that something has to be done to save our future. But as I looked over this budget resolution, I cannot seem to find the part that addresses the growth of these programs, and yet the Government Accountability Office tells us that between now and 2032, spending on Medicare and Medicaid alone will grow about 230 percent. At the same time, our GDP will grow about 70 percent if we are lucky.

Let me share some truly frightening numbers with you. The Government Accountability Office recently computed the fiscal exposures we face as a nation from our unfunded obligations under Social Security and Medicare. In 2007 dollars, our total unfunded liability for future Social Security benefits, assuming the law does not change, is $6.8 trillion—that is trillion dollars. This is a number of galactic proportions, so big that it is hard to comprehend. But I have to tell you, it pales in comparison to the amount of our unfunded liability associated with Medicare, which is more than $34 trillion—that is trillion dollars, $34 trillion. When this is combined with all other major fiscal exposures, the GAO estimates that our total unfunded liability is almost $53 trillion. That is with a T. This amount is nearly as high as the total household net worth of Americans, which is $59 trillion.

In other words, we are nearly bankrupt as a nation. Within a few years, we will absolutely be bankrupt if something is not done. It is clear that this path is not sustainable. We all know it. Our children know it, and our grandchildren are going to find it out the hard way. They are going to blame us if we do not act to turn things around. It is as if we are all in a ship floating down a river. The waters are quite calm now, but the map shows that a very high and dangerous waterfall is ahead of us. We know if we do not turn the ship around, disaster awaits. But it is not an easy thing to do. We know we cannot turn it around in 1 year. It will take a lot of work and sacrifice. It will take pain.

It is easy to say we should wait, that this is an election year and a new captain and maybe a new crew will be taking over after the election. But I say to my colleagues, we cannot afford to wait. In the midst of the calm water, we can hear the roar of the waterfall. We are coming to it very quickly, and if we wait too long, catastrophe will result. The budget before us does nothing about the cataclysm just down the river. It is a fatal flaw.

I started by mentioning that the rich do pay a lot of taxes right now. Actually, the rich are paying more after the tax cuts than they were paying before. The fact is, the upper 1 percent of the rich—the last time I saw the figures, and it is even worse now—are paying about 39 percent of all income taxes—the upper 1 percent of all taxpayers. And the top 5 percent pay about 60 percent of all taxes. And the upper 50 percent pay almost 97 percent of all income taxes. Think about that. The bottom 50 percent pay little or none and many of them get largess from the Federal Government. So this idea that the rich need to pay more is a phony argument. It is time people got called on that argument. It is phony, it doesn't make sense, and we have to get with it around here. We cannot keep bringing up these phony budgets such as this with all the budgetary gimmicks this one has in it.

I don't blame the distinguished Senator from North Dakota. He has a side that is fractionated. They want to spend more—that is how they keep themselves in power—and he has to find gimmicks and some way of justifying additional spending, and this budget is filled with additional spending, additional taxes, and a lot of budget gimmicks that should not be in it.

I urge my colleagues to reject this budget resolution. Let's get started on one that recognizes the dangers ahead and begins to turn this ship around before we hit that cataclysmic waterfall.

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. BROWN. 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. BROWN. Mr. President, I ask unanimous consent that I be allowed to speak before Senator COBURN, my colleague from Oklahoma.

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

Mr. BROWN. Mr. President, I rise in support of the budget resolution before us this evening. Governing is about choosing. This budget makes the right choices and at the same time maintains fiscal discipline.

Over the past year, I have held some 85 roundtables of 20 or 25 people each in communities across the State. I have held them in some 55 of Ohio's counties, listening to workers and business leaders, listening to teachers and sheriffs, listening to people running social service agencies and people served by those social service agencies. In every town I visited, Ohioans have asked to work together with the Federal Government, not for a handout, not necessarily for assistance, but to work together with the Federal Government in attacking the problems of our small towns, our rural areas, our inner-ring suburbs, and our big cities.

I have heard from employers who have good jobs that go begging because we have not trained or retrained people in the skills they need. I have heard from county commissioners, worried that their crumbling bridges may fall and that their water and sewer infrastructures are not sound. I have heard from doctors who think we can do a much better job of providing access to health care through their offices and their examining rooms rather than through the emergency room, and not just for the 47 million Americans without health insurance, including 9 million children, but for the millions of people in this country with inadequate health insurance.

Last month we saw the priorities of the Bush administration when he sent his budget to Congress. The Bush budget proposed to cut funding for job training and technical education. Today I met with people from Wayne County and Butler County, from Geauga County and Cuyahoga County, and all over my State, to talk to people who are teachers and administrators, and superintendents and students, who depend on vocational training, technical education, and who provide training for so many in our State.

The Bush budget proposed to cut the community development block grants by more than 20 percent. As big cities and small towns face the impending problems that are in the midst now of these problems with foreclosures, the Bush budget proposed to cut health care for seniors and for children, and these are the choices of the Bush administration. They are the choices of an administration that has gone in the wrong direction year after year after year. They are the choices we must reject.

Our budget, by contrast, will increase Federal efforts to educate and train our citizens, young and old. Our budget will increase funding for economic development and for rebuilding our Nation's infrastructure. Our budget will improve the health care of families and of children. Our budget will help to create good-paying jobs here in America.

This administration either doesn't care or doesn't understand what it is doing to the middle class and what is happening to the middle class. Up until last summer—in front of the Presiding Officer in the Banking Committee—the Secretary of the Treasury and others in the administration assured everyone the economy was doing fine and the housing crisis was contained. Senator MENENDEZ and so many others here spoke up for Federal involvement in trying to help the many people in New Jersey and Ohio and across the country who were threatened with this foreclosure problem in their homes and in their neighborhoods. But when the problems were mostly on Ohio's main streets, the main streets of Zanesville and Steubenville, the main streets of Toledo and Dayton and Lima and Marion, the administration was indifferent. They said the problem would go away. But when the problems migrated from main street Mansfield and main street Springfield to Wall Street, suddenly the problems became important to the administration.

But even then the response of the Bush budget to economic troubles and to the problems of foreclosure across our country speaks volumes. It proposes to cut taxes for the wealthiest people in the country, offset by cuts in Medicare. They want to pay for their tax cuts for the richest people in the country, but they do it by making cuts in Medicare. They propose to reduce benefits under the Social Security system while pushing a privatization program that generates big fees for Wall Street at the expense of seniors and disabled people in our country.

While families are struggling to afford the cost of sending their children to college, it proposes to cut Federal support for student loans. One of the greatest accomplishments of this new Democratic majority, right off the bat, is what we were able to do to increase Pell grants and what we have been able to do to bring down interest rates for student loans, and what the Governor of my State, Governor Strickland, has done by freezing college loans.

The Bush administration, it seems, as I said, either doesn't know, doesn't understand, or doesn't care about these middle-class kids who are struggling to go to college.

My wife was the first in her family to go to college. She got loans, she got grants, and she graduated with a debt of only a couple thousand dollars. That was almost 30 years ago. Today, it is very different, because the Federal Government has simply shrugged its shoulders and said, that is the problem of these middle-class students.

I am proud that our budget charts a much different course. Most importantly, we invest in America. We invest in its people and in its communities. And most importantly, we invest in America's future.

The President likes to tout the length of the economic recovery, but he seldom mentions its breadth or its depth, and for good reason. During the last 7 years, median weekly earnings have actually fallen, after adjusting for inflation. Most Ohioans make less today than they made when George Bush took office, in real dollars. Job creation has been the worst since the Hoover administration. And if you look at private sector jobs or manufacturing jobs, the picture is even worse. As bad as job creation and job growth has been, as I said, it has been even worse in the private sector and even worse yet in the manufacturing sector.

If there is a recovery, as the President likes to trumpet, heaven help us in a recession. Middle-class families are being squeezed by toxic mortgages and by gas prices that have doubled in the past few years. The President didn't know that gas prices had exceeded $3 and were approaching, in some places, $4 a gallon. Middle-class families are being squeezed by increases in the cost of food, education, and the cost of health care.

Our budget will extend tax relief to these families. The Democratic budget will prevent the alternative minimum tax from reaching millions of middle-class families. Senator BAUCUS's amendment, which I am cosponsoring, will provide further relief by extending the tax credit, the child credit, the dependent care credit, and other provisions, including several important provisions to our veterans and to our active duty military personnel.

At the same time, unlike the President's budget of the last 5 years, we maintain a path to a balanced budget. The Senator from New Jersey and I, and others, participated in the 1990s in passing a balanced budget under President Clinton. We moved toward a balanced budget, unlike what President Bush has unraveled in the last 6 years. This is an important difference between our budget and the President's.

Once upon a time, our Republican colleagues were concerned about balancing the budget. That was then. Now, this administration has piled up trillions of dollars of debt that our children and grandchildren will be forced to repay—a sorry legacy indeed. The public debt stood at $6 trillion—actually less than $6 trillion—when President Bush took the oath of office in 2001. By the end of this fiscal year, the debt will have grown to $10 trillion. That is a 4,000 billion dollar growth, from under $6 trillion to more than $10 trillion. Even at a time of low interest rates, we will spend $260 billion next year to pay interest due on that debt.

Many of my Republican colleagues have changed their tune because they do not seem so interested in balanced budgets anymore. They will say the cost isn't that great when measured against the size of the economy. But they ignore the opportunity cost. Think of that $260 billion and what we could have done with that money. Think of how it could be used to expand opportunity for better health care, for education, for roads, for bridges, for research, for infrastructure. Instead, we write checks to bondholders, many of them big contributors to my Republican colleagues, whose addresses are more and more often found, in some cases, in China and in the OPEC states and in the offshore banking centers.

The hundreds of billions in Federal debt financed by foreigners is swamped by the even larger size of the trade deficit, which has roughly doubled under the Bush administration, to more than $700 billion last year. Every day in this country, every single day of the year, we buy almost $2 billion in goods, importing more into this country than we export—almost $2 billion every single day. That translates into lost jobs, it translates into stagnating wages, it translates into communities that are, in many cases, devastated. Places particularly hard hit are smaller towns and industrial centers that have been hard hit by plant closings.

Our manufacturing sector has in too many cases been hollowed out. Companies that have been in business for centuries, surviving challenges from the Great War to the Great Depression, have been unable to weather this administration. The response: The Bush budget eliminates funding for one of the Government's most effective programs to help small business, the Manufacturing Extension Program, which assists American manufacturers to adapt to changing technology.

We can do better, and the Democratic budget does do better. Over the weeks ahead, in working with our colleagues in the House, we will write a budget that pays attention to the voices of the middle class and responds to the needs of the middle class. We will write a budget that increases funding for education and for health care, one that gears tax policy to the needs of struggling families and small businesses, and one that builds a foundation rather than undercutting that foundation for our future and doesn't take a mortgage out on it.

As an Eagle Scout many years ago, I was taught you should leave a campground better than you found it. I think that is not a bad description for our role as Senators too. Let us make the choices that will leave the country's fiscal situation better than it is today. Let's help the middle class, let's help working families and end the red ink. Let's invest in our future.

Mr. President, I yield the floor, and I suggest the absence of a quorum.

The bill clerk proceeded to call the roll.

Mr. BROWN. 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. BROWN. I ask unanimous consent that the Senate now proceed to a period of morning business, with Senators permitted to speak therein for up to 10 minutes each.

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

CONSOLIDATED RESOURCES ACT OF 2008

Mr. REID. Mr. President, I ask unanimous consent that the following letter and listing be printed in the RECORD.

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

MARCH 11, 2008.

Hon. HARRY REID,
Majority Leader, U.S. Senate,
Washington, DC.

DEAR MR. LEADER: S. 2739, the Consolidated Natural Resources Act of 2008, which I introduced yesterday, is a collection of 62 separate legislative measures under the jurisdiction of the Committee on Energy and Natural Resources. The purpose of the bill is to facilitate consideration in the Senate of the large and growing number of measures relating to protection of natural resources and preservation of our historic heritage that have been passed by the House of Representatives and approved by the Committee on Energy and Natural Resources. Forty-three of the measures in S. 2739 consist of the text of separate bills passed by the House of Representatives, twelve are drawn from separate titles, subtitles, or sections of two other House-passed bills, and two are House-passed concurrent resolutions. Only one provision, section 482, contains new matter that has not passed the House of Representatives.

While S. 2739 incorporates a number of provisions of S. 2483, the National Forests, Parks, Public Land, and Reclamation Projects Authorization Act of 2007, which I introduced 3 months ago, on December 14, 2007, there are a number of differences between the bills that are dictated by the amount of time that has elapsed since last December and by action that has since taken place in the House of Representatives. Two of the sections included in S. 2483 last December were subsequently enacted into law as part of the Consolidated Appropriations Act, 2008, Public Law 110–161, and, accordingly, have been left out of S. 2739. Eight new provisions, drawn from eight separate House bills or resolutions, have been added. Two of the effective dates in title VIII of S. 2483 have been extended in S. 2739 in light of the passage of time since S. 2483 was introduced. In addition, minor modifications were made in a few other provisions.

Although S. 2739 has not been referred to the Committee on Energy and Natural Resources, all of the House bills that make up S. 2739 or their Senate companions have either been reported or ordered reported by the Committee.

Rule XLIV of the Standing Rules of the Senate provides that, before proceeding to the consideration of a bill, the chairman of the committee of jurisdiction must certify that each congressionally designated spending item in the bill and the name of the Senator requesting it has been identified and posted on a publicly accessible website. The term ''congressionally designated spending item'' is broadly defined, in pertinent part, to include '' a provision . . . included primarily at the request of a Senator . . . authorizing . . . a specific amount of discretionary budget authority . . . for . . . expenditure with or to an entity, or targeted to a specific State, locality or Congressional district, other than through a statutory or administrative formula-driven or competitive award process.''

Fifteen of the House-passed measures incorporated into S. 2739 contain provisions authorizing the appropriation of specific amounts targeted to specific entities or localities. These authorizations are included in S. 2739 because they are part of the text of the House-passed bills. No Senator submitted a request to me to include them.

In the interest of furthering the transparency and accountability of the legislative process, however, I have posted a list of the specific authorizations in S. 2739 on the Committee on Energy and Natural Resources' website. The list includes the name of the principal sponsor of the Senate companion measure that corresponds to the House-passed bill. A copy of the list is attached for your convenience.

I previously asked the principal sponsor of the Senate companion measure of each House bill contained in S. 2483 to certify that neither the Senator nor the Senator's immediate family has a pecuniary interest in the item, and have posted the certifications I have received on the Committee's website. All certifications received in relation to S. 2483 remain on the Committee's website, where they are available for public inspection in accordance with paragraph 6 of Rule XLIV. I have not received any requests for new congressionally directed spending items to be included in S. 2739.

Thus, in accordance with Rule XLIV of the Standing Rules of the Senate, I hereby certify that each congressionally directed spending item in S. 2739 has been identified through a list and that the list was posted on the Committee's publicly accessible website at approximately 3:00 p.m. on March 11, 2008.

Sincerely,

JEFF BINGAMAN,
Chairman.

COMMITTEE ON ENERGY AND NATURAL RESOURCES CONGRESSIONALLY DIRECTED SPENDING ITEM CERTIFICATION PURSUANT TO RULE XLIV OF THE STANDING RULES OF THE SENATE

S. 2739—THE CONSOLIDATED NATURAL RESOURCES ACT OF 2008

Provisions in S. 2739 authorizing appropriations in a specific amount for expenditure with or to an entity or targeted to a specific State, locality, or congressional district, other than through a statutory or administrative formula-driven or competitive award process:

Section	Program or entity	State	Principal sponsor of Senate bill
314(c)	Acadia National Park	ME	Collins
333(e)	American Latino Museum Commission	DC	Salazar
334(j)	Hudson-Fulton and Champlain Commissions	NY & VT	Clinton
342(f)	Lewis & Clark Visitor Center	NE	Hagel
409	Hallowed Ground National Heritage Area	VA	Warner
430	Niagara Falls National Heritage Area	NY	Schumer
449	Abraham Lincoln National Heritage Area	IL	Durbin
461	Multiple National Heritage Areas	OH, PA, MA, SC	Voinovich
		WV, TN, GA, IA, & NY	none
504(d)	Watkins Dam	UT	Hatch
505	New Mexico water planning assistance	NM	Domenici
509	Multiple Oregon water projects	OR	Smith/Wyden
511	Eastern Municipal Water District	CA	Feinstein
512	Bay Area water recycling program	CA	Feinstein
515(b)(6)	Platte River	NB, WY, CO	Nelson (of NB)
516(c)	Central Oklahoma Master Conservancy District	OK	Inhofe

ARREST OF VIKTOR BOUT

Mr. FEINGOLD. Mr. President, I was pleased to hear about the recent arrest of Viktor Bout, one of the most notorious arms dealers in the world. Last week, Mr. Bout, was arrested in Thailand by a U.S. sting operation in collaboration with Thai authorities which apprehended him as he was allegedly trying to sell weapons to the FARC the main Colombian rebel group and an organization that has also been placed on the U.S. terrorist list.

If Bout is charged and convicted in Thailand, he faces 10 years in prison, while if the U.S. is able to extradite him he will face 15 years. I certainly recognize the need to ensure a free and fair trial for Mr. Bout that is his right but I am nonetheless pleased that after numerous attempts he has finally been arrested. For years, Bout has been able to evade law enforcement officers around the world, despite investigations by the U.N., the media, and even intelligence sources that indicate his complicity in arms smuggling and his role in fueling some of the world's most brutal wars in some cases by providing weapons to both sides of the conflict.