

Congress must shift its homeland security focus from Washington to our borders, our shorelines, and our communities. I look forward to continuing to work with communities across Maine and around the country so that we can build a better and stronger homeland security partnership in the months and years ahead.

Mr. President, I yield the floor.

The PRESIDING OFFICER. The Senator from Massachusetts.

#### A FAILING BUDGET

Mr. KENNEDY. Mr. President, as was pointed out in the initial remarks of my friend and colleague from the State of Maine, we will have intensive consideration of the budget starting early tomorrow morning, and then concluding late Wednesday afternoon. And we are going to do so with very strict time constraints.

I want to be able to express my views on this legislation in terms of where I think we are in the consideration of the budget, and my concerns for where I think we will end up on Wednesday evening at the time of our vote. This is an enormously important matter that is before the Congress.

All of our thoughts and prayers and focus are outside this Chamber now, and with the brave men and women in our Armed Forces overseas. I think all of us are following this closely and have shared in the positive outcomes that many of those in the Armed Forces have experienced. And we have also felt the shattering sense of loss that has been experienced by many of the families, when we have seen the difficulties and the tragedies which have developed over this period of time.

Nonetheless, our work must go on. It is important, as we think about the extraordinarily brave men and women abroad, that we think about what this budget should really be all about. It seems to me the best way we can show appreciation for those service men and women and their sacrifice and their valor is to live up to the ideals they are fighting for so bravely. The budget, to a very important extent, reflect our priorities as a nation and that is what I want to address this afternoon.

As we all sat in this Senate chamber last week, casting votes on budget amendments hour after hour, it was striking how detached the proceedings were from the real concerns of the American people. While they were concentrating intently on every detail of the unfolding war in Iraq, the Senate was considering a budget that our Republican colleagues had proposed without any funding whatsoever for the enormous cost of the war and the potentially even more enormous cost of its aftermath.

Tomorrow, the President will send to Congress a request for additional funds to cover the initial costs of war in Iraq. There is no doubt that all of us in Congress will want to provide that support to our troops as quickly as possible.

As we watched events unfold on our television screens in recent days, it became clearer than ever that more needs will arise because of the war—both in the short term and the long term. We deserve a budget that does not squander the treasury in time of war. We need a budget that provides for our troops and meets our priorities at home.

In this time of national unity, we owe it to our troops and to all Americans to make this the best America we can be. That is patriotism at its best—to support our men and women abroad, and to fight at home for the values they represent—for a strong and secure America, for a strong economy, for equality and opportunity for all, for better jobs and better schools and better health care.

Mr. President, \$1.6 trillion in new tax breaks for the wealthy will not win this war. It will not help laid off workers and their families. It will not strengthen our schools or provide prescription drugs for our seniors. It is as though this budget had been drafted in a sound-proofed room, so that the sounds of war and the voices of the American people could not be heard. On the opposite side of the Capitol, the House of Representatives has already passed an even more extreme Republican budget, slashing hundreds of billions of dollars from urgent domestic priorities, including some for which even the Bush administration had requested support. Any objective observer of Capitol Hill can quickly see how out of touch this Congress has become.

A time of war should be a time of national unity—of Americans pulling together and sharing the burdens fairly. The people's elected representatives should reinforce this national spirit with leadership that says we are all in this together, that we are here to help one another. As we confront the grave threats of terrorism and war, it is particularly important to build a broad national consensus at home based on our shared values. Many of us have become deeply concerned in recent years that our policies are moving farther and farther away from these shared national values. Increasingly, major decision about how America should be governed are being made by a narrow partisan majority in Congress with utter disdain for the basic needs of the overwhelming majority of our people.

This Republican budget says it all. The last thing that America needs in this time of war is policies that divide us—which concentrate so much of the Nation's resources in the hands of the wealthiest few, while ignoring the needs of tens of millions of hard-working families. Especially at this moment when we are sending young American men and women into harm's way to defend our highest ideals, we in Congress have a responsibility to support policies which keep faith with those ideals.

It is bad enough that the Republican budget fails to meet that challenge. It

is even worse that the narrow Republican majorities in the Senate and House are bent on rushing the budget through Congress quickly, while public attention is preoccupied with the war. If it ever passes, this budget will be part of the collateral damage caused by the war, haunting us for years to come.

It is astonishing that our Senate Republican colleagues who protested so loudly about the failure of Senate Democrats to produce a budget last year are themselves proposing such an atrocious budget this year. Passing no budget would be better than passing this irresponsible budget. The worst thing would be to lock in these bad policy choices for years to come.

We recognize that it will take no small amount of political courage four enough of our Republican colleagues to join us in voting down this budget. Hopefully, it will happen.

The time is past for debate about whether we should go to war with Iraq. Now that our troops are engaged in battle, we all join together in praying for their safety and for a quick and successful end to the conflict.

We need a budget which honestly addresses the cost of the war and the future rebuilding of Iraq. At a time when our troops in the field are being asked to make great sacrifices, the least that this Congress owes them is to be honest about the burden we are undertaking in Iraq.

Even if the war ends quickly and successfully, the rebuilding of Iraq will be a lengthy and costly process that will make this budget obsolete on the day it is passed. The Feingold Amendment was a first step to address the cost of the war for the next few months, but Republican leaders boasted that they would remove the amendment from the final bill. The Nation's budget must not be turned into a vehicle for such gross political deception—for concealing costs rather than setting sound priorities. This is a time of high national purpose for America. It should be no less on the floor of the Senate.

We need a budget which will also strengthen America at home. When our troops return, we want them to come home to a strong economy and secure jobs. We want them to come home to better schools for their children, not schools facing drastic budget cuts, fewer teachers and overcrowded classrooms. We want them to be able to afford health care and health insurance for their families.

This budget fails all of these tests. It rejects the measures needed to restore the economy and to deal with layoffs and rising unemployment. Instead, it embraces rigid right-wing policies that have not worked and will not work and do not distribute the burden fairly. In 2001, President Bush pushed \$1.3 trillion in tax cuts through Congress that disproportionately benefit the wealthiest taxpayers. Now, the Administration is seeking an additional \$1.6 trillion in tax cuts that are even more heavily slanted toward the rich. That is not the

solution to the problems facing America's families. It is a strategy that will only add to their problems.

The impact of these new tax breaks is clear from the Administration's own budget. When the White House says "no" to obviously needed spending on urgent domestic priorities such as education and health care, it says the war on terrorism requires us all to tighten our belts. But the belts will be tightened mainly on low and middle income individuals and families. The wealthiest Americans are not asked to tighten their belts at all. Just the opposite—they would receive major new tax breaks.

As a result of the Republican tax plan enacted 2 years ago, the wealthiest 1 percent of taxpayers will each save an average of \$50,000 a year. Now the administration wants to give each of them even more—an additional \$25,000 a year.

Under the administration's so-called "economic growth" package, households with annual incomes over \$1 million will receive an average tax cut of nearly \$90,000 each year. In contrast, households in the middle of the income spectrum will receive an average of less than \$300 a year in tax benefits.

It cannot be wartime for other Americans, but still peacetime for the rich. One of America's most basic values is that the country's burden must be fairly shared.

We know that the problems facing working families have grown steadily worse since this administration took office in January 2001. Certainly, the White House policies are not the sole cause of the economic downturn we have witnessed in the last 2 years. The stock market began its decline before the President took office, and so did the recession. The economic shock caused by the September 11 attacks was beyond the administration's control. Fear of the war has been hanging heavily over the economy.

But the response of the administration to these economic challenges has been ineffective. The administration's one-track-minded commitment to massive new tax breaks for the wealthy as the cure for every economic ailment has made a bad situation even worse. The administration has ignored remedies that would provide a significant short term stimulus, while undermining our long-term economic strength. As a result, the economy continues to stagnate, and the number of families facing serious hardship continues to grow.

Huge numbers of working men and women have lost their jobs. As layoffs mount, millions of others live in fear of being the next to be let go. Two and a half million fewer private sector jobs exist in America today than existed just 2 years ago. Men and women across the country looking for a job are finding it increasingly difficult to obtain one. The number of long-term unemployed workers has almost tripled since the administration took office.

This is the first administration in 50 years to preside over a net loss of private sector jobs.

In the face of these serious problems, it is cruel and unconscionable that Republicans leap to support extravagant tax breaks for the wealthy, yet refuse to support a reasonable extension and expansion of unemployment benefits. They continue to oppose obviously needed and obviously urgent assistance for millions of workers facing long-term unemployment and hundreds of thousands of part-time and low-wage workers who receive no benefits under current law.

Affordable health insurance should be another high priority. Yet it is becoming less and less affordable for large numbers of families. Over two million more Americans are without health insurance today compared to 2 years ago. One in ten small businesses which offered their employees health insurance in 2000 no longer do so now. The average cost of health insurance is soaring at double digit rates—up by 11 percent in 2001 and another 12.7 percent in 2002—nearly four times the rate of inflation. The health care vise on working families is becoming tighter and tighter every year.

Our public schools are facing budget cuts rights and left. The administration's words are that no child should be left behind, but the deeds in this budget leave over six million students behind, without the help they need to get a good education.

The cost of college is rising beyond the reach of more and more families. The gap between college tuition and the tuition assistance provided by the Federal Government has grown by \$1,900 in the first 2 years of the Bush Administration. As a result, the number of able students denied the chance to go to college is growing each year.

For millions of families, their retirement savings have seriously eroded in the last 2 years. Savings in 401(k) plans and other similar plans has plunged by \$473 billion in the last 2 years. Individual retirement accounts dropped by \$229 billion in 2001. The 2002 data are not available yet, but given the poor performance of the stock market, another steep decline is certain. Many middle-aged workers who thought their retirements were safe are suddenly being forced to stay in the workforce longer and reduce their standard of living in retirement.

These are the realities American families face today.

In this situation, the most irresponsible action Congress can take would be to accept the proposal of the administration to enact massive new permanent tax cuts.

We cannot afford the loss of an additional \$1.6 trillion from the Treasury. Temporary tax cuts to stimulate the economy are affordable, but the administration's large permanent new tax breaks are not. If that plan is adopted, the Federal Government will not have the resources to meet urgent domestic

needs in education, in health care, and in homeland security. It will be virtually impossible to keep the Nation's commitment to Social Security and Medicare.

The administration is misusing the recession to justify major new permanent tax breaks for the wealthy. Exempting dividends from taxes will take \$400 billion out of the Treasury over the next 10 years. Half of that enormous amount—\$200 billion—will go directly into the pockets of the richest 1 percent of taxpayers, who are not exactly the ones struggling to make ends meet in this faltering economy. Eighty percent of taxpayers will receive little or nothing from the dividend proposal. To use the need for an immediate economic stimulus as an excuse to enact costly new permanent tax breaks for the wealthy is cynical trickle-down economics at its worst. The American people deserve better from the White House.

The administration obviously does not want to discuss why its tax breaks are targeted so heavily to the wealthiest. Its typical response is to shout "class warfare." That's nonsense. It's not our description of the White House plan that constitutes class warfare. A tax plan which gives the wealthiest 10 percent of Americans more in tax breaks than the total given to the other 90 percent is the real class warfare.

Clearly, the Nation cannot afford all of these tax breaks. Cuts of this magnitude will condemn us to escalating deficits that will weaken the economy and make it impossible to meet our long-term commitments to Social Security and Medicare.

Instead of reducing tax rates on the top income brackets in future years and repealing the estate tax, we should freeze those rates at their current levels and retain the tax on estates over \$4 million. We should not enact any new permanent tax breaks for the wealthy, when we are so clearly failing to address so many of our most urgent national needs.

For the cost of reducing the tax rate on the top income brackets, we could provide the additional funds needed to keep the promise made in the "No Child Left Behind" education reform act and keep it for a decade.

For the cost of permanently repealing the estate tax on the super-wealthy, we could help to ensure that Social Security has the resources needed to keep the promise of a secure retirement for future generations.

For the cost of President Bush's newly proposed \$726 billion package of additional tax breaks tilted to the wealthiest taxpayers, we could fully fund a generous program of prescription drug assistance for senior citizens under Medicare, and extend health insurance to millions of uninsured families.

We know which of these choices will make our country stronger and help us meet the challenges of the future. A

craven decision to give more and more tax breaks to the richest among us is a decision to ignore America's greatest needs.

Now more than ever is the time for Congress to bring the Nation's policies into line with the Nation's values. The courage of our forces fighting in Iraq and the courage of our fellow citizens who responded to the terrorist attacks on 9/11 should inspire us all. In the time of great national purpose for America, Congress must respond.

Consider what we can accomplish if our policies are brought into line with our national values. The American people want us to measure success by people helped and problems solved. They want policies that are worthy of a great and generous people in this new century.

Providing every child with a good education from the early years through college that will enable them to reach their full potential would be consistent with our most basic values. Yet, today, far too many children are denied that opportunity. The children of working families, who need help the most, often receive the least when it comes to education. The administration's budget leaves six million—six million—children behind. It would actually reduce funds for after-school activities for more than half a million students. How can President Bush abandon his unequivocal promise of full funding for the school reforms required by the No Child Left Behind Act? That legislation was signed into law with great fanfare by the President a year ago. But when the klieg lights go out and the bunting comes down and the cameras leave, the money isn't there. The Republican budget before us provides \$8.9 billion less than we promised America's children a year ago. This budget has the wrong priorities and it should not be enacted.

In the past, Democrats and Republicans in Congress have worked together to reject the administration's anti-education budgets. By a substantial bipartisan majority, we have increased the funds for education. We should do the same this year. Congress must—even if the administration won't—live up to our promise to leave no child behind.

At the same time, we have to provide more college students with financial aid to meet rising tuition costs. The gap between the cost of college tuition and the level of tuition assistance has grown by \$1,900 since President Bush took office. We took a step toward narrowing the gap last Friday by agreeing to increase Pell Grants. We must make certain that the increase remains in the final budget.

Just as Social Security is a promise to senior citizens, we should make "Education Security" a promise to every young American. If you work hard, if you finish high school, if you are admitted to college, we should guarantee that you can afford the cost of the four years it takes to earn a degree.

We will fight to make the dream of a college education a reality for all. We will fight this month, this year, and we will not stop, because the fight is for America's future.

We must do the same for health care. Every American family is facing some aspect of the worsening health care crisis we face today. Health care costs are skyrocketing. Families with insurance are facing more and more increases in their insurance premiums, for fewer and fewer benefits. The number of Americans without any insurance at all is unacceptably high and rapidly rising. No family with insurance today can be sure that it will be there for them tomorrow if serious illness strikes. For senior citizens, the 40-year old promise of good health care under Medicare is now being broken every day, because Medicare does not cover prescription drugs.

In the face of this crisis, the administration proposed only a meager amount to help the uninsured, and Senate Republicans cut even that small amount nearly in half.

In the face of this crisis, the Republican budget pays lip service to the needs of senior citizens for prescription drug coverage but fails to provide adequate resources to do the job. Even worse, they propose to dismantle Medicare and force senior citizens into HMOs and other private insurance plans in order to obtain even the paltry drug benefit they are offering.

No senior citizens should be forced to give up the doctor they trust to get the prescription drugs they need. No budget accepted by this Congress should put tax breaks for the rich ahead of health care for senior citizens and their families.

The Republican plan for Medicaid is equally unacceptable. It would victimize 46 million of the neediest and most dependent of our fellow Americans. The administration is proposing the same type of destructive block grants for Medicaid that the Gingrich Congress failed to enact almost a decade ago. The Republican block grant plan would leave millions of innocent victims in its wake—sick and needy children and their parents, the disabled, and the low-income elderly.

The GOP plan for block grants to States would abolish the Federal Child Health Insurance Program, which now gives over 5 million children the chance for a healthy start in life. Millions of senior citizens would no longer be able to count on Federal nursing home standards to protect them if they are unable to continue to live in their own homes. Spouses of senior citizens who need nursing care would no longer be guaranteed even a minimum amount of income and savings on which to live.

States need fiscal relief now, so that they can respond to the human and financial devastation that the current recession is causing to State budgets, and especially to State Medicaid plans. The demands on Medicaid are greater than ever for States, as more families

lose their jobs and turn to Medicaid for health care. But instead of offering real help, the GOP budget offers the fool's gold of State Medicaid "flexibility." Instead of the funds that States need to protect the Medicaid safety net, the Republican budget offers only a license to States to shred it.

Finally, small in cost but large in symbolism is the failure of this budget to address the immediate needs of the unemployed. That failure vividly illustrates how far this budget strays from our values.

How can a budget deny unemployment benefits to the long-term unemployed at the same time it offers \$1.3 trillion in additional tax cuts disproportionately benefiting the wealthiest taxpayers?

More than four million Americans will be unemployed with no federal benefits after June 1 under current law. These men and women have worked hard for years, paid into the unemployment fund, and now find themselves without a job through no fault of their own. They are victims of the stagnant economy, and the economic news is not getting any better. Another 308,000 workers lost their jobs last month. New jobs are scarce. On average, there are three unemployed workers lined up for each job opening. The administration's own budget estimate acknowledges that unemployment will stay at its current high level for the rest of the year.

Where is our concern for these four million workers? Where is our sense of fairness? How can anyone argue that we have \$1.3 trillion for new tax breaks but do not have \$16 billion to help the unemployed and their families?

It is disturbing that our Republican colleagues are considering such an irresponsible budget at this very moment when our forces are risking their very lives for us in Iraq. Our colleagues would be foolish to expect the shock and awe of the war to distract the American people for long from noticing what is transpiring now in the arcane pages of this budget. They can see that the choices this budget makes will make their lives more difficult. It would be wise to reject this budget, and try again to get it right.

If we take inspiration from the willingness of our troops to make great personal sacrifices for America, it can mark the beginning of a new era of common purpose—a return to unselfish policies which truly reflect America's values.

I yield the floor and suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

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

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

## THE BUDGET

Mr. CONRAD. Mr. President, we are on the verge of completing action on the budget resolution for this year. The occupant of the chair knows well that tomorrow we will turn our attention to the final amendments. There will be 40 amendments in order on our side, some number on the other side, and we will complete action by 4 o'clock on Wednesday.

These are momentous decisions that have very important long-term implications. So I thought I would take a moment today to review where we are, where we are headed, and to propose an alternative I will be asking my colleagues to vote on tomorrow, so that we have a chance to describe in some detail what the elements of the Democratic alternative are to the budget being proposed from the other side.

Let me start by reviewing where we are and reminding colleagues that just 2 years ago we were told we had some \$5.6 trillion in surpluses over the next decade. Now we know that if the President's tax and spending policies are adopted, instead of surpluses we will have \$2.1 trillion of deficits over the next 10 years. That is especially important, given the fact that the baby boom generation is poised to retire in this 10-year period. In fact, the baby boomers start to retire in 2008. This is an extraordinary reversal that has occurred, \$5.6 trillion in surpluses 2 years ago, \$2.1 trillion in deficits now. That is a \$7.7 trillion reversal.

Let's look at where the money went. This next chart shows where the money went. Obviously, some of it is because of the economic downturn, some of it is because of additional spending as a result of the attack on this country. The biggest reason for the disappearance of the surplus is the tax cuts that have been already passed and those that the President proposes. If you take those tax cuts and the associated interest costs, you see it is the biggest single reason for the disappearance of the surplus.

The second biggest reason is labeled here "other legislation." That is primarily spending—spending as a result of the increases for national defense and homeland security. That is where virtually all of the additional spending has gone.

The third biggest reason is technical changes, primarily lower revenues—revenues being lower than anticipated, not as a result of the tax cut but because the economic models incorrectly predicted what revenue would be for various levels of economic activity.

The smallest reason for the disappearance of the surplus is the economic downturn, although it has clearly played a role, at 9 percent.

I think what is most sobering about where we are and where we are headed is this chart from the President's own budget. This is from page 43 of his analytical perspectives. It takes the long view. It looks from 2002, going out to 2050, if the President's policies are

adopted, his tax cuts, his spending. What it shows is we never escape from deficit—never. And these are the good times; these deficits are the smallest as a percentage of our gross domestic product, even though they are record deficits in dollar terms. These are the largest deficits we have ever had in dollar terms.

This year, the deficit, not counting Social Security, will be over \$500 billion on a \$2.2 trillion budget. That is a very large deficit by any measure. But look at what happens if we adopt the President's plan. Those deficits get larger and larger and larger as we go forward because the cost of them explodes at the very time the cost of the Federal Government explodes and at the retirement of the baby boom generation.

Some are saying deficits don't really matter. Somehow, even people who, for their whole careers, believed deficits matter and that we ought to combat deficits are now saying, well, deficits don't really matter, that these are relatively small deficits in the percentage of GDP terms, and that we need not really worry about that.

Mr. President, I will say this. First of all, these are not small deficits: \$500 billion deficit on a \$2.2 trillion overall base is a deficit of over 25 percent. As a percentage of GDP, a \$500 billion deficit on a GDP of \$10.5 trillion is a deficit approaching 5 percent of GDP. That is in the range of the very large deficits we saw in the eighties.

Again, what I hope will be remembered is that these are deficits that are right on the verge of the retirement of the baby boom generation. That is when the cost to the Federal Government explodes. That is why these deficits are especially dangerous for the long-term economic security of the country.

For those who say deficits do not really matter, let's turn to Alan Greenspan who is the chairman of the Federal Reserve. He believes deficits matter. He said:

There is no question that as deficits go up, contrary to what some have said, it does affect long-term interest rates. It does have a negative impact on the economy, unless attended.

This chart is especially important because it shows why this matters so much. This shows the moment in time we are in and why the previous chart from the President's analysis shows this could be the sweet spot. It is because the trust funds of Medicare and Social Security are right now producing hundreds of billions of dollars of surpluses. This year the Social Security trust fund alone will produce over a \$160 billion surplus. That is the green bar on this chart. That is the Social Security trust fund. The blue bar, the smaller bar, is the Medicare trust fund. It is also producing surpluses, although substantially smaller than Social Security. One can see they are much larger in total than the tax cuts that are in place.

Look what happens in the next year. Then the size of the tax cuts almost equal the trust fund surpluses. That is true the rest of this decade. Then look what happens. As the trust funds start to go cash negative in the next decade, the cost of the tax cuts explodes. Let's reality test. We are already in record deficits now, the biggest deficits in dollar terms we have ever had. We are already in record deficit land. The biggest deficit on a unified basis—that means when we put everything into the pot, all spending, all expenditures, all revenue—the biggest deficit we ever had before was under the previous President Bush, \$290 billion—\$290 billion.

This year the deficit on a unified basis is going to be over \$400 billion. Remember, that does not count the \$160 billion that is being taken from Social Security trust fund surpluses. Put those together and we are over \$560 billion.

What is ominous about this is that as we go forward, when the trust funds turn cash negative, the cost of the President's tax cuts absolutely explodes, driving us right off the cliff, deeper and deeper deficits, deeper and deeper debt. That is going to present a future Congress and a future administration with extremely difficult choices.

Here is what the CBO Director, the Congressional Budget Office, put in place by our friends on the other side of the aisle. It was their choice for the Director of CBO. CBO is nonpartisan, but they had the opportunity to pick him because they were in the majority. This is what he said:

Put more starkly, Mr. Chairman, the extremes of what will be required to address our retirement are these: We'll have to increase borrowing by very large, likely unsustainable amounts; raise taxes to 30 percent of GDP, obviously unprecedented in our history; or eliminate most of the rest of Government as we know it. That is the dilemma that faces us in the long run, Mr. Chairman, and these next 10 years will only be the beginning.

That is what he is referring to there—only the beginning. This is going to get much more serious as the baby boom generation retires and as the cost of the President's tax cuts explode.

Some are saying: But this is a growth package, and we are going to grow out of this problem by more and more tax cuts. The so-called growth part of the President's tax proposal costs \$994 billion. The \$726 billion that is advertised in the newspapers forgets about the associated interest costs. If you reduce your revenue or increase your spending, that adds to your interest cost. When you take the whole cost together, it is \$994 billion in this 10-year period, but the first year stimulus is only \$40 billion. The President only has 4 percent of his package in the year in which we know we need lift to the economy. We know we need stimulus. He is only providing 4 percent of his package in that year. It does not make