and its impact on taxes, and that gets the net real tax cut down to about $80 billion. We commit in the budget to fund the President's education priorities which takes another $35 billion, though it is unclear at this point whether this was a 5-year commitment or 10 years. So we are now down to a $45 billion net tax cut.

I remind my colleagues that the full Republican tax cut cost $188 billion. In fact, a $500 tax credit per child cost $105 billion over 5 years. Capital gains, the way it is scored by the budgeting arm of the Congress, cost $33 billion. Our death and estate tax relief cost $18 billion, and our IRA expansion cost $32 billion. The point is, if you read the newspaper, it is as if we got an agreement to cut capital gains taxes, to reform death taxes and give a $500 tax credit. The reality is the net tax cut available will not pay for a third of that policy. What we are going to end up with, invariably, is a $500 tax credit but excluding middle-income Americans from the tax cut. I don't know how you are going to end up fitting the rest of these items into that limited space.

Finally, let me conclude by saying, well, what about the question, Is this deal worse than nothing? Let me give you two reasons why I believe it is and why I am going to oppose it.

No. 1, it assumes a balanced budget and, in the process, convinces America that we have really done something about the deficit when we have not. I am very concerned that that is going to take pressure off Congress to control spending. We are seeing in this budget agreement itself the largest increase in social spending since the 1960's, and I am afraid that by convincing people we have balanced the budget when, in fact, we just assume it is balanced, that that is going to open the floodgates for spending.

No. 2, and of at least equal importance, in Medicare, we reduce reimbursement for doctors and hospitals. We take the fastest-growing part of Medicare, home health care, and transfer it out of the Medicare trust fund, something we Republicans denounced as a fraud only 2 or 3 months ago. By doing these things, we now claim that we have saved Medicare for a decade.

I am concerned that this is going to trample on the emerging bipartisan consensus to do something to save Medicare. I am concerned that we are going to let 2 or 3 years pass where we believe we have done something about Medicare, or at least claim we have, when, in fact, Medicare, when you look at the payment for hospitals and doctors, will be a $1.6 trillion drain on the Federal budget in the next 10 years. I am afraid that by claiming we have done things we have not done—balance the budget, save Medicare—that we are going to undercut those real efforts. Those are efforts that desperately need to be undertaken.

Obviously, many people will have many different views on this subject. I am a firm believer in the Jefferson adage that good people with the same facts are going to disagree. But I wanted my colleagues to understand that I am not here this morning speaking with passion about some priority I have that is not contained in the budget. What I am trying to do is to, basically, get people to understand that we assume the budget is balanced, we don't institute any policy to balance it; that we are granting a massive increase in spending for social programs that someday will have to be paid for; we are creating new entitlement benefits; and we are continuing to talk as if we are going to have this massive tax cut when we have only $45 billion net available to pay for it. Trying to get $188 billion of tax cuts into a $45 billion allowable space is going to be very, very difficult and, in the end, a lot of people are going to be disappointed.

Let me, again, thank the distinguished chairman of the Appropriations Committee for giving me an opportunity to speak for 10 minutes as in morning business. I yield the floor.

Mr. STEVENS addressed the Chair.

The PRESIDING OFFICER. The Senator from Alaska.

Mr. STEVENS. Mr. President, Senator DURBIN has asked for time to speak on the budget. I ask unanimous consent that he be permitted to speak for 10 minutes as in morning business.

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

Mr. DURBIN. Thank you, Mr. President. I thank Chairman STEVENS for yielding this time in morning business.

AGREEMENT ON BALANCING THE BUDGET

Mr. DURBIN. Mr. President, it has only been a few weeks since this Chamber was the platform and the focus for a debate on amending the Constitution of the United States. Members of this Senate came to the floor, mainly Republican but some Democrats, and argued it was politically impossible for the leaders in this country to reach an agreement on a balanced budget absent an amendment to the Constitution which would require it, which would involve the Federal judiciary, which would have added language to the Constitution, binding language on future Congresses. And yet here we stand today, just a few weeks later, many of us in favor of, some opposed, but speaking to an agreement to balance the budget. Did it take a constitutional amendment? Of course not, it took leadership, leadership from both political parties.

I voted against that balanced budget amendment. I said then, as I say now, you do not need to amend the Constitution to meet your constitutional responsibility, and my responsibility is to make certain that we live within our means while our economy moves forward. And I am happy today that we can stand and discuss this balanced budget absent a constitutional amendment.

I want to acknowledge on the floor my colleague, Senator BYRD, of West Virginia. If you were to list his accolades, I think the one he would be proudest of is his role as guardian of the Constitution. He carries that Constitution in his pocket every day. He believes in it to his core that it embodies what America is all about. He does not take constitutional amendments very lightly, and he has effectively argued against the balanced budget amendment and others over the years.

Senator BYRD, this balanced budget agreement is a tribute to your tenacity and your commitment to the Constitution. History has proven you right again. A constitutional amendment was unnecessary. It took the will to bring about this agreement. And today we are debating such an agreement without a constitutional amendment.

On behalf of myself and those who really are grateful for the contribution you have made on behalf of the Constitution, I just want to acknowledge that today.

Mr. BYRD. Mr. President, I thank the distinguished Senator from Illinois for his more than gracious, more than charitable comments. I very much appreciate them.

Mr. DURBIN. You are certainly welcome.

How did we come to this day? Make no mistake, if the American economy were struggling, if we faced high unemployment, slow economic growth, few housing starts, businesses failing, trade accounts in the red, we would not be standing here with any kind of an agreement to balance the budget. But that is not the case.

What propels us into this debate is the good condition of the American economy. Yesterday, the Dow Jones index broke a record, I believe. I cannot keep up with it. Up and down, up and down, but it has generally been up. We have seen the lowest unemployment figures in two decades. We have seen jobs created. People are building homes and starting businesses. America is moving forward. We feel good about it.

How did we get here? Is this just a matter of good luck? I think it is more than that. I think it goes back to an action taken by Congress in 1993, and not a popular one, I might add, when the President stood up and said, ''I think we can move toward a balanced budget and keep the economy moving forward, and I want the support of Congress to do it.'' I was a Member of the House at that time. I joined the President, and I might tell you it was a partisan decision—not one single Republican vote in support of the President's plan, and yet we passed it. In the Senate it only passed when Vice President GORE cast the tiebreaking vote to enact the President's budget. We are lucky that he did because with that plan in 1993, we set the stage for this

debate to bring the budget into balance. We set the stage for economic expansion, which is creating more revenues, so that we can sit down and talk about tax cuts and more money being spent on education and environmental protection. Absent the President's leadership, absent the Democrats in Congress standing behind him, this day might never have come. And yet it has. And we can be proud of it.

So let us talk about this agreement for a moment. Is this an agreement I would have written? No. I would have changed a lot of provisions here. It is a compromise. It is a bipartisan compromise. There are things which many Republicans are proud of which I would not have included. There are things which were not included but I think should have been. But make no mistake, this is a good agreement. It is good for this country. It is a good bipartisan compromise. It is one which not only reaches a balanced budget but says we are going to do it in a responsible way.

First, under the Republican Contract With America, which Speaker GINGRICH and many Republican Senators supported, we were to cut out of Medicare $270 billion over 7 years—a massive cutback in Medicare. They said it was necessary; you had to do it. And if you did not do it, Medicare was in peril. The American people knew better.

That $270 billion went way beyond what was necessary to strengthen Medicare. It created funds for a tax cut for wealthy people. And that was not fair. The President stood up and said, ''I won't agree to it.'' When he threatened that veto, that particular proposal did not go forward. Where are we today?

The bipartisan compromise talks about a $115 billion cut over 5 years in Medicare and a guarantee to the American people that, for 10 years, Medicare will be solvent and strong. We have kept our word to the seniors in this country and those about to be seniors. They can rest assured that Medicare will be there. That is good. That is part of this agreement.

Medicaid. Medicaid is not just health insurance for poor people; it is health insurance for destitute elderly in nursing homes. That is where half the money in Medicaid goes. The elderly person in a nursing home who has spent down and has not a single thing left on Earth turns to Medicaid to keep them alive.

The Republican proposal originally to cut Medicaid was $160 billion over 7 years. We said it was too much. The President said it was too much. In this agreement it is down to $15 billion. We have brought it down to a manageable amount, one that will not endanger the health and security of the disadvantaged and elderly.

Education. My colleague from Texas, Senator GRAMM, got up a few minutes ago and talked about all this massive Federal spending. Well, let me tell you, America, families that get up every morning and wonder whether they can pay for their kids' college education expenses, this budget agreement will be a helping hand. We are going to allow you for the first time to deduct college education expenses on your income tax. Oh, it is still going to be expensive, but you are going to get a helping hand for the first time.

And, students, listen up. Get good grades, go to school, and there is a scholarship in here for you that will pay for most community colleges and some colleges and universities. Too good to be true? No. It is a commitment by the President that is embodied in this budget agreement that is good for this country.

Visit a couple with a new baby a couple days after the baby is born, and they are home and you go to visit them. You say, ''What a beautiful little baby. Looks just like his dad,'' or ''looks just like his mom. Is she sleeping at night? How is she taking her bottle?'' And then, after a few minutes, ''Have you thought about how you're going to pay for her college education?''

It is something we all think about. Next to our home mortgage, for most families in this country, this is what you worry about. ''How am I ever going to put this money together?'' This bill will help. It will not pay the whole thing, but it is going to help. It is responsive to the real needs that American families feel.

Middle-class tax relief. Not only when it comes to education to help working families pay for college and training expenses, but a child tax credit of $500 per child. What does it mean? Well, my daughter and her husband have a little baby boy, our grandson. We are so proud of him. He is going to be a year old in a few weeks.

My wife and I did not think much about this when we raised our kids, but my daughter and my son-in-law talk about day care. ''Dad, what are we going to do about day care? It's expensive. We don't want to put Alex anywhere that isn't safe, quality day care. How are we going to pay for it?'' They are lucky. They have two jobs, two incomes in their family. Some other families struggle with the same decision with fewer resources.

This child tax credit in here means a helping hand, $500 per child per year. It will not cover the cost of day care, but it will help. And shouldn't we help? Shouldn't we help working families? That is what this is all about.

We are finally responding to the real issues that real people talk about. I do not believe real American families sit around the family room and say, ''What about campaign finance reform? What's going on with the latest investigation in Washington?'' They do sit around and talk about paying for college, paying for day care. This budget agreement will address it.

The battle is not finished. There is another one before us. I hope we enact this budget agreement. Then we will address a tax bill. I think you are going to see some real differences in philosophy between Democrats and Republicans about whether the tax savings in that bill go to working families or wealthy people. I think they should go to working families.

I think we ought to, for example, give 100 percent deductibility of health insurance premiums for all self-employed people. All family farmers, all small businesses, those who are self-employed, should have the same benefits of hospitalization insurance deduction as the corporations do.

So, for American families, this agreement is a step forward. The President's leadership, a bipartisan compromise, has us on the road to a balanced budget in a responsible way.

I yield back my time.

Mr. GRASSLEY addressed the Chair.

The PRESIDING OFFICER (Mr. ROBERTS.) The Senator from Iowa is recognized.

SUPPLEMENTAL APPROPRIATIONS AND RESCISSIONS ACT OF 1997

The Senate continued with the consideration of the bill.

Mr. GRASSLEY. Mr. President, I would like to talk about our efforts to eliminate problem disbursements at the Department of Defense [DOD].

Problem disbursements are payments that were not matched with obligations before the bills were paid.

As we have learned in recent years, the failure to follow this very elementary internal control procedure leaves the Pentagon's financial accounts vulnerable to theft and abuse.

It leads to underpayments, overpayments, erroneous payments, and even fraudulent payments.

It leads to overdisbursed accounts.

That is when payments exceed available appropriations.

When that happens, you have a violation of the Anti-Deficiency Act. That is a felony.

Right now, Mr. President, the Defense Finance and Accounting Service [DFAS] Center at Columbus, OH, has about 2,700 contracts that are overdisbursed.

Those contracts have negative cash balances of $900 million-plus.

In a nutshell, the Pentagon's financial books are in a shambles.

Mr. President, that's not the Senator from Iowa talking.

That's coming straight from the horse's mouth—the DOD inspector general [IG] and the General Accounting Office [GAO].

That's what their audit reports say. They say: DOD's books are in such a mess that they can't be audited—as required by law—the Chief Financial Officers Act of 1990.

When the auditors can't conduct an audit, they issue a ''disclamer of opinion.''

Well, guess what?

DOD gets one disclaimer after another—year after year. It's a disgrace.

One way to clean up the books is to start matching disbursements with obligations before payments are made.