

SENATE—Tuesday, June 19, 1990

(Legislative day of Monday, June 11, 1990)

The Senate met at 9:30 a.m., on the expiration of the recess, and was called to order by the Honorable HARRY REID, a Senator from the State of Nevada.

PRAYER

The Chaplain, the Reverend Richard C. Halverson, D.D., offered the following prayer:

Let us pray:
 * * * *but with God all things are possible.*—Matthew 19:26.

Almighty God, to whom belongs all power and all wisdom, manifest Thyself in this place that all may know that Thou art present and relevant. Certainly anything that is doable this powerful body can do. But despite all its power, some issues are beyond human resolution and require divine remedy. As the Senate labors under internal as well as external pressures, confronting not only the issues from without but the struggle of conscience, courage, and confidence from within, as stubborn problems refuse solution and an impending election pervades the atmosphere, help Your servants to learn to depend upon the God of the impossible as they try to do everything that is possible.

In the name of Jesus for whom nothing is impossible. Amen.

APPOINTMENT OF ACTING PRESIDENT PRO TEMPORE

The PRESIDING OFFICER. The clerk will please read a communication to the Senate from the President pro tempore [Mr. BYRD].

The legislative clerk read the following letter:

U.S. SENATE,
 PRESIDENT PRO TEMPORE,
 Washington, DC, June 19, 1990.

To the Senate:

Under the provisions of rule I, section 3, of the Standing Rules of the Senate, I hereby appoint the Honorable HARRY REID, a Senator from the State of Nevada, to perform the duties of the Chair.

ROBERT C. BYRD,
 President pro tempore.

Mr. REID thereupon assumed the chair as Acting President pro tempore.

RECOGNITION OF THE MAJORITY LEADER

The ACTING PRESIDENT pro tempore. Under the standing order, the majority leader is now recognized.

THE JOURNAL

Mr. MITCHELL. Mr. President, I ask unanimous consent that the Journal of the proceedings be approved to date.

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

SCHEDULE

Mr. MITCHELL. Mr. President, following the time for the two leaders, there will be a period for morning business not to extend beyond 10 a.m., with Senators permitted to speak therein for up to 5 minutes each.

At 10 this morning, the Senate will resume consideration of S. 566, the affordable housing bill, with amendment No. 2024 the pending business.

The yeas and nays have been ordered on this amendment, so my colleagues should be aware that there is the possibility of a rollcall vote this morning relative to that amendment.

Other votes are likely today with respect to the housing bill. Between the hours of 12:30 p.m. and 2:15 p.m., the Senate will stand in recess to accommodate the party conference lunches.

RESERVATION OF LEADER TIME

Mr. MITCHELL. Mr. President, I reserve the remainder of my leader time and reserve all the leader time of the distinguished Republican leader.

The ACTING PRESIDENT pro tempore. Without objection, the time of the two leaders is reserved.

MORNING BUSINESS

The ACTING PRESIDENT pro tempore. Under the previous order, there will now be a period for the transaction of morning business to extend to the hour of 10 a.m., with Senators permitted to speak therein for up to 5 minutes each.

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

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

The legislation clerk proceeded to call the roll.

Mr. GORE. 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. The Senator is recognized to speak in morning business.

REVERSAL OF ADMINISTRATION ENVIRONMENTAL POLICY

Mr. GORE. Mr. President, I rise to discuss two issues related to the global environment. On Friday afternoon, after we had finished our business for the week here and when many Senators were on their way to their home States, at the end of that day the administration quietly announced, in the form of a press release from John Sununu, that it was suddenly reversing its policy on the protection of the stratospheric ozone layer and was now prepared to join in a previously agreed measure to supply some funding for a pool of money to assist some of the poorest nations in the world to develop and use substitutes for the chemicals that are now implicated in the destruction of the Earth's protective ozone shield.

I rise today to commend the administration's decision to reverse its previously stated policy with regard to that international fund.

I am pleased that the administration finally listened to the advice it was receiving from its own Environmental Protection Agency, its State Department, many of our allies, including Prime Minister Thatcher, many scientists and business leaders and concerned citizens; also, many Members of this body. There were quite a few Members of the Senate on both sides of the aisle who joined in a bipartisan effort in an attempt to persuade the President to overrule the position too stridently stated by his chief of staff, Mr. Sumunu.

I hope that this will bring to a close the battle of wills on this particular part of the issue concerning the protection of the stratospheric ozone layer, but we must wait to see how this position is presented in the international negotiations beginning this week.

I hope those negotiations will result in a successful effort to strengthen and expand the Montreal Protocol designed to protect the stratospheric ozone layer. That protocol must be extended and protected, Mr. President, because if that remains the only measure that is on the books, so to speak, and a part of the international agreement to protect the stratospheric ozone layer, then the concentrations of the harmful chemicals will triple throughout this coming century. The current concentrations are already doing such serious damage that it is

abundantly obvious that we must strengthen that measure.

Mr. President, I ask unanimous consent to proceed for an additional 3 minutes.

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

GLOBAL WARMING

Mr. GORE. Mr. President, the second issue I would like to discuss has to do with another threat to the global environment. That is the problem of global warming. There has been an international effort underway to assess the seriousness of global warming and to come up with proposals for solving that problem. Three international scientific and expert panels were established under the auspices of the U.N. environment program and the World Meteorological Organization. The panel charged with assessing the seriousness of the problem was chaired by Great Britain. They completed their work and announced that they were certain the problem was real, extremely serious and that the time to act is now.

The panel charged with responsibility for coming up with answers or solutions to the problem was chaired by the United States. I had an opportunity to chair a hearing last week that looked at how this process was going. What I found was quite troubling. Mr. President, The participants in the hearing advised us that what took place during the meeting was that every time any nation would propose some kind of strong action to confront the problem, representatives from Saudi Arabia would stand and blast the proposal, and the representatives from the United States would sit silently by, never challenging a single word expounded by the representatives of the world's largest oil exporting nation with such a large stake in opposing any measures to reduce the emissions of carbon dioxide now believed to be causing the problem of global warming.

As a result of the administration's failure to lead on this issue, the panel, chaired by the United States, produced a report that contains no specific timetables, no goals, no policy options capable of addressing the problem in any meaningful way whatsoever. This is not leadership, Mr. President. It is not what our country needs; it is not what this world needs. What passes for leadership on the environment in the Bush administration is the kind of last-minute, begrudging reversal of course that we saw late Friday afternoon on the ozone question. More typically, what we see is the kind of performance that has characterized the administration's handling of this response strategy

group designed to confront the global warming problem.

I think it is unfortunate that we have had this kind of performance by the administration. I hope the President will decide to change course here as well and provide leadership.

In closing, Mr. President, I ask unanimous consent that various news accounts of the ozone policy reversal be printed in the RECORD.

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

(From the Washington Post, June 16, 1990)

UNITED STATES DROPS OPPOSITION TO CFC PHASEOUT FUND

(By Michael Weisskopf)

The Bush administration said yesterday it has dropped its opposition to the creation of a \$100 million international fund to help developing nations end their use of chemicals that erode the ozone layer shielding the Earth from withering ultraviolet rays.

The policy reversal follows a storm of criticism and personal appeals to the White House, including those by British Prime Minister Margaret Thatcher and American corporate chiefs. It also extricates the United States from almost certain diplomatic isolation at a London conference next week on an accelerated timetable to curb use of the dangerous chemicals—chlorofluorocarbons (CFCs)—and eventually eliminate them.

It also marks a concession by White House Chief of Staff John H. Sununu. Sununu led the fight against the United Nations-proposed fund, which was supported by Environmental Protection Agency Administrator William K. Reilly. The policy shift announcement was made in a White House statement released under Sununu's name.

The U.S. position had raised fears by corporate giants who produce or use CFCs that Washington's resistance could have subjected American companies to trade barriers by nations participating in the fund. Chairmen of companies such as E.I. du Pont de Nemours & Co., and Motorola Inc. had appealed to the White House for a change in policy, according to administration sources.

First proposed at an international meeting last month in Geneva, the fund is considered essential to enlist the support of such modernizing giants as China and India for a 1987 treaty calling for reductions of the versatile CFCs. The gases are used for refrigeration, cleaning of computer parts and production of polystyrene items.

The United States, whose contribution was to have been assessed at \$25 million, was the only nation to oppose the fund. Publicly, U.S. officials had said existing programs of the World Bank were adequate to assist developing nations phase out use of CFCs.

But privately, Sununu and Office of Management and Budget Director Richard G. Darman had argued the expenditures could set a dangerous precedent for far more costly future requests to help the Third World reduce its reliance on traditional energy sources, such as coal, which cause global warming.

In yesterday's statement, Sununu said the United States will submit its own fund proposal at next week's conference, with conditions underlining the "precedential nature" of the fund and the "unique circumstances" that make it necessary.

Sununu said the proposal will meet President Bush's "essential criteria." They are "adequate scientific evidence" of the causes and effects of ozone depletion, "strong evidence" that the fund would "successfully address" the problem and the "reasonable and predictable" nature of the expenditures needed.

Details of the proposal were not made available. But an administration official said the U.S. plan is expected to call for \$100 million, with Washington assessed 20 to 25 percent of the costs in line with its overall contribution to international organizations. If China and India join the pact, the fund would grow to \$200 million.

The fund, to be administered by the World Bank, would be used to help Third World industries that use CFCs convert to alternative chemicals, cover the extra costs of alternatives and identify new ways to replace CFCs.

While 54 nations have signed the 1987 treaty and are expected at the London conference to vote for elimination of CFCs, scientists say efforts to preserve the stratospheric ozone layer 10 miles above the Earth will be frustrated if developing nations not now party to the pact fail to curb their growing use of the popular and cheap chemicals.

Washington reaction to the policy shift was favorable among those advocating CFC phaseout. Sen. John H. Chafee (R-R.I.) said that without a fund to enlist the cooperation of the Third World, "all that will be accomplished by the developed nations will be canceled."

Liz Cook, of Friends of the Earth, cautioned that if the administration proposal has too many strings attached, developing nations might not be satisfied.

(From the New York Times, June 16, 1990)

UNITED STATES TO BACK FUND TO PROTECT OZONE

(By Phillip Shabecoff)

WASHINGTON, June 15.—Reversing a policy decision, the White House said today that it would support a new international fund to help poorer countries phase out chemicals that are destroying the earth's ozone layer.

The new policy removes the last big hurdle to an international agreement for a ban on the chemicals, including chlorofluorocarbons. The accord is expected at a meeting in London next week.

Bush administration officials said the United States expected to contribute \$20 million to \$25 million to the fund, which would total \$150 million to \$250 million. Today's announcement did not change the expected amount of the American contribution.

SCIENTIFIC FINDINGS

Although the amount of money involved is relatively small, White House officials led by the chief of staff, John H. Sununu, originally opposed setting up a new fund rather than providing the same amount of aid through existing institutions like the World Bank. The White House feared that a new fund would set a precedent for expensive new foreign aid programs on the environment.

Chlorofluorocarbons and certain other chlorine-containing chemicals produced by industry have been found by scientists to be severely depleting ozone molecules in the upper atmosphere. That ozone shields the earth's surface from excessive ultraviolet radiation from the sun, which can cause skin

cancer and cataracts and suppress the immune system in humans; the radiation also damages crops and wildlife.

The White House has been under heavy domestic and international pressure to reverse its decision. Many other countries have warned that the American opposition to a fund to help the poorer countries could undermine the effort to bar future production of chlorofluorocarbons.

Last week, for example, Prime Minister Margaret Thatcher of Britain wrote to President Bush urging him to reconsider. Administration officials say. On Tuesday, Mustafa K. Tolba, executive director of the United Nations Environmental Program, called on the United States to provide help to the developing countries. Environmental organizations and even the industries that make and use chlorofluorocarbons, called the original White House decision a mistake and asked for its reversal.

The House of Representatives has already authorized \$30 million to help the developing countries protect the ozone layer. A similar proposal has been introduced in the Senate.

Stephen Hart, a White House spokesman, said today that the change came as a result of "internal Administration discussions." Mr. Sununu issued a statement today saying that at the London meeting the United States would propose a new fund, operated and administered by the World Bank, to help the poorer countries phase out chlorofluorocarbon production.

A U.S. CONDITION

But Mr. Sununu's statement said the United States would support the fund only if it was not considered a precedent for dealing with other international aid programs.

The United States proposal would also build in strict controls to assure that the financial aid is used for its intended purposes.

A treaty signed in Montreal in 1987 under the auspices of the United Nations Environment Program requires a 50 percent reduction in the production and use of chlorofluorocarbons by the year 2000. But subsequent scientific data on the seriousness of the problem have shown that such a reduction would not be adequate. The United States and most other countries now support a total phaseout by 2000 and sharp reductions in other ozone-depleting chemicals, including methyl chloroform.

Many developing countries have insisted that they would not be able to phase in substitutes without additional assistance. India and China, two countries with development plans that call for substantially expanded use of the chemicals, have said they will not join a treaty to eliminate the use of the chemicals without substantial new economic and technical help.

The change of White House policy was praised today by members of Congress, environmentalists and industry representatives.

"Hurray for the President," said Senator John H. Chafee, Republican of Rhode Island, one of those who wrote to Mr. Bush urging him to reconsider. "This is a very wise political decision but more than that it is a very wise decision for the future of the world."

(From the Time magazine, June 25, 1990)

ECOLOGICAL: U-TUAN ON OZONE

White House chief of staff John Sununu infuriated environmentalists last month when he blocked creation of a special international fund to help developing countries reduce their use of industrial gases that de-

plete the ozone layer. Charging that a U.S. failure to support the fund would undermine George Bush's vow to be the Environmental President, Democratic Senator Albert Gore of Tennessee called the policy "pigheaded and obstinate." He predicted that once the angry reaction set in, Sununu would reverse himself.

Last week Sununu did just that. He announced that the U.S. would contribute \$25 million to a \$100 million World Bank fund that will help underwrite the cost of chlorofluorocarbon-abatement efforts in less developed nations. Sununu claimed that the Administration now found itself able to endorse the fund because financial safeguards that the initial plan lacked have been put in place.

But a White House official pooh-poohed Sununu's explanation for the abrupt turnaround in policy as "a mere fig leaf." Said he: "It became clear to us that almost everybody was unhappy."

THE WHITE HOUSE,
June 15, 1990.

STATEMENT BY THE CHIEF OF STAFF

The Administration will propose a fund, operated and administered by the World Bank, to assist less developed countries (LDCs) in phasing out the production of CFCs by the year 2000. The President's proposal is intended to allow the parties to the Montreal Protocol to conclude an acceptable agreement on a package of amendments. The proposal includes specific requirements addressing: the uses of the fund; the precedential nature of the fund; the administration of the fund; assessments; control of the fund; and voting rights within the fund.

The President's proposal is structured to reflect the unique circumstances that create the need for a fund specifically designed to assist LDCs in phasing out CFCs in a non-precedential framework. This approach meets the President's essential criteria for any such funding mechanism.

First, there is adequate scientific evidence of the causes and effects—in this case, of ozone depletion.

Second, there is strong evidence that the steps to be taken—under the amended Protocol—will successfully address the problem.

Third, the resources needed to address the problem are reasonable and predictable.

The President expects the parties to the Montreal Protocol to successfully conclude negotiations on a package of amendments to the Protocol next week in London. The Administration's proposal will be offered at that time.

The President's proposal is designed to meet the financial needs of LDCs as they transition from the production of ozone-depleting substances to environmentally safe alternatives. At the same time, it addresses previously stated significant U.S. concerns about the use and management of the fund and the concern that there be no precedent-setting nature to such aid.

The United States has been a world leader in efforts to control emissions that adversely affect the ozone layer. The United States outlawed the use of CFC aerosol propellants in 1978; strongly supported the initial negotiations that led to the Vienna Convention for the Protection of the Ozone Layer in 1985; and was among the first to sign the Montreal Protocol in 1987.

EXTENSION OF MORNING BUSINESS

Mr. BYRD. Mr. President, I ask unanimous consent that morning business be extended for 10 minutes, as under the same arrangements heretofore agreed to.

The ACTING PRESIDENT pro tempore. Without objection, it is so ordered. The senior Senator from West Virginia is recognized.

Mr. BYRD. I thank the Chair.

(The remarks of Mr. BYRD pertaining to the introduction of S. 2752 are located in today's RECORD under "Statements on Introduced Bills and Joint Resolutions.")

The PRESIDING OFFICER (Mr. KERRY). The Senator from West Virginia is recognized.

Mr. ROCKEFELLER. I thank the Chair.

(The remarks of Mr. ROCKEFELLER pertaining to the introduction of S. 2752 are located in today's RECORD under "Statements on Introduced Bills and Joint Resolutions.")

EXTENSION OF MORNING BUSINESS

The PRESIDING OFFICER. The period for morning business is now to expire.

Mr. MOYNIHAN addressed the Chair.

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

Mr. MOYNIHAN. I thank the Chair.

The PRESIDING OFFICER. If the Senator would suspend just for a minute so I can close morning business and have the clerk report the pending business.

Mr. MOYNIHAN. Absolutely.

Mr. WILSON. Mr. President, I ask unanimous consent that morning business be extended by 5 minutes.

The PRESIDING OFFICER. Is there objection to the Senator's request?

Mr. MOYNIHAN. Mr. President, without meaning to object, I will not object, may I say that we have matters before the Senate today and this would be the last occasion which I would feel free not to object.

The PRESIDING OFFICER. The Senator from California is recognized.

Morning business is extended for 5 minutes.

Mr. BYRD. Mr. President, will the Senator from California yield without losing his right to the floor?

Mr. WILSON. Certainly.

Mr. BYRD. Will he allow the Senator from New York to make a few comments—less than 5 minutes certainly. The Senator had the floor.

Mr. MOYNIHAN. I will be longer.

Mr. BYRD. All right. I thank the Senator for yielding.

The PRESIDING OFFICER. The Senator from California is recognized.

THE VIOLENCE AGAINST WOMEN ACT OF 1990

Mr. WILSON. Mr. President, during morning business today eight women in America will confront an attacker. Five women will become victims of rape, almost 1 in 5 of whom will live in my home State of California; 228 women will be beaten, the majority by their husbands, boyfriends, or ex-spouses; as many as three battered women will die before day's end.

Mr. President, these are not just grim statistics. In every case, there is terrible anguish. There is literally physical pain and suffering, but perhaps it is exceeded even by the psychological trauma that is inflicted.

What restitution will society make for these heinous crimes? Do the victims receive assurance that there will be protection in the future?

For most rapists, a conviction will mean no more than a short term in prison. Take, for example, the case of Lawrence Singleton who raped 15-year-old Mary Vincent, chopped off her arms and dumped her into a canyon to die. Miraculously, she survived that brutal attack, which is to say she survived physically, and for that Lawrence Singleton was sentenced to 14 years and served only 8. He is now at liberty. His victim is suffering a lifetime of inexpressible pain and injury, physical and psychological.

Mr. President, we simply cannot call ourselves a civilized society if we do not protect the most vulnerable from the most heinous kind of attack. There are men who batter their wives or girlfriends, and in most cases they go unpunished because their crimes go unreported, however violent, unless they actually murder their victims.

Sadly, this Nation has a history of turning the other cheek, of being embarrassed about domestic violence, and until recently we have not done nearly enough about it. Only a handful of States have enacted tough laws to combat this terrible threat. Our response remains inadequate in the face of a frightening escalation of reported domestic violence.

In that setting, I particularly commend the Senator from Delaware, the chairman of the Judiciary Committee, who has faced this problem and today will be introducing legislation to provide the first real Federal effort to combat violent crime against women.

I commend Senator BIDEN and I join him in that effort.

First, the Violence Against Women Act of 1990 recognizes that not all rapists can be rehabilitated and creates new penalties for repeat sex offenders.

Close to 8 percent of all convicted rapists will rape again. For these criminals, their actions, much like those of the crack addict, represent a continuum of behavior from which they cannot escape.

Senator BIDEN's legislation will also ensure that rapists will spend more than what seems a fortnight at Sing-Sing by increasing Federal penalties for rape. It provides minimum sentences of a duration that at least offers some hope that women will be safe from these recidivists and though monetary relief cannot remove the scars which in many cases remain a lifetime.

In addition to requiring these longer prison terms this legislation requires that rapists atone for their actions by paying restitution to their victims.

Accordingly, the bill will require and expand victim restitution in sex crime cases.

For those areas of the country which are the most dangerous for women, such as Los Angeles, I am sad to say, where over 2,000 rapes are committed each year, the bill will authorize \$300 million to increase prosecution rates and set up special crime units to target violent crimes against women.

Finally, the Violent Crime Against Women Act will encourage greater law enforcement intervention and cooperation in domestic violence cases, create new civil rights protections for victims of sex crimes, and set up a national commission on violent crime against women.

Mr. President, we not only can but we must protect a woman's right to live safely in security in her home and to be able to walk safely through her neighborhood, safe from the Lawrence Singletons of the world.

The PRESIDING OFFICER. The time of the Senator has expired.

Mr. WILSON. Mr. President, I ask unanimous consent for an additional 30 seconds.

Mr. MOYNIHAN. Mr. President, without meaning to object, I do note that I did say I would object. I will one last time not object. We have business before the Senate.

Mr. WILSON. Mr. President, I thank the Senator from New York. I have to say I think this is important business before the Senate, and shortly will be before the Senate.

Mr. President, the Violence Against Women Act is an important step in the direction of making women safe.

I can hope Congress will move quickly to enact this bill both to provide Federal jurisdiction and protection—and to provide a model and a prod to State criminal justice systems where the lion's share of this grave problem must be death with—so that we might spare the senseless pain and suffering of millions of rape and aggravated assault victims and prevent the death of 1,500 battered women each year.

I thank the Chair and yield the floor.

CONCLUSION OF MORNING BUSINESS

The PRESIDING OFFICER. The period of morning business is now closed.

NATIONAL AFFORDABLE HOUSING ACT

The PRESIDING OFFICER. The clerk will report the pending business. The bill clerk read as follows:

A bill (S. 566) to authorize a new Housing Opportunities Partnerships program to support State and local strategies for achieving more affordable housing to increase home ownership, and for other purposes.

The Senate resumed consideration of the bill.

Pending:

(1) Heinz amendment No. 2023, expressing the sense of the Senate that Congress should recognize the unique needs of persons 85 and older and attempt to design Federal housing programs recognizing such needs.

(2) Heinz amendments No. 2024 (to amendment No. 2023), in the nature of a substitute.

Mr. MOYNIHAN. Mr. President, I rise as I had earlier indicated to speak to the amendment which was offered yesterday by the senior Senator from Pennsylvania, my friend, Senator HEINZ, a fellow member of the Committee on Finance.

That amendment can be best described simply by reading it. It says: It shall not be in order in the Senate to consider any bill dealing with the public debt, or amendment or conference report thereon if Congress has not acted to remove the OASDI revenues and expenditures from the calculation of the deficit of the United States Government pursuant to the Gramm-Rudman-Hollings Deficit Reduction Act.

The only point that might want to be spelled out further is that by "OASDI" the Senator refers to the Old-Age, Survivors, and Disability Insurance Program, commonly known as Social Security.

So we are talking about Social Security and the Social Security surplus of which we have heard a considerable amount so far this year. But we have not yet acted this year.

May I say, Mr. President, that Senator HEINZ' proposal presents us with an opportunity to confront reality, and I for one, having proposed this myself in previous Congresses and in this Congress, am going to vote for this measure, and I hope we all will do it because it will tell our summitteers as they gather again today what they really have to work with.

In this morning's Washington Post we have an article by David Broder reflecting a luncheon meeting yesterday here in Washington where Mr. Darman spoke to reporters. The headline says very simply "Forced Cuts

Could Exceed \$80 Billion, Darman Says." Then the subhead: "Revenue Proposals Expected Today as Negotiators Resume Talks on Deficit Reduction."

What Mr. Darman was referring to was the amount that will be sequestered if on October 1 we have not passed a budget that meets the Gramm-Rudman-Hollings targets for the coming fiscal year.

Mr. Darman's estimate is \$20 billion more than it was previously. That is about right. Every 2 months for the last 10 years Budget Directors have added \$20 billion to the deficit. He speaks about the horrendous event and consequences.

He read, according to Mr. Broder, who is unimpeachable in these matters, the figures from a 22-page draft of a document he plans to make public on July 15 as a warning to the Congress of the potential cost of an impasse. By then he said the lawmakers will be facing another deadline, the need to increase the \$3.1 trillion ceiling on Treasury borrowing before they start their annual August recess. That does indeed face us.

Later on it points out that the debt is roaring up because of the savings and loan disaster, which is costing us money that is being borrowed by the Federal Government, you may be sure.

Mr. President, what would Senator Heinz' proposal do? If he were here, I would ask that I be added as a cosponsor. Perhaps he will hear me. I am sure he can accommodate me on that.

Well, it is very simple. It prompts us to pass legislation to remove Social Security surpluses from the calculation of the deficit, so as to expose the true deficit.

And that is a fair point, sir, because these surplusers are not general revenues; they are trust funds; 132 million Americans have their Social Security numbers and individual accounts. I was about to tell you mine, Mr. President. I received it almost 50 years ago, and those first three numbers always escape me—20-3776. So I have two-thirds of the number. The first three escape me. That is my account.

Over 5 years, the amount of surplus in the fund will come to \$500 billion. So that means that the gentlemen gathered in the Mansfield Room this afternoon to discuss this matter have an extra \$500 billion they need to fund, about twice what they are talking about now. I think that is about right. That is serious, Mr. President.

But it is also serious that they put us in this fix—\$3.12 trillion in debt. Mr. President, 1980's began with a debt under \$1 trillion. We tripled the national debt in 8 years under an administration that never stopped talking about a balanced budget.

The amount of money we borrowed in the 8 years of the previous administration came, in constant dollars, to 85

percent of the money borrowed in the Second World War. All we have to show for it is Grenada. We cannot even claim Central America anymore.

I see also this morning in the Washington Post a story titled "Baker To Press Other Nations for Aid to Central America." He wants the Japanese to take over our celebrated responsibility for those republics; also the World Bank and International Monetary Fund. Certainly, we cannot do it.

Here are the numbers. You get a sense of what is involved, Mr. President. In fiscal year 1991, there will be a \$74 billion surplus in the Social Security trust funds. In fiscal year 1992, \$85 billion. In fiscal year 1993, \$98 billion. I say that is the point when the trust funds will commence to rise by \$2 billion a week.

In 1994, \$112 billion. In 1995, \$128 billion. We are at that point moving to where they will be rising at \$3 billion a week. But, Mr. President, these are not general revenues. They ought not to be available to the Treasury to spend on everything from paper clips to battleships, and whatever else in between.

I should say, Mr. President, that with respect to this subject that is referred to with some frequency as taking the Social Security trust funds off budget, I want to say that I do not fully understand the pressure to do this, because the Social Security trust funds are off budget, Mr. President. They are not on budget now.

If we want to adopt a resolution that we ought to do what we have already done, well, that would not surprise me, but I do not know how useful an exercise it would be. The National Commission on Social Security Reform in 1983 recommended that the trust funds be taken off budget in fiscal 1993.

In the 1985 version of Gramm-Rudman-Hollings, this was brought back to fiscal 1986. So they are off budget now. But they are included in the Gramm-Rudman-Hollings estimates of the deficit.

Why is that, Mr. President? Very simple. It makes the deficit seem smaller than in fact it is. So it is a good thing to say that the deficit is, at minimum, \$74 billion larger next year than it will be calculated as being, and to say to the President, to Congress, fine, do not do anything, and on October 1 you will have to cut \$154 billion, not \$80 billion, out of the operating budget of the United States.

I do not know how many aircraft carriers will have to return to port. Mr. Darman has all manner of things that he feels would be bad. I agree they would be bad. We would have to eliminate student grants for 1.2 million people and reduce all other surviving student aid grants by \$675 apiece. I do not think you would have

any if you doubled the \$80 billion to \$154 billion.

And to furlough 5,500 Federal prison guards, call it 10,000; intermittent shutdown of some airports. That would shut down quite a few, I would think. Stop work on the hazardous waste funds cited for Superfund cleanup. Well, stop work at all of them, I guess. If you are going to have an irresponsible Government, if you are going to get elected by pledging to do things that cannot be done, let the consequences flow forth. Close down work on all the Superfund sites.

Mr. Darman, if I may say—and he is my friend, and I have known him for many years—should not be reading a list of events that will happen in the event of sequestration to journalists, and without showing it to us. I hope he brings that list with him today. If he does not, I hope someone asks him for it.

In any event, sir, it is not an \$80 billion list. By the time he arrives at 2 o'clock this afternoon, it will be \$154 billion. Let us see that list. At the same time he shows it to journalists, what do you say if he shows it to the President? That would be interesting, to be seen showing it to the President, with a good photo of him. What are we going to do about it? Well, I do not know, but thanks to Senator Heinz, we will see.

Mr. President, I see my friend on the floor, and I cannot suppose but that he perhaps would want to discuss this matter. I asked earlier if I might be added as a cosponsor to his resolution.

Mr. President, I ask that the two articles I referred to in the Washington Post be printed in the RECORD.

There being no objection, the articles were ordered to be printed in the RECORD, as follows:

[From the Washington Post, June 19, 1990]

**FORCED CUTS COULD EXCEED \$80 BILLION,
DARMAN SAYS**

(By David S. Broder)

On the eve of critical negotiations with Congress, the Bush administration's budget director said yesterday that the alternative to agreement on a deficit-reduction plan is at least \$80 billion in forced spending cuts, which would lay waste to most domestic programs.

Richard G. Darman, director of the Office of Management and Budget, told a group of reporters that possible revenue-raising measures will be discussed for the first time by administration and congressional representatives when they resume their meeting today. He predicted that by Thursday, proposals for \$45 billion to \$60 billion in deficit reduction "will come from all parties—including the administration."

As the bipartisan budget summit prepared to move from detailed briefings to direct negotiations, with only the principals present, Darman said. "We feel a lot better about the group and the process than we did a few weeks ago." But he cautioned that the "chemistry" and mutual trust that have been built up in the past four weeks of briefings are untested. No one, he said, is

under any illusions "about how hard this is."

What ultimately may force action, Darman said, is the realization that "sooner or later, we have to deal with each other" to avoid sequestration, the technical term for across-the-board spending cuts that would be of unprecedented magnitude in order to meet the Gramm-Rudman-Hollings deficit target of \$64 billion for fiscal 1991.

Darman's estimate of "at least \$80 billion" for sequestration was about \$20 billion higher than the administration originally had warned might be necessary. Even if the lower figure should prove accurate, Darman said, it would, among other things, eliminate student aid grants for 1.2 million people and reduce all other surviving student aid grants by \$675 apiece; force furloughs of 5,500 federal prison guards; the intermittent shutdown of some airports and increase delays in the air transport system four- to sixfold; and stop work on almost half the hazardous waste sites slated for Superfund cleanup.

Darman read the figures from a 22-page draft of a document he plans to make public on July 15 as a warning to Congress of the potential costs of an impasse. By then, he said, the lawmakers will be facing another deadline—the need to increase the \$3.12 trillion ceiling on Treasury borrowing before they start their annual August recess.

Darman said the national debt limit that was expected to get the government through all of this year will be exceeded by September, largely because "we're spending money so fast on the savings and loan [cleanup] resolutions."

While the deadline for lifting the debt ceiling before the congressional summer vacation "is the real midnight hour," Darman said, the administration hopes to see substantial progress in negotiations before Congress starts another 12-day break on June 29. An overall agreement on the elements of the package by that date is important, he said, to allow sufficient time for the detailed staff work required to handle not only the medium-term deficit-reduction plan but long-term reforms of \$6 trillion worth of government credit and insurance programs.

Darman said the prospect of \$80 billion or more in forced cuts is horrifying enough that all parties to the negotiation will recognize the law must be changed. But he said that "neither the administration nor the financial markets" would accept simple book-keeping changes or target adjustments that would postpone the problem for another year. "It will require change in substantive law," he said.

While withholding any details of the administration's package, Darman indicated he was ready to offer suggestions in the defense and entitlements areas "if the group is interested." He also said President Bush was likely to join the discussions personally in the next two weeks and "is fully prepared" to lead the lobbying and public education effort if a bipartisan package can be assembled.

While conceding that the negotiators face "large problems of trust and the management of political risk," Darman said he was encouraged by the fact that "there have been a number of occasions when people could have taken cheap partisan shots and didn't."

[From the Washington Post, June 19, 1990]
BAKER TO PRESS OTHER NATIONS FOR AID TO
CENTRAL AMERICA

(By Lee Hoekstadcr)

ANTIGUA GUATEMALA, GUATEMALA, June 18.—Secretary of State James A. Baker III assured Central American presidents today that Washington would press Japan and Western Europe to increase their assistance to the region at a time of declining U.S. aid to most Central American countries.

Although the United States recently sent an aid package worth \$720 million to rebuild the ruined economies of Nicaragua and Panama, U.S. economic assistance to the other Central American nations—Costa Rica, El Salvador, Guatemala and Honduras—dropped by about 20 percent this year.

The region's presidents, meeting in this cobblestoned colonial capital on a rescue mission for their war- and debt-shattered economies, have stressed that no combination of steps they could take would be sufficient to lift the region from its poverty without new infusions of cash from industrialized nations.

Baker, who arrived in Guatemala Sunday night and met individually with the six presidents today, is proposing an international effort by wealthy nations and international lending institutions to help Central America. The approach is patterned on the Group of 24 industrialized nations that was formed last year to rebuild Poland and Hungary and has since been expanded to address the needs of other Eastern European countries.

"We . . . recognize that there are fears in Central America that the United States and the industrial democracies will be diverted by the changes in Eastern Europe and ignore this region at this moment of historic opportunity," he said. "I'm here today at the request of President Bush to make it very clear that the United States will be engaged and fully supportive of this regional peace process."

Although the presidents expressed some doubts about the structure of the new aid mechanism and conditions that might be attached to new assistance, the general response to Baker's proposal was positive.

"The United States is taking the lead in getting the world to give aid to Central America," said Costa Rican President Rafael Calderon. "We all celebrate that."

Nicaragua has already been the beneficiary not only of some \$330 million in direct U.S. aid, but also of a \$300 million aid package pledged earlier this month in Rome by a group of 34 donors, including the 12 European Community countries, the World Bank and the International Monetary Fund.

The 34 donors also pledged an additional \$180 million for Nicaragua in 1991, a sum that would include food aid and help to reduce Managua's balance-of-payments deficit.

Baker did not mention how much aid for Central America might be generated by his plan. Essentially, however, the idea seems to hold out the still vague promise of doing for the rest of Central America what the industrialized nations appear to be doing already for Nicaragua.

The proposal comes as Central America's presidents—all of them democratically elected and oriented toward free-market economies—are expressing optimism that the region has passed through a decade of violence and instability and is ready to address long-range challenges of underdevelopment and poverty.

Two-thirds of the 30 million people in the region live in poverty, and perhaps half of the poor are considered severely impoverished—that is, unable to provide themselves with a normal daily diet.

The region's leaders, plainly worried that tenuous steps toward regional peace are threatened by poverty and stagnation, proposed on Sunday a broad program of regional cooperation in trade, production and expansion of infrastructure.

One effect of the plan would be to resurrect the Central American Common Market, launched in the 1960s but a victim of wars and rivalries in recent years.

In addition to reassessing tariffs, cutting border restrictions for goods and people and eliminating other barriers to free trade, the five presidents called for a unified approach to rebuilding the region's transportation, communications and energy resources and creating a regional foreign service to attract new investment and tourism.

They further proposed the development of coordinated industrial and agricultural policies to guide regional production. And they instructed the region's economic planners to establish a forum to examine ways of easing the region's \$20 billion debt.

Baker hailed the plan and called the summit a "historic . . . symbol of changes that are transforming this region." However, after a decade in which the United States has spent hundreds of millions of dollars to finance wars that had a devastating effect on the region's economies, U.S. aid to most of the countries on this isthmus is beginning to slip just as they seem on the verge of pacification.

Combined U.S. economic aid to Costa Rica, El Salvador, Guatemala and Honduras fell to \$565 million in fiscal 1990 from \$702 million last year—a reduction of about 20 percent.

The region's leaders have expressed anxiety that the "peace dividend" that has permitted U.S. funds originally intended for the Pentagon budget to be diverted to help Nicaragua and Panama will not be repeated in the rest of Central America.

Baker and other U.S. diplomats reassured the presidents that the proposal to organize wealthy nations to assist Central America would result in an old package that would supplement—not replace—current U.S. bilateral aid programs.

Salvadoran President Alfredo Cristiani said, "From our perspective, we look with . . . pleasure and with hope on the possibility of aid that would complement that which already exists bilaterally and multilaterally."

However, some aspects of the proposal seemed to touch regional sensitivities. In particular, several leaders expressed reservations about an outline of the proposal floated recently by Deputy Secretary of State Lawrence S. Eagleburger.

Eagleburger suggested that the organization's co-chairs be the United States, Japan and Eastern Europe, with the secretariat to be located in the United States. He added that "we would consider inviting a Latin nation," such as Venezuela, also to serve as a co-chair.

Guatemalan President Vinicio Cerezo said that if an international mechanism is created to help Central America, the leadership of such an organization should "fundamentally" come from the region itself.

U.S. officials, aware that the idea for a U.S.-based secretariat had not been enthusiastically received, stressed that the struc-

ture of the new organization had not been determined.

There also were concerns that the new aid would come heavily conditioned. Baker acknowledged that it would be intended to support human rights, democracy, development and disarmament and that deviations from those goals in the region could cloud prospects for the flow of aid.

Baker also said "it would be nice" if the Soviet Union continued supporting Nicaragua under the conservative government of President Violeta Chamorro as it did under the revolutionary rule of president Daniel Ortega.

Mr. D'AMATO addressed the Chair. The PRESIDING OFFICER. The Senator from New York.

Mr. HEINZ. Will the Senator yield for a unanimous-consent request?

Mr. D'AMATO. Yes.

Mr. HEINZ. Mr. President, I ask unanimous consent that the senior Senator from New York be added as a cosponsor to my amendment.

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

The PRESIDING OFFICER. The Senator from New York.

Mr. D'AMATO. Mr. President, I ask the distinguished Senator from Pennsylvania if he would add me also as a cosponsor.

Mr. HEINZ. If the Senator will yield, I ask unanimous consent that the Senator from New York also be added as a cosponsor.

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

Mr. D'AMATO. Mr. President, I commend the senior Senator from Pennsylvania. I think it is about time that we had an accounting system which gave credit for funds that came into the system, as it should be, and credit for other revenues that are going to be expended in the budget process, as it should be, against the expenditures. There is no reason to maintain this fiction.

I commend both the Senator from Pennsylvania and the senior Senator from New York, who has called to our attention the inadequacies of our present operation.

Mr. President, I rise with positive and yet mixed thoughts about the bill that is pending. I have been involved in helping to develop this legislation with Senator CRANSTON and others over the past 3 years. While I have concerns about certain parts of the bill, in general I believe it is moving in the right direction, shifting decision-making from the Federal Government to our cities, to our States, and to our communities. As an ex-county official, I know that the best solutions to problems most often come from within the community that understands and knows those problems firsthand and not from the bureaucrats in Washington.

Because of this shift of emphasis in giving greater decisionmaking to local government, I support this legislation.

On the other hand, during the full committee markup of this bill I expressed a number of concerns, as did many of my colleagues, relating to very important aspects of the budget level. The bill is \$4 billion over the President's budget. There is room for negotiation, and that is something that we are going to have to do.

There is the lack of full funding for the HOPE Program, only \$435 million over a 3-year period of time, as contrasted with a request of \$1.89 billion for the administration. There is the problem of new construction, what should and should not be considered a new construction program, and, of course the largest and the most important which I intend to speak to is the FHA developments. I believe that we face a possible disaster. It may or may not rival the size and certainly will exacerbate the present problem we have with the thrifts and real estate industry, and I think it bears some looking at, and certainly before we enact comprehensive legislation we should examine this most carefully.

Mr. President, I have been informed by the administration—and this information came to me literally within the past 10 minutes—that if the bill passes as it is without there being addressed some of these issues that I have put forth, the President will veto the bill.

It seems to me that we have put too much time in not to attempt to iron out, if we can, these possible difficulties. I know Senator CRANSTON shares my thoughts in this regard, and I believe a large majority of the committee and the Members of this body, but certainly the Banking Committee, feel likewise. It is going to be pretty difficult to attempt to work out the compromises necessary while we have the bill on the floor, and it seems to me that it is necessary for us to set up a time and a formula by which we can attempt to negotiate out the differences. If we can, I think the American people are going to be better for it. We will get a good housing bill. We will get one that meets the budget constraints and addresses the major problems.

Mr. CRANSTON. Mr. President, will the Senator yield briefly?

Mr. D'AMATO. Certainly.

Mr. CRANSTON. I have not heard of any threat of veto until this moment.

Mr. D'AMATO. If I might respond, I received this note, literally, just prior to my addressing my statements to the Senate, and I have been informed that a letter will be forthcoming, probably before noon, from the White House indicating this.

Mr. CRANSTON. If I may address that just briefly, I know the Senator wants to make his statement, but I appreciate this opportunity to speak just very briefly on this matter. We had a

very fine meeting yesterday with Richard Darman, the head of the Office of Management and Budget, and Jack Kemp, the Secretary of HUD. They made it very plain they did not want to discuss vetoes at this point. They thought it was an effort to be accommodating on matters where we have differences. I am rather shocked that we now have a suggestion from somewhere that there could be a veto since they know and the Senator and I know there are negotiations going on right now. We are negotiating on four points that came up yesterday in the meeting with Mr. Darman and Mr. Kemp.

They are not areas where we have any major differences. One is on new construction. They are concerned that maybe there will be too much of that, but we recognize, I think, a need for some, but we want to emphasize other approaches so we are in agreement in principle. On targeting a floor, we both want that. It is a matter of how we make sure it is done properly. On FHA making it actuarially sound, we agreed we must do that. Price Waterhouse is eeking on an ultimate proposal that fits seemingly within their comprehension of the facts of life, which would, I think, probably meet a common goal in a better way than the administration proposed. Again, that is a matter to work out.

On the funding, Mr. Darman, head of OMB, specifically stated yesterday that, if we reach agreement on those other three major points, and I believe we can, funding will not be a vetoable item. Negotiations are under way now. I had a report 10 minutes ago on those negotiations while the Senator had a suggestion of veto 10 minutes ago. The negotiations are going forward. Progress is being made, with no guarantee of success, but I think there will be success. So I think we have an excellent chance rather swiftly, quite possibly to pass this measure here in a way that will have very broad bipartisan support and no suggestion of a veto from the White House.

Mr. D'AMATO. I think the issue, if I might indicate to my colleague from California, is that unless these issues are resolved, the veto is not only a possibility, but it is rather a certainty as it relates to some of the areas where concern is expressed.

This Senator will be candid and express the concern that it seems to me it is going to be difficult to deal with all of the issues to be resolved unless the principals will have an opportunity to address them with their various people in the administration, both Secretary Kemp's office and OMB and the White House.

So I wonder, when we are going to attempt to do that. We are trying to do the bill on the floor at the same time and while staff is able, is compe-

tent, is professional, in the final analysis it is going to take the parties who are interested in this to finally culminate in a successful compromise, if that is what the case is going to be.

Mr. CRANSTON. If the Senator will again yield briefly, obviously, it will take agreement by all the people who are primarily involved in this issue both in the administration and in the Senate. I think we have an excellent opportunity to achieve that agreement. Plainly, the bill we finally pass here is not the final version. It will have to go through a process with the House as to what we can agree upon in conference. But I think the House will be willing to have some give and take at that time. So I remain very confident that we will be able to work out these matters.

I would like to add one point. It was not until we got the bill on the floor that we were able to really get the attention of everybody who wants to be involved in this matter. The administration, of course, for understandable reasons, did not come forward with its exact views until we had the bill on the floor. Having the bill on the floor was a mechanism that caused some action. I hope we can have the negotiation going on simultaneously with consideration of this bill on the floor in various amendments and wrap it up all at once fairly swiftly. That is my hope and objective. I hope it can be attained.

Mr. D'AMATO. Mr. President, one of the areas of concern that I have mentioned and my distinguished colleague from California has also alluded to—Secretary Kemp came to the Hill and testified 2 weeks ago—is this question of FHA. There has been a significant development since the markup of the Banking Committee's legislation. On June 6, we learned that the Federal Housing Administration [FHA], is actuarially unsound. It has lost \$5 billion in net worth since 1980. This is something that this Senator found astounding. Yet those are the facts.

Without reform, there is no doubt that we are going to continue to lose substantial sums of money. Some estimate \$200 million to as much as \$700 million. I am suggesting that figure is lower. It is a lot more than \$700 million or \$200 million a year, and that is taxpayers' money.

I think it is about time that we took some necessary action as it relates to this and stop business as usual. Sure, we are going to have the special interest groups that are going to come down and say oh, no, no, do not touch this, you are going to make home ownership more difficult.

Let me say this to you. I think it is absolutely wrong if we are going to be, with every new FHA mortgage that we make, saying that the taxpayer is going to pick up an additional burden.

And if we are going to make these mortgages, we ought to make them when they are actuarially sound. We should not have people getting mortgages which amount to 103 percent of the value of the home that they are purchasing, because Mt. Taxpayer is paying for it.

If you looked at that report, the Price Waterhouse report, and spoke to the people who made it, the experts, what they say is that we are in a precarious situation now, but if the value of real estate does not increase between 2 to 4 percent annually, we are going to face losses. Two percent is a loss, 4 percent is about a break even. That means that property has to be appreciating.

Mr. President, you do not have to be a scholar, or a Ph.D. in the economic area, or a real estate expert to know that property values basically throughout this country are not appreciating at 4 percent, particularly for the single family home, but in many regions are going down 20 to 25 to 30 percent. That means we have a calamity on our hands. We do not have just a problem, we have the potential for another S&L debacle, and given the depression of the real estate market as a result of the S&L situation, we have something that is unprecedented.

Now is the time for us to deal with this problem. Now is not the time to be doing business as usual. That is why this Senator has indicated to the administration that I will be working with them and offering a package of reforms on FHA. It is absolutely imperative.

I look forward to working with my colleagues. I have spent 3 years, and my staff has, as well, almost 3 years, in attempting to move a bill, a housing bill that America needs, attempting to deal with some of the problems that we find inherent in the present legislation. But I think we have to be realistic and I think we have to be fiscally prudent. And if it took the S&L debacle to wake us up, let us begin to look at this problem of FHA and not just go on doing business as usual with a little nick here and a little slight change there. Let us make sure that we bring in the people who will know the actuaries and say, what do we need to see to it that we are not adding to the problem.

I think there is a problem there already with the portfolio that exists, far bigger than Price Waterhouse really recognized, given the deterioration of the real estate market. But to continue it and exacerbate it and to put good money, so to speak, after bad, and that is taxpayer's money, and to have it follow in the same manner, would be unforgivable, would not be correct.

If we are going to act on a housing bill, we should take corrective meas-

ures now in that legislation as it relates to the FHA program.

Mr. President, I yield the floor. I see my distinguished colleague from Pennsylvania, I do not know if he is going to speak on his amendment. I know it is pending. Therefore, I will suggest the absence of a quorum, Mr. President.

The PRESIDING OFFICER. The clerk will call the roll.

The assistant legislative clerk proceeded to call the roll.

Mr. BRYAN. 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. BRYAN. Mr. President, I ask that my name be added as a cosponsor to the Heinz amendment.

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

Mr. BRYAN. Mr. President, the term Social Security trust fund has a certain resonance to it. I think most Americans—and I include myself in this category, prior to coming to Washington—believed that the trust fund is something very sacrosanct, something inviolable, something that is set apart, separate, for an expressed purpose; namely, to take care of the retirement requirements of the American public as funded through the Social Security trust system.

Most Americans felt, until recently, that somewhere in Washington, in all of these marvelous edifices that we have, that there would be some impressive building, someplace there would be a colossal gate which would open in part, and there would be found the Social Security trust receipts amounting to some \$65 or \$70 billion, and that that money would be held separate and apart and not used for any other purpose other than the retirement purposes of the American public who are recipients under the Social Security system or who hoped to be recipients under the Social Security System.

One of the great tragedies of public finance at the Federal level, and I think one of the things that engenders so much cynicism and doubt and skepticism about those of us that are part of the public process, particularly those of us who are privileged to serve at the Federal level, is that when we say things, apparently we do not always mean what we say.

In reviewing the President's budget proposal for fiscal year 1991, one category includes borrowing from the trust funds projected in the 1991 fiscal year to be \$74 billion.

Mr. President, it is wrong to establish a trust fund for one purpose and to use those proceeds for another. So I would commend our colleague, the distinguished Senator from Pennsylvania, on the amendment that he offers.

I believe by adopting this amendment, we make an important contribution and a step in providing the truth in the budgeting process; that we make one further step to providing some integrity in the budget process; and that, finally, maybe we begin to get over the confusion that abounds in the Federal process with all of these trust funds—not only Social Security, the Federal highway trust fund, the aviation trust fund—all of these trust funds are used for purposes not intended. The public is understandably angered, and rightly so, when they learn that in point of fact if you went into that area where they believed the trust fund moneys are kept, that there would not be a single dime. All you would have on deposit there would be a slip of paper signed by the Office of Management and Budget—Mr. Darman—"We owe the American people \$74 billion."

The public knows that is wrong. Those of us charged with the responsibility of representing the public interest, we know it is wrong. It is time we do something about it.

Mr. President, I am pleased to add my name as a cosponsor to the Heinz amendment.

I yield the floor.

The PRESIDING OFFICER. The Senator from California.

UNANIMOUS-CONSENT AGREEMENT

Mr. CRANSTON. Mr. President, I am going to propound a unanimous-consent agreement with respect to the Heinz amendment at 12 noon. I ask unanimous consent that the vote on the Heinz amendment, No. 2024, occur at 12 noon today. I further ask unanimous consent that if the Heinz amendment is agreed to, the yeas and nays on the first-degree amendment be vitiated and the Senate then proceed without any intervening action or debate to vote on amendment No. 2023, as amended.

The PRESIDING OFFICER. Is there objection?

Mr. HEINZ. Mr. President, reserving the right to object, and I do not think I will need to object because I would like to have a vote on the amendment at noon, I would inquire of the Senator from California if it might be possible to have an up-or-down vote on the amendment?

Mr. CRANSTON. It is expected there will be an up or down on the amendment. I do not propose to make a tabling motion.

Mr. HEINZ. So that is clear to all Senators, could we amend the unanimous consent or modify the unanimous consent?

Mr. CRANSTON. The proposal does require "a vote on." It precludes a tabling motion.

Mr. HEINZ. And without any intervening motion or point of order?

The PRESIDING OFFICER. The Chair notes the unanimous consent as

proposed offered the opportunity for a vote—requires a vote on the Heinz amendment.

Mr. HEINZ. Parliamentary inquiry, Mr. President, as propounded, would the unanimous-consent request permit any point of order to be made?

The PRESIDING OFFICER. Unless it is explicitly stated so, points of order are not deemed waived.

Mr. HEINZ. Mr. President, I renew my request to the Senator from California, that he might modify his unanimous-consent request to preclude any points of order.

Mr. CRANSTON. I so do.

The PRESIDING OFFICER. Is there objection to that modification? Hearing none, it is so ordered.

Mr. HEINZ. I thank the Senator from California.

Mr. CRANSTON. I would add following this vote as we all know, we will recess, shortly thereafter, for the two party conferences. We will resume consideration of the bill at 2:15, when we reconvene. I hope we can then proceed to have action.

My last report is the negotiations going on between staff representatives of the majority and minority on the committee, with the administration, are presently proceeding well. We may be able to have an agreement before the end of the day on some portion of all that. Meanwhile, there are some other amendments, I hope not too many, that will be brought up on the bill. I hope we can get to them and start having some votes without too much time on each amendment this afternoon.

The majority leader has indicated the desire to pass this measure as soon as possible. That is, of course, subject to working out the agreements and negotiations with the administration. But, if those are successful I hope we can finish this bill very, very rapidly and I urge all my colleagues who have amendments, or things to say in regard to this measure, to come to the floor with their amendments the moment the way is open for that, following disposition of the Heinz amendment so that we get action. Meanwhile, any statements Senators have, like the Senator from Missouri whom I see on the floor who has been a very active participant in developing this measure and been a very fine partner across the aisle in working on it—I see he is present, perhaps he can make his opening statement at this time.

The PRESIDING OFFICER. The Senator from Missouri [Mr. BOND] is recognized.

Mr. HEINZ. Will the Senator from Missouri yield for a unanimous-consent request?

Mr. BOND. I yield to the Senator from Pennsylvania.

PRIVILEGE OF THE FLOOR—S. 566

Mr. HEINZ. Mr. President, I ask unanimous consent that during the

consideration of S. 566, the National Affordable Housing Act, Klm Bellard of my staff be accorded privileges of the floor.

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

Mr. HEINZ. Mr. President, I ask unanimous consent the Senator from Arizona [Mr. DeCONCINI] be added as a cosponsor to the pending amendment.

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

The Senator from Missouri is recognized.

Mr. BOND. Mr. President, I thank the chairman of the subcommittee, the distinguished Senator from California, and also our ranking member, Senator D'AMARO of New York, for the good work they have done on this measure. I want to express my optimism and the encouragement I feel about the progress we have made so far on S. 566, the National Affordable Housing Act.

As has already been noted on the floor, we had a positive meeting with the administration on Monday and I hope we will be able, by the ongoing negotiations, to reach the necessary agreements so that for the first time in a decade we will be able to agree on and pass a bipartisan bill which will give a much needed new direction to our Federal housing policy.

As has already been noted, we have been advised of a very serious situation with respect to FHA. I note that the report for HUD prepared by Price Waterhouse raises some very serious red flags, and I think it is time we deal with those warnings in a timely fashion.

This body had called to its attention about 5 years ago, problems with the Farm Credit Administration. Actions were taken, which were not effective in dealing with the problem. We came back in 1987 for a major bailout bill.

Similarly, we previously had concern raised about the savings and loan industry, and the crisis in the FSLIC, the insurance fund for the savings and loans.

We took actions, but not effective actions. It must be said we followed the old admonition: Cheer up, things could get worse. We cheered up and things got worse.

In this instance I hope we will be able to take the warning that has been prepared for us, presented to us by an accounting firm and by HUD, and take effective action so we will not jeopardize the ability of the FHA to provide assistance for those who truly need it to be able to afford homes. That is going to be one important part of this measure.

In addition, I think there are other parts of the bill which are extremely important. I have spent a good deal of time in the last several years, as has

my staff, talking with people in my home State and people around the country about housing policy, what has gone wrong, what needs to be fixed and how we can improve it. From these discussions several general principles have emerged.

First, I think it is extremely important housing programs be flexible so that at the State and local level policies can reflect local economic conditions and social needs. St. Louis and Boston and Los Angeles and Springfield, MO, may have very different housing problems. It is nonsense to think only those in Washington can make good decisions about what is needed in each local area.

The decisionmaking for policies and programs needs to be streamlined so the responsibility for policy is clearly in one place. Authority and responsibility need to go together.

All the different pieces of the housing puzzle need to fit together. The low-income housing tax credit, rental assistance, public housing, State, and local programs, all need to be coordinated along with the private sector initiatives to adopt an overall strategy for the community. Federal money should be used to leverage other resources so we can get the most housing for the dollars that we spend.

Housing policies also need to work hand in hand with social service programs to encourage empowerment and self-help and thus help people bring themselves out of poverty. Secretary Kemp has made a tremendous contribution with his HOPE initiative and they have brought forward things like Operation Bootstrap, Project Independence, and others. I applaud Senator CRANSTON for including so many of these proposals in his legislation.

Senator CRANSTON's willingness to adopt these proposals from the administration and other proposals from this side have given us a great opportunity to move forward on a bipartisan basis to achieve the needed reforms in housing.

(Mr. BRYAN assumed the chair.)

Mr. BOND. Mr. President, I, for one, could not support more money or even continue to spend money on the inefficient categorical grant programs now in place. But in this bill, we have made some significant improvements, and I believe that the time has come to start putting money back into the supply of housing which, in my view, has been sadly neglected.

I was particularly interested in the problems of public housing, problems which in some areas of my State have become severe. I introduced several amendments which were accepted at the committee markup which will improve the management of public housing and, most important, the service provided to those residents of public housing.

I would like to take a minute now to describe some of them because I believe they improve the bill, and I would like my colleagues to know the philosophy behind them and what we are trying to achieve in this legislation.

I think we would all say that the vast majority of public housing agencies are well run, but there are a small minority of public agencies that give a black eye to the whole program. There are particular problems that erode up which bring general disgrace to the concept of public housing.

Public housing is run by local officials spending Federal money and in the past, too often, it has been spent only with great interference and red tape and conflicting responsibilities and authorities with Federal bureaucrats. This division of responsibility has caused a significant number of the problems which have arisen.

Local officials blame the Federal Government for the squalid conditions. They say they will not let us do something; they will not let us make the necessary changes. The Federal Government, on the other hand, says, why, it is the PHA, the Public Housing Authority's responsibility; we cannot control them.

The people who lose out, Mr. President, in that kind of squabble are the residents themselves who live in housing that is substandard, that does not meet the conditions or the qualifications that we would expect a rich and decent country as ours to afford.

We want to change this, and the amendments that were adopted move in that direction. The first amendment sets up a system of performance indicators for HUD to use in evaluating how well public housing agencies are managing the public housing under their control. HUD is to report back to Congress annually about what progress they are making in improving the performance of the most severely troubled PHA's.

HUD is given the ability to contract out some or all of the housing projects in a jurisdiction if the PHA is severely troubled and will not work out an agreement to improve performance. This gives HUD an additional alternative to petition the courts for the appointment of a receiver to manage troubled public housing agencies.

Currently, the sticks used in dealing with unsatisfactory conditions in local public housing is to cut off the CIAP or modernization housing funds. The problem with that tool, the only people who suffer are the residents of public housing who are not getting decent public housing in the first place. This measure gives new tools. It gives a modified bunch of sticks so that the housing authority can be replaced as the manager of that public housing development if they are not doing a good job.

In addition to the sticks, it provides some carrots. It says for those housing agencies which are doing a good job, they will be able to get their funds, this CIAP fund, on a block grant basis so they will not have to apply each year for specific approval for CIAP.

To me, this makes a great deal of sense. The amendment also allows for reduction in operating subsidies for units which have been continuously vacant for more than 1 year due to the negligence of the PHA.

My amendment also sets up an Advisory Commission on Public Housing so that HUD can take advantage of the expertise in the field. Our message to HUD simply is: Just do it. We want you to take care of these problems. Public housing deserves a higher priority.

A second amendment, one that is extremely important in my State and a number of others, adds some flexibility to the public housing demolition standards in current law. The rigidities of the one or one replacement requirement prevents cities from dealing with troubled projects that have been vacant for many years. I understand the philosophy behind the 1-for-1 replacement rule. That makes some sense when the projects or the developments are fully occupied. Why let a housing resource be destroyed? But it makes much less sense when there are empty high rises that never provide a decent living environment for families and now sit boarded up.

I have toured housing developments in St. Louis which no one would want to live in; no one would choose to go there. They have degenerated through lack of attention, through abuse over the years, and they are beyond rehabilitation. Many of these sit three-quarters empty.

Under the current law, it is impossible to tear down those high-rise tenements and replace them with decent housing because of the rigidities of the 1-for-1 replacement formula. My amendments allows HUD to approve demolition if conditions are met. The city has to come up with one replacement unit for every two demolished. The project must have been 35 percent vacant for each of the previous 5 years. The vacancy rate in the city must be above 10 percent. The area must be economically distressed and the city must hold open meetings to discuss plans for the site.

I believe from discussions with my colleagues that similar situations exist in other States, and I believe this reasonable provision puts much needed flexibility in an overly rigid statute and will lead to much better housing and more available housing which families will not be loath to live in.

My last public housing amendment adds public housing simply as one of the issues that must be addressed

when jurisdictions submit their housing strategies to HUD.

In the conversations that I have had with people from the entire spectrum of subsidized and public housing interest and responsibility in my State, the one point they all make is we have to consider public housing as a critical element in our overall housing strategy. It is important that we consider so, and this amendment will require it to be done.

Mr. President, I would like to address just for a minute some concerns that a number of my colleagues have expressed in the hearing in committee and in the cloakrooms as we have discussed housing. Some are concerned about the commitment the Federal Government has to housing.

We have made that commitment, Mr. President. We have moved forward but, unfortunately, we have tied that commitment down with a series of redtape bureaucracy. We have seen evidence of mismanagement and the term "HUD scandal" has become a standard term of reference. The time has come when that is changed.

First, the new administration of Secretary Jack Kemp has made a total commitment to improving the management of housing resources in the United States. Under his strong, dedicated leadership, concern for those who live in public housing, I am convinced that we now have the administration in place that realizes how important our commitment to housing is.

Second, Congress last year passed HUD reforms which are essential to cleaning up the problems that have existed. But, frankly, I think the final element that is necessary in reform of HUD, to avoid the problems of the past, is to change the system that we now have that is strangled with redtape, whose complexity invites the use of consultants to short circuit the unduly lengthy and burdensome procedures to get money approved.

For my colleagues who have reservations about housing, who look at Government from a more conservative point of view, I would say philosophically this is sound. Essentially, we have moved to a block grant type of arrangement under which responsibility and authority will be lodged at the local level. This will get away from having unnecessary responsibility centered in Washington.

Pragmatically, we will put the responsibility at the local level so that the local officials and the State officials will have the responsibility. They will not be able to point their finger at anybody else; they will have to get the job done.

Mr. President, I know that the occupant of the chair has had the same experience that I have serving as the chief executive of his State, recognizing the frustrations that we have all had when we have programs that are

thrust upon us to administer, yet we have to call back to Washington; we have to beg, plead, and implore Washington to let us manage the projects.

I am convinced that in most, if not all, of the circumstances, we will see much better management when that authority and responsibility is returned to the State and local level. But in those cases where it is not, it is going to be far easier to identify and make accountable those officials subject to the will of voters at the local and State levels who have not performed their responsibilities satisfactorily.

The second objection, the second concern that has been raised, and it is a legitimate one, is the same authorized in this bill. As I said earlier, I feel strongly we did not spend enough money on housing in the last few years, but I would say also that we were wasting far too much of the money that we appropriate.

Now, however, we have passed an authorization out of committee which recognizes more funds are needed for this vitally important resource.

As the President knows and all of us know in this body, we are not going to, in this bill, commit the funds. We authorize the funds. As Secretary Kemp and Budget Director Darman pointed out yesterday, the amount of money we are going to have to spend on housing ultimately, apparently, is going to be determined by our colleagues and those in the administration who are in the budget summit. We hope that they will be able to provide additional funds. But the actual level of funding will not be determined by this bill. It will come out of the budget agreements and out of the Appropriations Committees.

Secretary Kemp and Director Darman said if the changes in policy are made, they would not object to the level of authorization. I think that is very important. We understand, those of us who have to operate under tough budget discipline, that we sometimes cannot have all the money we want, but at least we can make sure that the policies are correct.

I say also to my colleagues on this side of the aisle that this measure contains some very important initiatives that have been recommended by HUD, under Secretary Kemp, and are supported by the Bush administration.

I mentioned things like Operation Bootstrap and Project Independence. One that is of particular interest to me is the additional authority and resources for assisting resident management organizations to buy the housing units, the developments in which they live.

Mr. President, for my colleagues who have not had an opportunity to visit some of the resident management operations or to see in operation one of those units turned over to resident

ownership, I would say you are missing one of the most exciting and one of the most innovative developments in the field in many years. People who have the opportunity to manage their developments, who will in the future have the opportunity to own their developments, are the ones who will make them livable. We can cite many around the country but we are very proud of Loretta Hall in Carr Square, which is in the process of moving toward tenant ownership; Bertha Gihkey in Cochran Gardens and the many working with them.

They have said to the drug pushers "Get out." They have said to the young mother who is overwhelmed with responsibilities, "We will help you. We will provide child care and assistance for you and your children." They have said to the substance abuser, "Get help. We will help you if you reform and change your ways." They have cleaned up. They have modernized. They have painted up. They have spruced up their developments and they are pleasant places to live because they have incentive and the opportunity to control their destinies. That is an exciting principle which is expanded upon and continued in this very important piece of legislation.

Finally, as has already been noted, Secretary Kemp and Director Darman have asked us to look at four areas in which they have significant problems. No. 1, they say that we ought to target more money to lower income. It was certainly the intention of the committee that low-income housing be favored. Senator CRANSTON has graciously agreed to consider the prospect because I believe everybody on the committee wants to see the money going primarily to the lowest income housing, recognizing that some may need to go for higher income to maintain stability in the project. But we think this is a worthwhile step forward, can help maintain the neighborhoods and can provide better housing for everybody involved.

Second, they want to limit the amount of money that goes into construction. I do not think anybody had an intention of making this a construction measure. We wanted to encourage rehabilitation. The administration is to come forward with some higher standards for new construction which they wish to include in the bill. Again, I believe that the willingness of the majority and the minority to consider those puts us on the right track.

Third, they want to see more funds authorized for the HOPE Program. I would support them in that. I think the HOPE Program, the projects I have mentioned which have been brought forth as a result of the work of Secretary Kemp and others, do provide empowerment. They provide

social services. They go beyond provision of housing to make better lives and better contributing citizens of the residents who live in public housing. I believe we can add more to the HOPE Projects.

Finally, they have said that we must have FHA reforms. Mr. President, as I mentioned at the beginning of my remarks, that is absolutely essential. I do not believe anybody in this body or in Congress or in the administration wants us to turn loose on the American taxpayer another disaster such as we have had to bail out in other areas where Government-sponsored enterprises or Government-backed insurance funds have gotten into trouble.

These are the critical elements. We have a flawed housing strategy. We have problems in the FHA right now. We have before us a means of solving those problems and of working out a much better policy. I urge my colleagues who are not initially inclined to support a housing bill to come work with us.

There are the four general areas on which the administration places its highest priority. They have a number of other concerns. Some of those concerns we may be able to agree upon without a vote. They may be accepted by both sides. On others we may have to vote up or down. I think, however, we have the vehicle before us which can help develop a sound housing strategy, a policy which will serve the people of this country, particularly those who need assistance with their housing for the rest of this century and on into the next.

I invite my colleagues to take a look at what is in this bill to see if they do not agree with us that we have made great strides, and with the help of our colleagues in this body, we can make an even better bill that will be, for the first time in too long a time, a good bipartisan effort to reform and improve housing policy in the United States.

I thank the Chair.

Mr. CRANSTON, Mr. President, I thank the distinguished Senator from Missouri for his very fine statement in regard to the housing situation facing our country and the specific legislation now before us. The Senator has contributed mightily to working out a better and better bill. Many of us are deeply grateful to him for that. His experience as a Governor was also of great help as we developed a bill that is going to rely more and more on Governors and mayors and other local officials to execute sound housing policies that will be backed by this legislation.

I was unable to listen to all of the Senator's remarks. I would like to ask one question. I heard him refer to amendments. Is he planning to offer amendments?

Mr. BOND, Mr. President, at this time I do not have plans to offer any

amendments. I intend through my staff, to continue to participate in the negotiations. There may be areas which come out of those discussions where the administration would wish to have points brought forward. I defer to the ranking member on the subcommittee as to his views on that. I am willing and able to assist in any way I can. I do not have any of my own but will work with the managers of the bill if I can be of assistance in any way.

Mr. CRANSTON, I thank the Senator for that explanation. It is my hope that before too long we have some amendments that we have worked out with the administration; that a number of us can then join as sponsors of whatever amendments are required to implement that agreement.

Mr. BOND, I thank the chairman of the subcommittee for his kind comments, and I look forward to working with him.

Mr. CRANSTON, Mr. President, I wish to speak briefly on the Heinz amendment. I hope that most of our discussion today and on through tomorrow, can be related to housing and not to other matters. But on the Heinz amendment, let me begin by saying that I fully support the goal of the Senator from Pennsylvania. That goal is to remove the Social Security trust fund from the unified budget and from the Gramm-Rudman deficit calculations. I am a cosponsor of legislation, S. 1795, which would do so.

In 1985, I authored an amendment adopted by the Senate instructing the Finance Committee and the Budget Committee to bring before the Senate legislation to assure that Social Security funds would not be used to offset general spending or to reduce the general deficit. Social Security taxes are collected for the specific purpose of funding Social Security benefits and should not be used for other purposes.

S. 1795 and the amendment offered by the Senator from Pennsylvania are intended to protect Social Security funds and I strongly support that goal.

Although I am not sure that the current bill before us, the housing bill, is the most appropriate vehicle for the Senate to use to achieve this goal, I intend to vote for the Heinz amendment for the reasons I have expressed, and I urge other Senators to do likewise.

In closing, I wish to pay tribute to the remarkably effective and thoughtful leadership which PAT MOYNIHAN has provided for a long, long time now. He is the man who has been out front on this issue.

He thought it through with great care. He has made some very bold proposals. I applaud the leadership that Senator MOYNIHAN has offered to all of us, to the country, and senior citizens—and to all concerned in relationship to this matter.

Mr. D'AMATO addressed the Chair. The PRESIDING OFFICER. The Senator from New York [Mr. D'AMATO] is recognized.

Mr. D'AMATO, Mr. President, I too hope, as the Senator from California has indicated, that we will be able to work out some compromise as it relates to some of the outstanding issues I have attempted to touch on, and that the administration is concerned about.

I expect this afternoon I will probably have in hand the letter in which the White House indicated to my staff that unless various areas can be dealt with there would be a veto.

Obviously, the tactic of bringing the bill to the floor was such, and I concurred, as to attempt to bring about the kinds of movement and dialog that would see us make some progress so we could resolve those legitimate differences that exist.

There are a number of policy questions. I think we have come a long way in narrowing the number and scope of those differences. Hopefully we can work them out. There is obviously the matter of the budget and the amount of dollars that we are talking about. But I think that falls in place after we resolve the issues.

There is a matter of the FHA. I can say with certainty that there will be at least one amendment that this Senator will be offering as it relates to FHA.

I have been a great proponent of the FHA program. I believe home ownership is the route of a strong neighborhood, a strong community, gives family an opportunity to sink its roots, and has so much in the way of value as it relates to socioeconomic policy that I believe everyone, in terms of shared values, feels comes about.

Having said that, this Senator sees an incredible problem. It is not to deprive people of the opportunity of home ownership, but it is not to continue business as usual in the market that is going to bring about destruction.

We do no good to those families, and we certainly do not help them if we raise their hopes and expectations, and get them to put whatever limited resources they have into a home that is going to be taken away from them; that is going to be foreclosed on them. We dash their dreams, their hopes, their aspirations, as well as cost the taxpayer billions of dollars.

We have to look at this. This is a Senator who worked with my distinguished colleague in fighting to raise the limits, because I saw many youngsters in the New York metropolitan area, Long Island, where I live, where FHA was not applicable in most cases.

But I say when you see changing times, when you have the facts, when you have the circumstances which

demonstrate that we cannot continue business as usual, this is not the time to raise limits in the face of the precarious position that the fund is in, and indeed it is precarious. I think it is in worse shape than was put forth, because certainly they did not anticipate it as they were going through the diminished values as it relates to real property.

Diminished values there are. Homes that were bought 2 years ago for \$240,000 people cannot sell for \$200,000. We are not talking about a 2 or 3 percent gain in the market, or a 2 or 3 percent loss in the market. We are talking about losses of 20 percent.

If you ask Price Waterhouse, if you were to calculate a 20-percent loss in the first year, and they make their calculations over a 5-year period of time, if you ask them what would they think about that, they probably would have to hedge and say, "Well, if that were sustained for a period of time, there would be deep trouble."

Deep trouble? You better believe there is deep trouble. We should not kid ourselves. I was shocked by that report. The fact of the matter is, it is not good enough to be shocked; we have to do something. We cannot continue business as usual.

You cannot let people come in, mortgage out, and get 103 percent. They are not putting in money. If you are able to mortgage out the cost of the closing costs, the insurance costs, all of the other costs, and you have a mortgage now that is in existence for 103 percent of the value of the property, what kind of real equity have those people put in?

We have to change it. You cannot do it. It is not right. It is not fair. It is not fair to those same people who you are inducing to get into a situation, in many cases, which they cannot support.

Let me tell you, you have people in this; you want to talk about fraud and corruption. You have brokers who make a living this way. They do not give a darn about these people.

One of the things we ask the FHA, the Housing Commission, one of the things we ask Price Waterhouse, one of the things I asked GAO, and they said they are undertaking, is a study to see how many of these mortgage mills there are that have failure rates which would exceed that which would be acceptable, so the FHA people, the housing people, would stop doing business with them. We do not have that information.

But I must say, Secretary Kemp and his people are looking at that. But you have to be able to distinguish. There are some people who do not care, some of the mortgage brokers who bring people in. I am not condemning all mortgage brokers. I tell you there are some who want to get that commission. The more people they handle,

the more money they make. John Q. Taxpayer, in the long run, winds up paying the tab. So we cannot continue business as usual.

There will be an amendment offered by this Senator. I hope that I will be able to get support. We are working on it now. I will submit it to the distinguished chairman of the committee and hope to elicit his support. I know how deeply he feels about home ownership opportunities for working families, for poor, to give them an opportunity. I believe in that.

But I think we would be making a terrible mistake if at this time, at this date, with the climate what it is, to exacerbate the problem, to underestimate the potential for adding billions of dollars to the deficit, and also throwing many, many people out on the streets. This does not make sense to this Senator to continue a policy which, as it is presently constituted, is doomed to colossal failure.

Mr. CRANSTON. Will the Senator yield?

Mr. D'AMATO. Certainly.

Mr. CRANSTON. Mr. President, we share the concern about the actuarial soundness of FHA. We do not want another mess on our hands. It is plain that an effort must be made and will be made to deal with that problem on this bill.

We did not do it in committee when we were concerned with the bill simply because Price Waterhouse said it was not available to us. It became available to us, and subsequent to that the administration suggested one approach.

The staff of the committee has suggested an alternative approach which is now being analyzed by Price Waterhouse to see if it, in their view, would contribute the necessary stability and soundness to the FHA fund. If it does, I hope it can be the basis of the negotiation resolution that is now going on with the administration, since it would have the effect of keeping the out-of-pocket costs of would-be home buyers under FHA from going up by about \$900 from a typical \$3,500, \$3,600, \$3,700, up to \$4,400.

If we can avoid that, we should. If we cannot avoid it, we will obviously have a problem.

Mr. D'AMATO. If I might ask my good friend, I understand and I have a shared concern with my colleague as it relates to attempting to give home ownership the broadest possible opportunity.

It would seem to me if we are talking about \$900 as it relates to raising the cost, at some point in time we have to look at this situation and come to a realization that indeed it may be more than \$900.

And would the Senator agree that keeping the FHA program sound might very well not only call for it but be the correct and proper thing to do, to raise that cost—and it is a cost—to

the individual who is looking to participate in that program so we do not have a debacle? That is what we are trying to come to, I think. But \$900, I think, is on the low side. I just want to share that with the Senator.

I think that this problem is worse than Price Waterhouse put forth to us in their presentation, that if one looks at the underlying figures and begins to examine in depth and detail how serious this problem is, there is not a 4 percent appreciation of homes throughout the United States. Their program which they put forth, which calls for at least \$900 more in each home, bases that on an appreciation value of 4 percent. Absent that appreciation, we are going to have to put up more than \$900. Otherwise, that fund will be in deep trouble.

I am suggesting to the Senator that it is a difficult proposition to accept Secretary Kemp's initial proposal, and this Senator believes it does not go far enough, and we are going to have another situation that we will be back here and called to account by the public, saying, "My gosh, you knew this was taking place; how come you continued?" We have now been put on notice, and some can say we did not have a full appreciation of the volatility of the real estate market and the expanded powers that back in 1982 were given to the State savings and loan associations that brought us into the terrible situation that we face. But we cannot say that now, as it relates to the FHA situation.

I also suggest that, if they were to go and monitor—and I think they should—6 months from now, I think they are going to find that the FHA is not only actuarially unsound but has no more value left, and they are in a deficit position, particularly if real property values continue to fall. I see no sign of that letting up.

When one looks at the RTC and the property being put out on the market and at the credit crunch, again, I do not think you have to be a doctor of economics to say that the real estate market is not going to turn around in the foreseeable, certainly in the immediate, future. It simply is not. There is more and more property being put out there under distressed situations which pulls the value of all real estate down. The first ones to get hurt are the FHA properties, which are at the lower end.

So I am very concerned about this, and I say to my colleague, it is a new wrinkle. It is. We received this report June 6, and I think things are moving so quickly, kind of like Eastern Europe. Who could have imagined the events taking place as they did? Who could have imagined we would have a thrift problem like this? But the problem is here, and we better wake up to it.

Mr. CRANSTON. I share every concern that has been voiced by the Senator from New York. We must have FHA on a sound and solvent basis for now and for the future. If we can get it on that basis in a way that avoids knocking out of the housing market through FHA many people who are perfectly capable of making the monthly payments but have not accumulated enough cash for a lot of out-of-pocket expenses for the purchase, I think we should seek to do so. There are many people in my State who are in that condition. I am sure there are many in the State of the Senator from New York and in other States.

There are presently discussions going on between OMB, HUD, and representatives of both the minority and the majority on the Housing Subcommittee, and Price Waterhouse is involved in this, to see if there is a way that we can agree upon to ensure through this legislation that PHA will be on a sound basis. And if we find agreement on that in a way that does not knock some people out of the market, I hope that we will be able to proceed in that fashion.

I want to ask the Senator from New York if he would be good enough to delay bringing forward his own amendment on PHA until we see what comes out of the negotiations between his staff, my staff, OMB, HUD, and Price Waterhouse, and maybe we can all agree on an approach so that there would be no controversy on the Senate floor at all.

Mr. D'AMATO. I certainly will not offer an amendment until I have an opportunity to discuss it with the chairman of the committee, the manager of the bill, and have input from all of the various people. But I have to say that even the administration's proposal which has been put forth, or the suggested reforms that have come forth from Price Waterhouse at this point in time, I have to say that this Senator does not feel go far enough.

Mr. CRANSTON. I have not seen what will come out of the negotiations, if something comes out of the negotiations. I would like to wait and see.

Mr. D'AMATO. I am willing to sit with the Senator. There is talk of amendments which HUD is looking to get people to go forward with. I am attempting to see if we cannot sit down and find out what their legislative suggestions and changes are. I imagine they are attempting to work those out with staff. I wish I could share the good Senator's optimism for that compromise, but I do not see it moving as quickly as I would like. And this is brinkmanship at the 11th and a half hour that we are talking about. So I hope we do have the compromises we are looking for so we can move toward enactment of the legislation.

Certainly, I would submit any changes to the Senator, but I cannot say, in all candor, that I will not go forward with an amendment at some point in time.

Mr. CRANSTON. I understand that. I thank the Senator.

If there is no one who wishes to speak at this moment on the housing matter or the Heinz amendment, I suggest the absence of a quorum. We will be voting in about 12 minutes.

Mr. HEINZ. If the Senator will withhold his request for a quorum call.

The PRESIDING OFFICER. The Senator from Pennsylvania, Mr. HEINZ.

Mr. HEINZ. Mr. President, I rise to make a few closing observations on the pending amendment. Let me say that I am most appreciative of those Senators who have indicated their support of this amendment and those Senators who have agreed to cosponsor it. I also want to thank the manager of the housing bill, Senator CRANSTON, who has stated his intent to support it and vote for it.

I want to take one moment to refresh my colleagues' recollection of why this is an issue that is an easy one to vote for and a very hard one, I believe, if you care about the future of this country and of our children and children's children, to vote against.

The basic problem is this; we are telling the country that we have money, which is in a trust fund, the Social Security trust fund, which is not ours to apply as if it were available to reduce the Federal deficit. Yet, that is exactly what we are doing. So in a very real sense, ever since we enacted our deficit reduction legislation, the Gramm-Rudman-Hollings law, we have been a party to continuing a practice that was probably considered somewhat innocuous back in 1985 but today has become a serious problem.

We cannot continue to, in effect, treat those annual increments of increased surpluses in the Social Security trust fund as someone's personal piggy bank. We should not do it here in the Senate or in the House, and they should not do it downtown. The size of that misapplication is, indeed, I think something of a shock.

I took the liberty of preparing this analysis in chart form, which shows that back in 1980 when we told people that the deficit increased by a certain amount, in this case back in 1980, \$74 billion, the increase in the national debt was very close to that amount. In that case it was \$79 billion. Therefore, there was a discrepancy of about \$5 billion. And, in a sense, it did not seem to most people to be terribly significant. But in the last 4 years, for which we have numbers, fiscal years 1986, 1987, 1988, and 1989, what is clearly apparent is the size of the deficit. Although, very, very large, it is, in fact, being substantially dwarfed by the size

of the increase in the national debt that very same year.

Mr. President, if you said to the average American that the national debt is increasing much faster than the annual deficits as they accumulate, he or she would probably give you a very strange look and say how can the national debt increase more quickly than what you say it is you are running up in the way of unpaid bills? How can your debt go up faster than your cash shortage?

The answer is that we have found a way to do it, and the way we have done it is to pretend that the surpluses in our trust funds, principally the annual surpluses accruing to the Social Security trust fund, are somehow available to make the deficit look smaller than it actually is.

So, over this 4-year period, where deficits have run \$221 billion, \$149 billion, \$155 billion, \$152 billion, respectively the actual increases in our national debt have been much higher; \$303 billion, \$226 billion, \$255 billion, \$265 billion—for this same time period. In sum, our annual deficits over this 4-year period have increased some \$677 billion; the national debt some \$1.849 trillion—over 50 percent.

When the Senate votes on the amendment before it today, we will be giving very explicit instructions to our colleagues in the Congress that we are not going to engage in this kind of charade any longer and that before the national debt can be increased one penny, that we will have acted to end this practice.

That, of course, is the sum and substance of this amendment. It says we cannot take up the debt ceiling unless Congress has acted to remove the OASDI trust funds from the calculation of our deficits and deficit reduction measures under Gramm-Rudman-Hollings. That is the way it ought to be and I hope, Mr. President, it is the way the Senate will make it.

Mr. CRANSTON. If the Senate will yield, there is at least one Member on our side, perhaps two, who would like to speak briefly on the amendment.

Mr. HEINZ. I yield the floor.

Mr. SANFORD. Mr. President, I thank the Senator from Pennsylvania.

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

Mr. SANFORD. Mr. President, I simply wanted to thank the Senator for his leadership and persistence in pointing out to the American people that we have been fooling them about the size of the debt, and the time has come to do something about it. I ask that he allow me to be a cosponsor of this resolution.

Mr. HEINZ. Mr. President, I make that unanimous consent.

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

Mr. SANFORD. Mr. President, in March 1988, I introduced legislation to remove Social Security from the Gramm-Rudman deficit calculations. At the time, some told me that this was a rather radical idea. So I am pleased that this idea of no longer using Social Security trust fund reserves to mask the true size of our deficits has caught on. It is about time.

I am pleased to support the amendment offered by my distinguished colleague from Pennsylvania, but I believe this is but one of several steps that must be taken to reach an honest budget. In fiscal year 1991, it is estimated that under present law, the Social Security reserves will cover up the real deficit by about \$75 billion, yet we will increase the debt by well in excess of \$300 billion.

Mr. President, we should remove Social Security from the deficit calculations, but we should go further. We should remove all Federal retirement programs from the deficit calculations as I have proposed in budget reform legislation, S. 101. If it is wrong to misuse Social Security funds to hide our debt, it is equally as wrong to misuse other Federal retirement funds.

We must also require that our annual deficit numbers include gross interest. All interest owed by the Federal Government should be counted as a payment. Interest on the debt is our problem, and we should be clear about that. This year alone we will pay more than \$261 billion in interest on the debt.

We must, in short, take off or move aside all of the items that have been used to cover up the true size of the debt.

Mr. President, I hope my colleagues will support the amendment before us this morning. But I also hope they will view this effort to remove Social Security from the deficit calculations as one of many steps we need to take this year that will require an honest accounting of the Federal budget.

Mr. HEINZ. Mr. President, if the Senator will yield, I thank him for his kind remarks. He, too, has been very much in the forefront of trying to bring this issue to the attention of the Senate. He mentions the fact, and he is quite accurate and correct, that not all of the differential between the growth in the national debt and what we report as our deficit is due to the Social Security trust fund surplus. Most of it is due to the Social Security trust fund surplus. But it is also due to the treatment of some other trust funds, such as the highway and airport and airways trust fund, and on that he is absolutely correct.

I hope it will be possible to act not only on the OASDI, the Social Security Program, but others that have

posed this same problem to us and to the country.

The PRESIDING OFFICER. The Senator from Florida [Mr. GRAHAM] is recognized.

Mr. GRAHAM. I thank you, Mr. President.

I first ask unanimous consent to be added as a cosponsor of the amendment of the Senator from Pennsylvania.

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

Mr. GRAHAM. Thank you, Mr. President.

I, too, commend the Senator for having focused, over a long period of time, our collective consideration on this aspect of the issue.

I believe it is clearly in the interest of the Nation, in the interest of honest budget policy, and in the interest of those who look to the Social Security fund for their economic support, that we take the action that the Senator from Pennsylvania has suggested; that is, that we set in motion a process which will lead to the removal of the Social Security surplus from the calculation of the annual deficit targets for purposes of Gramm-Rudman-Hollings. I support that and am pleased to cosponsor it.

Mr. President, I would suggest that that is not enough in order to accomplish our objectives, that there are other issues that require this Senate's attention. I hope as part of the debate, when we return to this issue, that we will look at some of these additional considerations.

I make these remarks in part to alert my colleagues to the fact that over the next few days it is my intention to introduce legislation which will deal with another dimension of this question; that is, what do we do with the Social Security surplus after we have taken it off budget and after we have taken it off Gramm-Rudman-Hollings? Do we continue to do as we are doing it today, which is allow it to be used to finance essentially the Federal deficit?

Mr. President, I ask unanimous consent to have printed in the Record a portion of an extremely interesting study by the Federal Reserve Bank of Boston dated March-April 1989, discussing the United States and the comparative experience with social security surpluses in Sweden, Japan, and our neighbor in Canada.

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

[From the New England Economic Review, March-April 1989]

PUBLIC PENSION SURPLUSES AND NATIONAL SAVING: FOREIGN EXPERIENCE

(By Allen H. Munnell and C. Nicole Ernsberger)

Old-age, survivors, and disability insurance receipts are projected to exceed outlays for the next 30 years, producing assets equal to nearly 30 percent of GNP by the

year 2018. Although current law provides that these accumulated reserves be drawn down between 2018 and 2048, proposals are already emerging to raise taxes and maintain the reserves once amassed. Hence, the United States currently has a convenient mechanism for augmenting its low level of national saving. By accumulating assets in the social security trust funds, the federal government has the potential to create government saving and thereby raise the national saving rate, but this will not happen automatically.

Whether or not government saving actually occurs will depend on how Congress reacts to the buildup in the social security trust funds. If Congress substitutes the increase in reserves for a tax hike or spending cut to finance current consumption—that is, to pay for current outlays in the rest of the budget—no real saving will occur. But if the government alters its spending and taxing patterns to produce surpluses in its unfilled accounts—not just in the social security trust funds—the nation will enjoy higher saving and investment.

While saving through the trust funds may be the most desirable course of action, its importance for either the OASDI program or future generations should be kept in perspective. If the economic assumptions underlying the social security trustees' intermediate cost projections prove to be roughly correct, the OASDI program will function perfectly well regardless of whether reserves are accumulated in advance or financing is returned to pay-as-you-go. If OASDI reserves are not built up between now and 2018, then OASDI taxes will have to be raised between 1 and 2 percentage points each for employees and employers in 2018, rather than 2048, to finance annual deficits on a current cost basis. This tax increase is not insignificant, but completely manageable.

Likewise, if the productivity growth underlying the intermediate cost projections materializes, the difference between how well-off people would be with and without the additional saving is fairly small. Recent estimates indicate that in 2020 the net wage after paying social security taxes will be 199 percent of today's level without the additional saving, 211 percent with it (Aaron, Bosworth, and Burtless 1989, table 5-4).

The necessity of prefunding may be open to debate, but a result that almost all commentators agree should be avoided is one where the reserves amassed in the social security trust funds are spent on current consumption. This outcome would have the undesirable distributional consequence of financing general government activities by the more regressive payroll tax. Hence, if reserves are to be accumulated, it is important to figure out how to translate public pension accumulations into national saving.

The United States is not the first country to attempt to prefund, at least partially, its public pension system. Canada, Japan, and Sweden, in particular, have all accumulated large public pension trust fund reserves in an effort to ease the burden of future pension costs. This paper explores the experiences of those countries to see if they suggest any policies or procedures that might help ensure that pension fund surpluses are used to augment national saving and investment rather than merely to replace current taxes and pay for current general government outlays.

I. RELEVANT CONSIDERATIONS

Before looking at the experiences of the individual countries, it is useful to consider the major concerns regarding the ability of the federal government to increase national saving, and to identify those factors that might influence the likelihood that trust fund surpluses will raise future output and national income.

Since the origins of the social security program in the 1930s, opponents of funding have argued that Congress will use the assets in the trust funds to pay for current consumption. This potential problem is typically, albeit imprecisely, characterized as using surpluses in the social security trust funds to cover deficits in the rest of the budget. The real concern, however, is not one of deficits but rather one of behavioral response. That is, critics worry that the surpluses in the social security trust funds will encourage Congress either to spend more money or to raise less tax revenue than it would have otherwise. Thus, the issue is one of fiscal discipline. By removing pressure to scrutinize the merits of alternative spending proposals, the social security reserves could allow Congress either to liberalize social security benefits or to finance marginal projects in the non-social-security portion of the budget, producing high government spending than would otherwise occur. Alternatively, by appearing to be available to cover general government outlays, the social security surpluses could reduce incentives to raise additional taxes.

One would think that the likelihood of producing this type of behavioral response would vary inversely with the availability of trust fund revenues for general budget or deficit reduction purposes. One factor in this regard is probably whether the social security programs are included in some type of unified budget or are accounted for separately. If trust fund activity is integrated with other federal functions and the total reported as a single figure, as has been true in the United States since 1969, Congress and the public would be encouraged to think that the trust fund reserves are available to cover general government outlays. This tendency is reinforced if social security is included in deficit reduction targets as has been true under the Gramm-Rudman-Hollings legislation. Hence, the buildup of assets in the public pension programs would be expected to have the least effect on other government tax and spending decisions when budget totals and budget targets are reported excluding social security.

Another closely related factor is the ease with which the Treasury can borrow from the trust funds. This depends on the extent to which the administration and the finances of the social security trust funds and the rest of the government are intertwined. In the United States, the Secretary of the Treasury is also the Managing Trustee of the Trust Funds. Although the Secretaries of Labor and of Health and Human Services and two public members also serve as trustees, the Treasury Secretary has the authority to make decisions that affect the financing of the trust funds without involving other members of the Board. For example, in 1985 when the Treasury was constrained by a statutory debt ceiling from issuing any new securities, the Secretary made the decision to convert \$28 billion in long-term specially issued bonds held by the trust funds into non-interest-bearing cash balances without notifying the two public trustees (U.S. Senate 1985 and General Accounting Office 1986). The use of payroll taxes, in

effect, to temporarily underwrite general government expenses occurred because the Secretary of the Treasury was forced to choose between forgoing interest earnings on the funds or defaulting on government obligations.

Moreover, in the United States, the finances of the social security trust funds and the rest of the budget are closely intermingled (Koltz 1986). The Treasury Department, rather than the Social Security Administration, collects the earmarked payroll taxes and deposits them in a general account with other revenues it receives. The trust funds are then issued special federal securities in a compensating amount. While the balances of the securities reflect the resources available to the social security programs, they more closely resemble spending limitations than control over resources. One would expect less use of trust fund revenues for general government expenditures in situations where the trust funds are more than a bookkeeping activity on the part of the Treasury Department.

In the same vein, the extent to which the trust funds are a captive market of the Treasury might also affect the extent to which social security surpluses produce additional investment. An investment mechanism that diverted reserves directly to the private sector might discourage Congress from spending the social security balances. Of course, the amount of investment is not directly affected by whether social security reserves are invested initially in Treasury securities or private securities. The potential impact is only indirect; forcing the government to go to the private sector to finance all of its debt might highlight, and thereby create pressure to control, the size of the deficit in the non-social-security portion of the budget. Hence, one would expect less use of social security revenues to cover general government outlays in those countries where the fund trustees have more discretion over investment options.

The discussion so far has assumed that reserves in the trust funds are translated into national investment in the private sector; that is, the trust funds buy government debt, thereby freeing private investors to increase their purchase of private sector securities. In fact, it is also possible for investment to take place directly through the public sector. Not all government spending consumption; the building of roads, bridges and other types of physical infrastructure by the government is just as much an investment as the construction of any factory in the private sector. Equally important is government investment in human capital; increases in future output will require a healthy and educated work force. This means that money spent on programs such as Head Start may contribute just as much a physical investment to ensuring higher future income. In both cases, the spending initiatives would have to be over and above what would have occurred in the absence of the trust fund accumulation; otherwise the buildup of trust fund reserves would simply have substituted for tax increases and no additional investment would have taken place.

The implication of the potential role for government investment is that evaluating whether trust fund accumulation produces greater investment may sometimes entail a two-step process. The first step is an assessment of whether the existence of the surpluses generated greater expenditure or lower taxes in the rest of the budget. If the overall government budget deficit remains

unchanged, probably no additional saving has occurred. An exception would be those instances in which the government increased expenditures, but these additional expenditures took the form of investment in physical or human capital rather than consumption. Thus, a second step in gauging a nation's success in translating social security reserves into higher future incomes requires an appraisal of the composition of government spending in the wake of the trust fund accumulation. While generally such an appraisal would be quite difficult, requiring a detailed analysis of spending patterns, some information on government investments in physical capital may be readily available when capital outlays are treated separately in the national accounts.

The following sections explore the experiences of Sweden, Japan, and Canada in order to see what can be learned about effectively prefunding public pension plans that might be useful for the United States. These countries have accumulated substantial amounts of money in their public pension plans; pension reserves currently amount to 30 percent of gross domestic product (GDP) in Sweden, 18 percent of GDP in Japan and 8 percent of GDP in Canada. The individual countries, however, have had varying degrees of success in translating pension fund accumulation into national saving. Part of this variation in outcomes may be attributable to differences in political climates.

All three countries have parliamentary forms of government, where the prime minister is also the leader of the majority party. This arrangement eliminates much of the conflict between the executive and legislative branches and produces a stable political environment as long as one party remains in power; otherwise the results can be extremely unstable. As discussed below, Sweden has been governed almost continuously by the same party since 1932 and Japan has been controlled by the same party since 1955, while control of the Canadian government has alternated on a regular basis between the Liberals and the Conservatives. Because one would expect more success using the government to increase saving in a stable and disciplined political environment, the discussion of each country begins with a very brief political overview.

The bulk of each country survey then consists of three parts. The first is a summary of the developments that led to the prefunding of the public pension program. The second is a preliminary assessment of the impact of the pension fund buildup on national saving, based on government accounts data prepared by the Organisation for Economic Co-operation and Development (OECD). These data are particularly valuable since they standardize for differences in accounting, and they include separate figures for government deficits (revenues less outlays) and for government saving (revenues less outlays plus net capital investment). The third part goes behind the government accounts to explore the factors, such as budgetary procedures or investment policies, that may have contributed to each country's apparent success or failure. The necessarily tentative conclusions are presented in a final section.

II. SWEDEN

Sweden is a constitutional monarchy with a parliamentary form of government. Since World War II, the same five political parties—the Moderates, the Centerists, the Liberals, the Social Democrats, and the Left

IV. CANADA

Party Communists—have been represented in Parliament. The Social Democrats were in power, either alone or in coalition from 1932 to 1976, and they returned to power in 1982. During the period from 1976 to 1982, the Moderate, Center, and Liberal parties—typically referred to as the bourgeois parties—ruled in coalition. The Social Democrats are closely aligned with the workers' trade union movement, which has been the motivating force behind most of the social security reforms (The Swedish Institute 1986, pp. 16-19).

Development of a Funded Pension Program

Sweden has two public pension programs: 1) the basic social security pension and 2) the Swedish national pension, Allman Tillaggs pension (ATP). The basic social security program dates from 1913 and pays old-age benefits to all persons 65 and older (67 prior to July 1976) regardless of their labor force status. The ATP pays an earnings-related pension to those with substantial labor force attachment and their dependents. The basic social security program is financed on a pay-as-you-go basis, with 75 percent of the revenues coming from payroll taxes levied on employers and 25 percent coming from general revenues. The ATP program is financed on a pay-as-you-go basis, with 75 percent of the revenues coming from payroll taxes levied on employers and 25 percent coming from general revenues. The ATP program is financed on a partially funded basis with contributions derived completely from employer payroll taxes. Employees do not make direct contributions to either pension.

In the early 1950s, the workers' trade union movement began pushing for reform of the public pension system, and its efforts led to the establishment in 1957 of a commission to study ways of improving public pension benefits. As a result of the Commission's report, Parliament passed in 1958, by a one-vote margin, legislation that raised benefits under the existing social security program and introduced the new ATP supplementary earnings-related pension program.

Canada, a federal state consisting of ten provinces and two territories, is a member of the British Commonwealth. The Queen and her representative in Canada, the Governor General, are the formal heads of state. The Governor General summons and dissolves Parliament, signs state documents, and gives assent to parliamentary bills, but, in almost all cases, must carry out these duties in accordance with the advice of the responsible ministers.

Parliament consists of two houses: the Senate, where representation, as in the United States, is determined on the basis of a fixed number of representatives from each region; and the House of Commons, where representation is based on population. Three political parties have significant representation in the Canadian Parliament: the Progressive Conservatives, the Liberals, and the New Democrats. The Progressive Conservatives are currently in power. Since 1930, Parliamentary control has alternated fairly regularly between the Liberals and the Conservatives; the New Democrats have never been the ruling party.

Development of a Funded Pension Program

The Canada and Quebec Pension Plans (CPP and QPP) were developed in the 1960s by the Liberal government, in response to growing inadequacies of the existing federal universal pension system. Parliamentary debate began in 1963 over the establishment of an earnings-related old-age, survivors and disability public insurance system to supplement the flat benefit provided to all persons 65 and over by the Old Age Security program.

The federal government originally proposed a pay-as-you-go financing scheme, but the provincial governments objected. Feeling the effects of almost a decade of deficits and facing the prospect of massive investments in schools to meet the educational needs of Canada's baby boom generation, the provinces were determined that the system be substantially funded, with annual surpluses made available to them for investment (Bryden 1974). The current financing

of the CPP represents a compromise between the federal and provincial government positions; the program has run annual surpluses since its inception, and had accumulated \$35 billion (Canadian dollars) in assets, or 6 percent of GDP, by 1988.

Rather than participate in the CPP, Quebec elected to create its own public pension, the QPP. Because contributory rates and benefits have always been the same and the buildup of assets in relation to outlays is identical, the two plans are often referred to together. QPP assets amount to 2 percent of GDP. As noted below, however, the investment practices for the \$13 billion (Canadian dollars) held by the QPP have been very different from those of the CPP.

The founders of the Canada Pension Plan felt that reserves equal to two times annual outlays would be sufficient for their purposes. In order to hasten the buildup of reserves, rates were originally set at 1.8 percent each for employers and employees and 3.6 percent for the self-employed, and the payment of full benefits was delayed until 1976. From the outset, however, the CPP's designers recognized that the initial rate schedule would not be sufficient indefinitely and recommended a future review of the reserve fund's status. In 1985 the federal and provincial Ministers of Finance conducted a series of meetings aimed at setting a rate schedule for the next 25 years. Despite the fact that the reserve fund then held assets in excess of six times annual outlays, the original intent of a reserve fund equal to two times outlays was reaffirmed at the meetings (Department of Insurance Canada 1985, p. 3). A new rate schedule, recommended by the Ministers of Finance, was passed by Parliament in 1986 and enacted in 1987. The revised schedule called for the 3.6 percent payroll tax to rise 0.2 percent annually from 1987 through 1991 and 0.15 percent annually from 1992 through 2011. As benefits are expected to increase sharply, this schedule should result in a decline in the ratio of reserves to outlays from 6.0 to 2.0, while the absolute size of the fund remains constant.

TABLE 7.—CANADIAN GOVERNMENT SAVINGS AND DEFICIT (—) OR SURPLUS AS A PERCENT OF GDP, 1960–86

Year	General		Central and Social Security		Central		Social Security ¹		Local ²		Provincial		Municipal ³	
	Savings	Deficit or surplus	Savings	Deficit or surplus	Savings	Deficit or surplus	Savings	Deficit or surplus	Savings	Deficit or surplus	Savings	Deficit or surplus	Savings	Deficit or surplus
1960	0.60	1.71	0.49	0.58	0.49	0.58	(*)	(*)	1.09	1.13	0.47	0.54	0.62	-0.58
1961	.47	2.06	.70	1.01	.70	1.01	(*)	(*)	1.17	1.05	.11	.69	1.05	.35
1962	1.12	1.60	.94	1.15	.94	1.15	(*)	(*)	2.07	4.05	.74	1.13	1.32	-.32
1963	1.37	1.32	.42	.60	.42	.60	(+)	(+)	1.74	.71	.61	.21	1.13	-.50
1964	2.51	1.89	.80	.67	.80	.67	(*)	(*)	1.72	.47	.77	.16	.95	-.32
1965	3.06	.36	1.78	.95	1.78	.95	(*)	(*)	1.78	.59	.90	0	.88	-.59
1966	3.52	.66	1.81	1.47	1.70	.36	1.11	1.11	1.71	.80	.65	.27	1.06	.53
1967	3.05	.27	1.55	1.17	.26	.12	1.29	1.29	1.50	.95	.47	.49	1.03	-.47
1968	3.70	.67	1.89	1.33	.35	.01	1.34	1.34	1.61	.65	.65	.07	.86	-.58
1969	4.53	.29	2.00	2.39	1.55	.74	1.35	1.35	1.63	.27	1.06	.39	.57	-.65
1970	2.91	.60	1.93	1.63	.56	.28	1.35	1.35	.98	.82	.30	.29	.67	-.53
1971	2.46	.03	1.52	1.18	.20	.14	1.32	1.32	.94	1.15	.42	.50	.52	-.64
1972	2.32	.04	1.24	.78	.03	.49	1.27	1.27	1.08	-.83	.25	.67	.83	-.16
1973	3.05	.89	2.01	1.51	.85	.34	1.16	1.16	1.04	.62	.70	.09	.34	-.53
1974	4.22	1.89	2.54	2.01	1.37	.84	1.17	1.17	1.68	.12	1.32	.47	.36	-.60
1975	2.52	.52	1.07	1.70	1.70	2.25	1.18	1.18	1.44	1.45	.07	1.00	.51	-.45
1976	2.2	1.81	.07	.59	1.18	1.10	1.11	1.11	.29	1.22	.08	.74	.37	-.48
1977	.58	2.53	1.86	2.36	2.89	3.40	1.04	1.04	1.28	-.16	.37	.27	.92	.10
1978	1.40	3.19	3.03	3.51	4.06	4.53	1.02	1.02	1.63	.32	1.05	.42	.58	.10
1979	.52	2.02	2.17	2.44	3.15	3.42	.98	.98	1.64	.42	.61	0	1.03	.42
1980	1.26	2.80	2.18	2.49	3.15	3.47	.98	.98	.92	.31	.40	.18	.52	.13
1981	.03	1.48	.89	1.15	1.81	2.07	.92	.92	.86	.33	.27	.30	.59	.02
1982	3.86	5.96	3.68	4.44	4.69	5.45	1.02	1.02	1.18	1.53	.84	1.53	.66	0
1983	4.82	6.97	4.41	5.42	5.21	6.21	.79	.79	41	1.55	.96	1.56	.56	.01
1984	4.73	6.70	5.07	6.15	5.81	6.88	.73	.73	.34	.55	.12	.56	.46	0
1985	5.13	7.06	5.24	6.05	5.91	6.72	.67	.67	.11	1.01	.47	1.07	.58	.06
1986	3.80	5.51	3.64	4.29	4.26	4.91	.62	.62	.16	1.22	.68	1.27	.52	.05

¹ Canada and Quebec pension plans only

² Includes hospitals

³ The Canada and Quebec pension plans were not instituted until 1966

Source: 1974–86, OECD, Department of Economics and Statistics, 1988. *National Accounts: 1974–1986*, Vol. 2, Detailed Tables, Canadian tables 1.6.1, 6.2, 6.3, 6.4, 1960–73, OECD, unpublished data.

Additionally, the 1986 reform provided that the CPP system be subject to actuarial reviews at five-year intervals. Should it be found that alterations in contributions are necessary to meet the ultimate goal of a reserve fund equal to two times outlays, the actuaries will so advise the Ministry of Finance which, in turn, will submit a bill to Parliament.

The CPP and QPP and National Saving

Table 7 presents the OECD budget data for Canada. The table shows that the CPP and QPP have consistently produced annual surpluses equal to roughly 1 percent of GDP. Since 1974, however, these surpluses have been swamped by large annual deficits in the central accounts, producing substantial overall deficits at the federal level. As discussed earlier, deficits in the non-social-security portion of the budget do not indicate, in and of themselves, that the effort to increase national saving and investment has failed. What must be evaluated is whether the existence of the pension fund surpluses caused general government expenditures to be higher, or taxes lower, than they would have been otherwise. To a large extent, this may depend on how social security is treated in the budget.

The CPP and the Budget

CPP financing is entirely off-budget and no discussion of the system's finances is included in the budget document. The CPP's annual report is an independent publication, prepared by the Chief Actuary of the Office of the Superintendent of Financial Institutions. (The Office of the Superintendent of Financial Institutions is an arm's-length department of the Ministry of Finance.) While there is no legislated schedule for these annual reports, Health and Welfare Canada is required to submit its *Main Estimates* to Parliament each February, and part III of this report focuses on the CPP. Parliamentary tradition dictates that the federal budget be presented in February as well.

Despite this coincidence in timing, it is unlikely that members of Parliament take any comfort from the buildup in the CPP. Not only are the reserves not included in budget totals or deficit targets, but also the fund is in no way a captive market for Treasury securities. The vast majority of CPP reserves are loaned to the provinces and only a small residual may be used by the central government. On the other hand, because the provinces have such easy access to the accumulated pension reserves, it is necessary in the case of Canada to worry about a behavioral response not only from the members of Parliament but also from the provincial governments.

Investments of the CPP

The provinces are allowed to borrow from the CPP in proportion to their contributions, with any leftover funds used to purchase federal 20-year bonds. Table 8 shows how the \$35 billion (Canadian dollars) held by the CPP were divided as of April 1988; less than 8 percent has been loaned to the central government.

The provinces might increase their expenditures in response to the CPP commitment to purchase their bonds, for several reasons. First, the average (and marginal) interest rates that the provinces have to pay on this debt are below market. This occurs because interest rates charged by the CPP are weighted averages of all federal 20-year bonds outstanding, which are typically below those of provincial debt. Hence, provin-

ces can borrow from the CPP for lower rates than they would have to pay on the open market. They may also be able to lower their own open market rates by reducing the supply of provincial bonds sold to the general public. The Atlantic Provinces, which tend to be poorer, have the most to gain from the CPP lending provisions, since they face the largest gap between the rate that they are charged by the CPP and the rate that they must pay on the open market. If the provincial deficits are large, the implicit reduction in marginal costs may be substantial. Lower interest costs may thus induce more current consumption of government goods and services.

TABLE 8.—DISTRIBUTION OF CPP LOANS, APRIL 1988

Province	Percentage of total loans
Atlantic Provinces	
Newfoundland	21
Prince Edward Island	4
Nova Scotia	39
New Brunswick	29
Central Provinces	
Quebec ¹	4
Ontario	471
Manitoba	55
Western Provinces	
Saskatchewan	45
Alberta	118
British Columbia	14.0
The Yukon Territory	(²)
The Northwest Territories	(²)
Federal	74

¹ Quebec is allowed to borrow from the CPP because some Quebec citizens work in Ontario and because the Royal Canadian Mounted Police who reside in Quebec still contribute to the CPP.

² Less than 0.1 percent.

Source: Ministry of Health and Welfare, 1988, Canada Pension Plan Account Monthly Report, April, Schedule F

An even greater increase in government expenditures might occur if the provinces felt that they would never have to pay back the loans from the CPP fund. A number of Canadian observers originally thought that this might be the case (Pesando and Rea 1977, p. 91), and early statements by the government of Ontario implied that CPP-owned debt was treated differently than publicly owned debt (Ontario 1974, pp. 26-27). In fact, the provinces have treated their borrowing very seriously; they have never missed all interest payment and, in some instances, have already repaid the loans.

Some commentators simply assume in their reviews that the availability of ready credit encouraged more spending by the provincial governments (Bird 1976); no one appears to have made strong arguments to the contrary. The only effort to actually document increased expenditures was a 1981 study prepared for the Economic Council of Canada. This study found that the borrowings from the CPP induced the Atlantic Provinces to reduce their own-source revenues and to increase expenditures, thereby increasing their total borrowings; the results for the other provinces were ambiguous (Patterson 1981). Although it is difficult to say with certainty, it appears that the CPP money loaned to the provinces induced greater provincial spending.

The issue remains, however, as to whether this increased spending produced additional consumption or greater investment. The data in table 7 tend to indicate that provincial spending on investment did not increase in response to the ability of the provinces to borrow from the CPP. Provincial saving was 0.6 percent of GDP from 1960 through 1965; it increased only very slightly from the in-

ception of the CPP through 1974; thereafter it became negative. This pattern is also evident in the figures for provincial expenditures on gross capital formation, which have declined steadily since the inception of the plan from a high of 14 percent of total provincial expenditures in 1964 to less than 4 percent in 1986 (Ministry of Finance 1987, table 52). Thus it appears that the provincial governments have allocated a large share of the CPP surpluses to current consumption.

Investments of the QPP

The QPP, which as of June held \$13 billion (Canadian dollars) in assets, does not lend to other provinces. Instead the assets, along with the assets of other Quebec public employee pensions, are supplied to the Caisse des Dépôts. The Caisse des Dépôts invests its assets in regional businesses and crown corporations, with an eye toward the highest possible return. The fund is even allowed to purchase private corporate equities, although it may not hold more than 40 percent of the voting stock in any one firm. Directors of the Caisse des Dépôts are often taken from the private sector, despite some concern over conflicts of interest. By placing its funds directly into regional businesses, the investment patterns of the QPP contrast sharply with those of the CPP. In short, the QPP appears to have increased national saving and investment while the CPP probably has not.

Overall Assessment of the Canadian Experience

Except in the case of Quebec, the Canadian government appears to have failed to prefund its public pension system in a meaningful way. On balance, the buildup in the trust funds seems to have stimulated additional consumption spending at the provincial level and to have reduced the incentive to raise provincial taxes. Would the same thing happen in the United States if the social security funds invested their reserves in state and local bonds? A partial answer may rest on the functions for which the two entities—provinces and states—can borrow.

It appears to be much easier for provinces in Canada to borrow for consumption expenditures than it is for states in the United States. Although New Brunswick, Newfoundland, and Nova Scotia maintain capital accounts, all borrowing is considered revenue, so debt may be used to meet deficits in their general accounts. Alberta has several off-budget special accounts for capital investments and crown corporations, and borrowing for the general budget is not encouraged. However, because Alberta is so dependent upon oil prices for its revenues, it is occasionally forced to borrow for current consumption. Ontario, British Columbia, Manitoba, and Saskatchewan do not even maintain capital accounts. Therefore, borrowing for current consumption is in no way differentiated from borrowing for capital investments. Only Prince Edward Island has legislative restrictions on current consumption borrowing; deficits in the general account may only be met by short-term debt issues. On balance, however, the lack of legal prohibitions and the negative saving in the OECD accounts indicate that the provinces are certainly able to borrow and probably have been borrowing for current consumption.

In the United States 49 of the states (Vermont being the exception) have balanced budget laws. This means that any borrowed

general consumption funds must be repaid within a legislated time frame, typically under one year (Advisory Commission on Intergovernmental Relations 1987, tables 42 and 43). The OECD data for the United States in table 9 show consistent surpluses

at the local level since 1972 (1975 is the lone exception), which tends to confirm that the states and localities have not engaged in deficit financing for their general accounts. Hence, as long as the OASDI funds limited their state bond purchases to those with

long-term maturities, the states could not use OASDI funds to cover general account deficits. This constraint would help assure that trust fund loans to state and local governments would result in productive investment.

TABLE 9.—U.S. GOVERNMENT SAVING AND DEFICIT (—) OR SURPLUS AS A PERCENT OF GDP, 1960–86

Year	General		Central and Social Security	Saving		Central		Social Security		Local	
	Saving	Deficit or surplus		Deficit or surplus	Saving	Deficit or surplus	Saving	Deficit or surplus	Saving	Deficit or surplus	
1960	1.67	0.58	0.81	0.96	0.68	0.84	0.12	0.12	0.86	0.38	
1961	.78	.86	.57	.41	.18	.07	.39	.39	.85	.45	
1962	.38	.57	.59	.28	.54	.22	.05	.05	.97	.29	
1963	1.11	1.11	.08	.25	.11	.06	.19	.19	1.03	.36	
1964	.61	.67	.51	.37	.76	.62	.25	.25	1.12	.25	
1965	1.05	.71	.39	.19	.09	.06	.13	.13	1.01	.39	
1966	.67	.63	.17	.76	1.32	1.11	.84	.84	1.11	.37	
1967	.80	2.16	1.81	1.58	2.46	2.20	.62	.62	1.01	.58	
1968	.17	.77	.79	.36	1.24	.87	.45	.45	1.20	.35	
1969	1.78	.79	.61	1.01	.91	.36	.68	.68	1.15	.25	
1970	.74	.39	1.67	1.06	1.81	1.20	.14	.14	.93	.33	
1971	1.40	2.03	2.25	1.77	2.06	1.53	.19	.19	.85	.31	
1972	.39	.65	1.90	1.19	1.93	1.23	.03	.03	1.51	.54	
1973	.11	.36	.82	.10	1.35	.63	.53	.53	1.26	.46	
1974	.21	.35	1.15	.41	1.15	.71	.30	.30	.91	.86	
1975	3.97	4.30	3.45	4.10	3.51	3.15	.91	.91	.48	.20	
1976	2.48	2.41	3.24	2.75	2.45	1.96	.78	.78	.86	.31	
1977	1.33	1.14	2.30	1.90	1.70	1.31	.60	.60	.97	.77	
1978	.22	.30	1.25	1.11	1.16	1.07	.08	.08	1.03	.81	
1979	.61	.17	.71	.30	.85	.53	.14	.14	.76	.67	
1980	1.60	1.46	2.23	1.88	1.76	1.30	.48	.48	.63	.37	
1981	1.32	1.13	1.90	1.63	1.51	1.25	.38	.38	.38	.49	
1982	1.15	3.97	4.38	4.16	3.36	3.14	1.02	1.02	.23	.19	
1983	4.95	4.86	5.32	5.15	4.30	4.13	1.02	1.02	.36	.29	
1984	3.92	3.81	4.70	4.51	4.61	4.42	.09	.09	.79	.66	
1985	4.01	3.13	4.71	4.63	4.82	4.74	.11	.11	.70	.50	
1986	3.31	4.37	4.91	4.69	5.12	4.90	.21	.21	.60	.32	

Source: 1971-86: OECD, Department of Economics and Statistics, 1988, National Accounts 1974-1986, vol. 2, Detailed Tables, United States tables 1, 6.1, 6.3, 6.4, 1960-73: DECD, unpublished data.

V. CONCLUSIONS AND POLICY IMPLICATIONS

Before drawing any conclusions, it is crucial to emphasize the speculative nature of this entire exercise. This is a preliminary paper and involves hypothesizing about what would have happened in the absence of trust fund accumulations in foreign countries with different cultures and institutions on the basis of limited information. With this important caveat, some tentative conclusions are possible.

The key concern in the United States is that Congress will increase its spending or reduce its tax-raising efforts in response to the buildup of large reserves in the social security trust funds. Such a response would mean that no savings would occur, and future incomes would be no higher than they would have been otherwise. It would also have the undesirable distributional consequence of financing current general government activities by the more regressive payroll tax.

The likelihood of the members of Congress responding to the social security surpluses in this manner probably depends largely on their ability to count the surpluses towards overall deficit reduction. All three countries studied keep their social security accounts very separate from the rest of the budget, and this appears to have discouraged their legislatures from incorporating social security surpluses in their general budget decisions or their deficit reduction efforts. As long as the United States retains a unified budget and frames its deficit targets in these terms, Congress will be tempted to keep one eye on the surpluses when voting on tax and expenditure proposals. Hence, ensuring that social security does indeed go off budget when the Gramm-Rudman-Hollings legislation expires in 1993 is an important first step.

The separateness of the social security program as an institution seems to be another important dimension. This does not

mean that separate institutional arrangements guarantee complete control; the Swedish fund has total independence, but the nature of its investments was strongly influenced by the Central Bank's credit market regulations. Nevertheless, more separateness may be desirable than currently exists in the United States. As described in the introduction, the U.S. program is really only a Treasury Department account with the Secretary of the Treasury as managing trustee. This incestuous setup would probably not be desirable in an environment where the social security trust funds are to be used to increase national saving. The Secretary of the Treasury should not have easy access to social security funds in case of a debt ceiling crisis such as occurred in 1985, or consider the trust funds available as a captive market for purchasing federal debt.

The solution may rest, in part, in resurrecting a proposal to make social security an independent agency. This change, which has long been advocated for the integrity of the program and administrative effectiveness (Ball 1978, pp. 458-60 and Congressional Panel on Social Security Organization 1984) may become essential in an era of reserve accumulation. Control over revenues and investment decisions should reside with a board that is totally separate from the Treasury.

The lessons so far have come primarily from Sweden and Canada; Japan, of course, has taken an entirely different approach to translating pension fund reserves into productive investment. It does not have a separate agency, but instead the federal government tightly controls the allocation of the EPI and NP reserves through the capital budget. Although this approach does not seem to fit well with our institutional arrangement and political environment, it may be useful to take a new look at the capital budgeting process.

Investing the accumulated trust fund reserves, which might at first appear difficult, in fact seems to create few problems. The Swedish experience illustrates that the purchase of debt instruments and investing through financial intermediaries avoid any interference in private sector decisions. Also, the United States should be able to invest in state and local securities without running into any of the problems experienced in Canada, since states are restricted from long-term borrowing except for capital projects.

In short, we can learn a lot from Sweden, Japan and Canada's efforts to prefund some of their future pension liabilities. These countries have already accumulated reserves equal to 30 percent, 18 percent and 8 percent of their respective GDPs, and have attempted to funnel them into productive investment, with varying degrees of success. A somewhat discouraging result, for those committed to increasing national saving through accumulating reserves in the social security trust funds, is that the greatest success has occurred in countries with stable and disciplined political environments, where one party has been in power almost continuously since the experiment began.

Mr. GRAHAM. Mr. President, in discussing the United States experience, the authors point out an instance in 1985, when the Treasury was constrained by a statutory debt ceiling from issuing any new securities, a circumstance that we are soon going to be returning to. The Secretary of the Treasury made the decision to convert \$28 billion in long-term, specially issued bonds held by the Social Security trust fund into non-interest-bearing cash balances without notifying the two public trustees. The use of payroll

taxes, in effect, to temporarily underwrite general Government expenses occurred because the Secretary of the Treasury was forced to choose between forgoing interest earning on the funds or defaulting on Government obligations.

The authors go on to reference this as the incestuous relationship between the Treasury and the Social Security surplus. I suggest that we need to break that incestuous relationship by not only taking the surplus off budget and off Gramm-Rudman, but we also need to start investing the Social Security surplus in areas that will not allow it to be used in the way it was in 1985.

I suggest to my colleagues that we learn from the experience of other countries which have dealt with essentially the same economies and demographics but have done so in a more creative way. I am particularly going to suggest that we study the Canadian experience in which they have used the Social Security surplus to help—

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

Mr. GRAHAM. Let me finish the sentence, and I will yield the floor. The Canadians have used the Social Security surplus as a means of assisting and financing their capital infrastructure needs.

I believe that there are some important analogies for the United States to this. What the Senator from Pennsylvania has done in giving us a forum in which a broad array of issues that relate to how do we fulfill our contract with the Social Security eligible of America in an honorable, decent, and credible manner, I think is a debate that will be of great significance and value to the American people.

I yield the floor.

Mr. DeCONCINI. Mr. President, how much time remains?

The PRESIDING OFFICER. The time for the vote under the previous order is set at 12 o'clock.

Mr. DeCONCINI. Mr. President, I ask unanimous consent that I may have 1 minute.

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

Mr. DeCONCINI. Mr. President, I thank my colleagues.

I want to first comment on what the Senator from Florida mentioned. He is absolutely right. We need to not only take the steps the Senator from Pennsylvania is moving forward here but we need to address what we are going to do with these funds. I look forward to seeing his legislation and would hope he would share it with some of us.

I want to say that the Senator from Pennsylvania has finally got to the crux of the matter that has been hanging around here for far too long. He has taken the leadership of bringing this not only to the attention of

the U.S. Senate and us voting on it today but to the people of this country. I wish to thank him for his steadfastness and, quite frankly, innovative approach of doing this in a manner that is going to do away with, as he said, the charade. It is long overdue to put this in perspective with what the American public thinks it is and it is not; and that is the Social Security funds be not spent for Government operations and to satisfy the huge burgeoning deficit that we permitted to go on and on for years and years. I joined the Senator already as a co-sponsor and compliment him for his leadership.

I yield back the remainder of my time.

LET THE SENATE VOTE ON SOCIAL SECURITY OFF BUDGET

Mr. HOLLINGS. Mr. President, I rise in support of the amendment of the distinguished Senator from Pennsylvania, and to second his determined insistence that the Senate be allowed to vote on removing Social Security revenues and expenditures from the calculation of the deficit for Gramm-Rudman-Hollings purposes.

It is high time we voted on this litmus test of truth in budgeting and honesty in Government. My own amendment to remove Social Security from the Gramm-Rudman-Hollings calculations was introduced last session. It gained 25 cosponsors in the Senate, including our leader, Senator MITCHELL, and had widespread support in the House from Speaker FOLEY on down.

The crunch of legislation at the end of the 1989 session prevented the Senate's voting on my bill, but Senator MITCHELL promised us a vote early in the new session. Well, we are now into the 6th month of the session and we have yet to have our vote. So I believe that Senator HEINZ is entirely correct and justified in forcing the issue onto the calendar with his amendment No. 2023.

Mr. President, let us face it. Until we acknowledge the true scale and enormity of the Federal deficit, then we will never get off the dime on the deficits. Putting Social Security off budget will be a giant step forward toward that day of truth and reckoning.

Mr. President, in all the great jambalaya of frauds surrounding the budget, surely the most reprehensible is the systematic and total ransacking of the Social Security trust fund in order to mask the true size of the deficit. As we all know, the Social Security payroll tax has become a money machine for the U.S. Treasury, generating fantastic revenue surpluses in excess of the costs of the Social Security program. Excess Social Security tax revenues will be \$65 billion in 1990 alone—boosted by yet another rise in

the Social Security tax rate this past January 1. By 1993, the annual Social Security surplus will soar to \$99 billion.

The public fully supported enactment of hefty new Social Security taxes in 1983 to ensure the retirement program's long-term solvency and credibility. The promise was that today's huge surpluses would be set safely aside in a trust fund to provide for baby-boomer retirees in the next century.

Well, look again. The Treasury is siphoning off every dollar of the Social Security surplus to meet current operating expenses of the Government. By thus reducing the deficit, we mask the true enormity of the Federal budget crisis while creating the illusion that Congress and the administration are actually doing something about deficits.

The hard fact is that, in the next century, the Social Security system will find itself paying out vastly more in benefits than it is taking in through payroll taxes. And the American people will wake up to the reality that those IOU's in the trust fund vault are a 21st century version of Confederate banknotes.

Of course, the Treasury would have the option of raising taxes to repay the astronomical sums we have borrowed from the trust fund. But that would be a brazen rip off of working Americans, many of whom will be retirees obliged to pay a second time for the benefits they have already earned.

On the other hand, if the Treasury wimps out and chooses not to raise taxes to reimburse the trust fund, then there will be no alternative but to slash Social Security benefits. The most likely scenario is that Social Security payments would be turned into just another means-tested welfare program for the very poor; if you make more than, say, \$15,000 per year, then forget about collecting any Social Security benefits.

Any way you slice it, it is lousy public policy to borrow massively from the Social Security trust fund with no credible plan for reimbursement. Of course, the immediate damage from this approach is that it allows us to mask the true scale of the Federal budget deficit, thus making it easier for us politicians to sit on our hands.

This is a gross breach of faith with the American people. Social Security is perhaps the most successful social program ever enacted by the Federal Government. Without question, it is the most effective antipoverty program in history. Social Security is not charity or welfare. On the contrary, it is a supplementary retirement fund that workers pay for with their hard-earned money.

Mr. President, I say it is time to stop playing games with Social Security

and the Government's finances. It is time to use honest budget numbers and to make honest budget choices. By all means, let us begin by putting Social Security truly in trust and totally off budget.

Mr. SIMPSON. Mr. President, I rise to speak on a subject that has been bouncing around this old Chamber quite a bit these past few weeks—Social Security and the treatment of the trust funds. I think it is time to dispense with some of the passionate—though very sincere—rhetoric on this issue and turn our attention to the real problems involving Social Security over the long haul.

Mr. President, one thing has become so very clear from the mail that I have received on this issue: People are just a mile confused about the way the Social Security system operates. They seem to think that Congress has done something sinister—dirty perhaps or even illegal—with the Social Security trust funds, that evil politicians are callously raiding the excess Social Security revenues and diverting the funds to their own very favorite political pork-barrel projects. Political leaders who use words like thievery and embezzlement—and we have heard that here in the Chamber—to describe the Government's handling of Social Security are only recklessly adding to the confusion. Let me state this so very clearly: The money going into the Social Security system, and the money being paid out, is handled in exactly the same fashion as it was when the program was first begun in 1935. Please hear that! The collection, investment, and distribution of Social Security taxes and benefits are and were set by law, and they have never changed. The only difference is that the present financial condition of the Government—and the Social Security program is very much a part of the Government—has focused attention on how the individual pieces all fit together, and on the real relationship between pork-barrel projects and the Social Security trust funds.

At the root of the issue is the public's perception—or misperception—that the surplus taxes are somehow directly deposited and saved in Social Security trust funds, which they are not. Contrary to popular belief, Social Security taxes, like all other Government revenues, are deposited in the U.S. Treasury—not into some separate Social Security trust funds. Each day, these taxes flow into 15,000 depository accounts maintained by the U.S. Government with various financial institutions across the country. They, along with the many other forms of tax revenues which the Government collects, then become part of the Government's operating cash pool. Airport and highway taxes, civil service retirement contributions, and many other forms of dedicated Federal receipts—all of

which have corresponding trust funds—are treated in exactly the same way. The trust funds themselves receive credit for the taxes when the Government receives them, through the posting of nonmarketable securities—really IOU's—to the fund. Basically, this is a proper bookkeeping entry made by the Treasury. Similarly, the benefits are not paid from the trust funds, but are paid from the General Treasury. As the checks are then issued, the securities posted to the trust funds are reduced by a corresponding amount—another proper bookkeeping entry. Simply stated, the Social Security trust funds are credited with IOU's when Social Security taxes are received by the Treasury, and those IOU's are taken back or debited when the Treasury makes expenditures to beneficiaries on the program's behalf.

What the trust fund securities do is represent spending authority for the program. As long as there is a balance posted to the trust fund account, the Treasury Department has the authority to continue to pay the program's bills. But the cash money itself—the resources needed to make actual cash payments—comes from tax receipts and from the public borrowing of the Government as a whole, through the U.S. Treasury.

What happens if more Social Security taxes are collected than are spent in any given month? Is the money then still in the Treasury? Nope—for once the taxes are received, they then become indistinguishable from other moneys paid into the Treasury and they are then used to pay whatever bills the Government owes. The fact that more money was received than was spent shows up as a higher balance—or a surplus, if you want to call it that—of securities on the trust fund ledgers. These IOU's represent a loan that the Government makes to itself—like giving one part of the Government—the Social Security system—a claim on other, future Government resources.

Thus, while the concept of trust funds and dedicated receipts seems to indicate there might be separate pots of money, the Federal Government really honestly does operate as one single financial entity. Revenues generated by any of the trust fund programs are not handled separately, invested separately, or managed separately. Their operations are only separated from other accounts by bookkeeping entries. When money slated for the trust funds reaches the Treasury, it is indistinguishable from all of the other receipts—and the Treasury Department, after properly crediting the various accounts, uses whatever funds are available to pay the country's bills. I do earnestly hope that this might make it clear that for a Federal account, the term trust fund

does not mean that the Federal Government is operating in a fiduciary or trustee capacity, it is merely a special account which is designated as is based in the law which was placed on the books originally.

This handling of Social Security's finances is not some new invention; the idea of collecting surplus Social Security taxes was heavily imbedded in the original Social Security Act which was enacted in 1935. Even then, the notion was that a large fund should be built up to help finance the future benefits. During the early 1940's, in fact, Social Security tax receipts were 6 or 7 times more than the program's expenditures. It was also the original Social Security Act which mandated that the excess Social Security receipts would flow only into the Treasury through the purchase of special issue U.S. Treasury bonds. This was to be a form of forced national savings which it was hoped would continue to stimulate the rapid growth of America's expanding economy. Unfortunately, the founders of Social Security could not have ever foreseen the twin economic and demographic forces that are driving the system today. If they had, they may well have designed some other instrument for investing of the Social Security tax receipts.

It may be helpful to consider an analogy, though I surely have no desire to confuse the issue further. Consider how a bank works. When you deposit cash in a bank, the cash does not just sit there in a safe deposit box while inflation eats away at its value. Instead, the bank credits your account with the deposit and then uses the actual cash to make interest-bearing loans and investments, which in turn increase the capital of the bank. Similarly, when you go to the bank to draw cash out of your account, you don't get back the same money you put it, you get the cash just deposited there by somebody else. That is just how the Social Security system operates—but with one important difference. That difference is that the bank loans the money out to investors or businesses who use it to generate capital and then pay it back to the bank with interest, so that the money is recycled. Social Security payments are not recycled—instead they are replaced in the Treasury bank by a constant stream of FICA tax revenues.

The second difference is that you cannot draw more money out of the bank than you have in there—without incurring a debt. Under Social Security however, most individuals draw out the entire amount of their contributions, plus interest, in under 6 years. Yet they can expect to continue to live and draw benefits for another dozen years. No bank could ever operate in that manner. However, the Social Security system has a sufficient number

of depositors to cover the excess outflow with their payroll tax deductions—but only for the time being.

As long as the FICA tax stream keeps pace with the benefit payment stream, the system will remain self-financing—however, in the year 2030, when the retired population is more than double what it is today, Social Security benefit obligations will start to exceed all FICA payroll tax receipts. That is when we will face some genuine difficulties. A huge—some say \$12 trillion—reserve of spending authority will likely have accumulated on Social Security's ledger sheets by then, and the Treasury will have to make good on those notes. The problem is that unless the Treasury bank is operating on a balanced budget by that time, it will simply not have the funds at hand to pay out. At that time, the Treasury will have to either increase its income—raise taxes—cut its spending, or do some combination of the above, in order to produce the necessary surplus cash to pay off Social Security obligations. That is just exactly how the system was designed at the very beginning.

In effect, whether or not Social Security is counted as part of the Federal budget, Social Security FICA taxes will continue to be deposited in the Federal Treasury and the trust funds will continue to receive credit for them as they are collected. This credit will then continue to give the Treasury Department authority to issue Social Security checks, even in years when FICA taxes do fall short of benefit obligations, because in such an event the Treasury will be able to draw on the large reserve of spending authority that has accumulated to the trust fund on its ledger sheets.

However, Congress must meet its duty to balance the budget before those reserves are needed, so that there will actually be cash on hand to honor those funds. Otherwise, the Government will simply have to raise that money from future workers. That is what those who speak about the future of the Social Security Program mean when they use words like "thievery" or "raiding" to describe the relationship between Social Security and the budget deficit. The only raiding that is being done is of benefits payable to future generations of Social Security recipients, and the only theft is in the lessening of living standards of future generations of workers—those will hopefully be around in the year 2030 and beyond—your kids and grandkids and mine. To stop the plundering, we need but to balance the budget. Many seem ready to do that, but judging from the mail I receive in my office, protesting even the most modest cuts in this or that program, I wonder whether the American people are really all that concerned about the fiscal integrity of Social Security over

the long term, or whether they have grown all too comfortable with living far beyond the Nation's means.

Mr. HARKIN. Mr. President, I rise in support of the Heinz amendment related to taking Social Security out of the unified budget and Gramm-Rudman-Hollings calculations.

I am looking for a sound means which I can recommend to provide at once security against the several disturbing factors in life—especially those which relate to unemployment and old age.

With those words, President Franklin Delano Roosevelt began the greatest and most successful program in our Nation's history, Social Security.

No single function of Government affects as many Americans as profoundly as Social Security does. Nearly 40 million retirees, disabled workers, their spouses, and children including over 518,000 Iowans, receive a Social Security check every month, and over 140 million Americans are insured in the event of death or disability. Social Security is the primary source of income for 70 percent of older Americans, and it is virtually the sole source of income for almost one in three older persons.

Mr. President, Social Security is a precious compact between the Government and the people. Yet, doubts have been raised about this compact because each day nearly \$200 million in Social Security funds are used to pay for things other than Social Security benefits, including bloated and outdated defense programs. In addition, Americans' trust in Social Security is being exploited to cover the true size of our Federal deficit. This year, the true deficit would be \$66.6 billion higher if the surplus which Social Security is running was not being counted in the Gramm-Rudman calculations.

Mr. President, Social Security did not cause the deficit. And Social Security should not continue to be used as a scapegoat to solve or mask the deficit. That is why we need to take prompt actions to protect Social Security and its beneficiaries by taking Social Security off budget. If we don't, next year another \$74 billion in Social Security funds will be used for purposes they were not intended.

Mr. President, we need to take a number of steps to strengthen and improve Social Security. This amendment should lead to a good first step and as such I urge my colleagues to support it. Older and disabled Americans deserve no less.

Mr. President, in conclusion, I want to also pay tribute to our distinguished colleague from New York, Senator MOYNIHAN, for his leadership in bringing this important issue to the forefront of national attention. He has done the Nation a great service.

VOTE ON AMENDMENT NO. 2024

The PRESIDING OFFICER. Under the previous order, the question now occurs on the amendment. The question is on agreeing to amendment No. 2024 offered by the Senator from Pennsylvania [Mr. HEINZ] to amendment No. 2023. The yeas and nays have been ordered and the clerk will call the roll.

The assistant legislative clerk called the roll.

Mr. SIMPSON. I announce that the Senator from New Hampshire [Mr. HUMPHREY] and the Senator from Delaware [Mr. ROTH] are necessarily absent.

The result was announced—yeas 96, nays 2, as follows:

[Rollcall Vote No. 117 Leg.]

YEAS—96

Adams	Ford	McColl
Akaka	Fowler	McClure
Baucus	Garn	McConnell
Bentsen	Glenn	Metzenbaum
Biden	Gore	Mikulski
Bingaman	Gorton	Mitchell
Bond	Graham	Moylanhan
Boren	Gramm	Murkowski
Boschwitz	Grassley	Nickles
Bradley	Harkin	Nunn
Brennan	Hatch	Packwood
Bryan	Hatfield	Paul
Bumpers	Hefflin	Pressler
Burdick	Heinz	Pryor
Burns	Helms	Raid
Byrd	Hollings	Riegle
Chafee	Houder	Robb
Coats	Jeffords	Rockefeller
Cochran	Johnston	Rudman
Cohen	Kassebaum	Sanford
Conrad	Kasten	Sarbanes
Cranston	Kennedy	Sasser
D'Amato	Kerry	Shelby
Danforth	Kerry	Simon
Daschle	Kohl	Simpson
DeConcini	Lanternberg	Specter
Dixon	Leahy	Stevens
Dodd	Levin	Symms
Dole	Lieberman	Thurmond
Domenici	Loft	Warner
Durenberger	Lugar	Wilson
Exon	Mark	Wirth

NAYS—2

Armstrong Wallop

NOT VOTING—2

Humphrey Roth

So the amendment (No. 2024) was agreed to.

Mr. MOYNIHAN. Mr. President, I move to reconsider the vote by which the amendment was agreed to.

Mr. CRANSTON. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

The PRESIDING OFFICER (Mr. KERRY). Under the previous order, the yeas and nays on amendment No. 2023 are vitiated.

The question is on agreeing to amendment No. 2023, as amended.

The amendment (No. 2023), as amended, was agreed to.

Mr. CRANSTON. Mr. President, I move to reconsider the vote by which the amendment was agreed to.

Mr. HEINZ. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

AMENDMENT NO. 2025

Mr. CRANSTON. Mr. President, I send an amendment to the desk on behalf of Senator INOUE and ask for its immediate consideration.

The PRESIDING OFFICER. The clerk will report.

The assistant legislative clerk read as follows:

The Senator from California [Mr. CRANSTON], for Mr. INOUE, proposes an amendment numbered 2025.

Mr. DOLE. 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:

At the appropriate place insert:

Section 109 of the Housing and Community Development Act of 1974 (42 U.S.C. 5309) is amended by adding at the end the following new subsection:

"(d) The provisions of this section and section 104(b)(2) which relate to discrimination on the basis of race shall not apply to the provision of assistance by grantees under this title to the Hawaiian Home Lands."

Mr. CRANSTON. Mr. President, for the information of Senators and their staffs, we will proceed to act upon the Inoue amendment immediately after we reconvene at 2:15. Following that, Senator GRAHAM of Florida has two amendments that he will be prepared to bring up. Other Senators with whom I spoke during this rollcall have indicated they will be ready on various amendments.

I urge all Senators and staff involved to try to get Senators to bring amendments to the floor this afternoon and early evening so we can dispose of as much of the business on this measure as possible. Senator MITCHELL hopes we can complete action on this bill without too great a time-consuming process. That should be possible provided negotiations with the administration work out on this measure.

I now yield the floor.

Mr. DOLE. Mr. President, is my leader time reserved?

The PRESIDING OFFICER. That is correct; the Senator has 10 minutes.

LTV CORP. DECISION

Mr. DOLE. Mr. President, yesterday the Supreme Court ruled 8 to 1 in Pension Benefit Guaranty Corporation versus the LTV Corporation that the PGBC may require LTV to reassume liability for more than \$2 billion in employee pension plan obligations that the company had stopped funding for some 100,000 workers and retirees.

I applaud this decision, for it sends a strong and clear message to employers that they can not escape their own plan funding obligations by declaring bankruptcy, shifting billions of dollars of liability to the Government, and

then going back into business and setting up new plans.

This case began 3 years ago when in 1987, LTV Corp.—having already declared bankruptcy—informed the PBGC that it could not and would not continue to fund its plans which had unfunded obligations of over \$2 billion. The PBGC, in order to protect the retirement incomes of LTV's workers, terminated the plans and assumed paying the guaranteed benefits.

LTV then established new so-called Follow-On pension plans for its union employees and retirees which were virtually identical to the terminated plans under which the PBGC was paying the unfunded obligations.

The simple result of this situation was that LTV was continuing benefits to its workers as if no plan termination had occurred while shifting over \$2 billion in unfunded pension costs to the Federal Government.

Mr. President, now that the Supreme Court has spoken, companies should be forewarned that the law requires them to fulfill their pension funding responsibilities and that such obligations can not be avoided by seeking protection under bankruptcy laws and then pretending as if nothing has happened. \$2.5 billion in unfunded liabilities to workers and retirees is a big deal and the Federal Government is not going to be the deep pocket bailing out billions and billions of dollars of liabilities when the employers who ran up those liabilities are able to pay them off themselves. We have seen and had enough of these kinds of problems with the savings and loan crisis.

This decision reaffirms that the PBGC is a safety net for the 40 million workers and retirees who rely on it and should not be viewed as the personal bank account of those seeking to subsidize unfunded pension liabilities. Retirees, the Federal Government and the American taxpayer can now rest a lot easier.

MISSILE DEFENSES: MEETING THE THREAT

Mr. DOLE. Mr. President, in March, I brought to the attention of my colleagues comments made by the President, during his trip to Lawrence Livermore Laboratory in California, on the subject of strategic defense. At the time, the President said, "in the 1990's, strategic defense makes much more sense than ever before. * * *

Yesterday, our distinguished colleague and ranking member on the Senate Armed Services Committee, Senator WARNER, makes a similar case in an editorial in the New York Times. His article, entitled, "We Still Need Missile Defenses," insightfully and thoroughly examines the need for missile defenses.

Citing the potential for political and military instability in the Soviet Union, Senator WARNER notes that strategic missile defenses enhance stability and deterrence by protecting our retaliatory forces, thus denying an attacker any certainty of achieving his objectives.

Moreover, he points out that defenses provide a hedge against cheating on arms control treaties.

But, Senator WARNER does not limit his analysis to the United States-Soviet strategic relationship. He broadens the discussion by reminding us that there are many countries that now possess missiles that threaten the interests of not only the United States, but those of our friends, as well. As he points out, missile defenses in the United States and within the borders of our allies would greatly deter the use of ballistic missiles.

Mr. President, I commend Senator WARNER for his penetrating analysis and forward-looking thinking on U.S. defense and national security matters. It seems to me that many in this body focus only on dollar levels. Few are thinking about future threats to our security and how to meet them. Nevertheless, Senator WARNER continues to demonstrate leadership on defense matters. I hope that all of my colleagues will read and seriously consider the case thoughtfully made by Senator WARNER.

Mr. President, I ask unanimous consent that Senator WARNER's article be printed in the Record.

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

[From the New York Times, June 18, 1990]

WE STILL NEED MISSILE DEFENSES

(By John Warner)

WASHINGTON.—Have the dramatic changes in Eastern Europe and the Soviet Union undermined the need for continued research on ballistic missile defenses? Absolutely not. If anything, the ease for some type of missile defenses is more compelling today than at any time since the advent of nuclear weapons and ballistic missiles.

We must remain prepared to deal with political and military instability. The Soviet Union is increasingly fraught with nationalist and ethnic unrest, and its economy cannot fulfill the basic needs of the people. Mr. Gorbachev's viability is questioned because of the seemingly indomitable problems facing his nation.

The Soviet Union still possesses a formidable military capability. Most notable is its strategic offensive and defensive nuclear force modernization program. Soviet ballistic missile defense around Moscow—the world's only such system—are being upgraded.

Consequently, our nuclear deterrent must remain, in both perception and reality, uncontested to any foreign power. And we must consider the enormous benefits of a strategic missile defense.

Even as arms control negotiations move toward reducing the overall levels of strategic delivery systems, our existing strategic

defenses—such as air defenses, early-warning and surveillance and intelligence—are clearly seen by other countries as stabilizing and unthreatening. Missile defenses will enhance this stability by assuring that our perhaps more vulnerable retaliatory forces are protected and by denying an attacker any certainty of achieving his objectives.

They also provide a hedge against cheating on arms control treaties. Indeed, effective missile defenses actually promote strategic arms control objectives by reducing the military value of multiple-warhead missiles. They also provide incentives for the Soviet Union to move to a less threatening force of single-warhead, land-based missiles.

In addition, there are many countries that now possess missiles that threaten the interests of the U.S. and its friends. Many of these missiles are capable of reaching allies like Israel and can be equipped with chemical or biological warheads, and soon even nuclear weapons.

Today, the number of developing countries possessing ballistic missiles with a range of less than 1,000 miles—such as Iraq and Syria—has increased substantially. William Webster, Director of the Central Intelligence Agency, recently informed Congress that, by the year 2000, at least six third-world countries will have ballistic missiles with ranges of up to 1,800 miles, and three of them may develop ballistic missiles with a range of 3,400 miles.

Missile defenses in the U.S. and within the borders of our allies would greatly deter long-range ballistic missile use. Tactical ballistic missile defenses deployed by our allies would enhance deterrence and stability.

On a recent trip to California, I had a firsthand look at the Strategic Defense Initiative. The question is no longer whether the country has the technical ability to build cost-effective missile defenses; it is clear we do. Rather, we must now ask what role missile defenses will have in our national strategy.

As in the air defense debate in England during the 1930's, we must now ask: Does America want to be defended, and if so, with what systems? For England, the outcome of that debate was pivotal. It was England's advanced air defense systems that saved it in the summer of 1940.

It is worth remembering the words of Winston Churchill at the peak of the air defense debate: "I think it would be a great mistake to neglect the scientific side of purely defensive action against aircraft attack. Certainly, nothing is more necessary, not only to this country, but to all peace-loving . . . powers in the world . . . than that the good old earth should acquire some means of destroying the sky marauder."

Today, the marauder is ballistic missiles. I am convinced that we must now, more than ever before, plan for the inclusion of missile defenses in our national security strategy.

MORNING BUSINESS

Mr. MITCHELL. Mr. President, I ask unanimous consent that there now be a period for morning business, and that I be recognized to address the Senate for not to exceed 15 minutes.

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

THE BILL OF RIGHTS

Mr. MITCHELL. Mr. President, last year, I supported and voted for a law to protect the flag. I believed then and believe now that this was the appropriate response to a flag burning that occurred in 1984.

Last week, by the narrow one-vote margin of 5 to 4, the Supreme Court ruled that the law violates the freedom of speech provision of the first amendment to the Constitution.

I disagree with the five Justices who formed the majority in this case. I think they were wrong. I agree with the four who voted to uphold the constitutionality of the law. But, under our system, once the Supreme Court has ruled, that ruling is the law of the land. So even though I disagree with the Court's ruling, I accept it.

The question now is whether we should override the Court's decision by amending the Constitution.

I oppose and condemn the burning of the flag. I find it offensive and obnoxious. I am proud to be an American, proud of our flag. But I do not support changing the Constitution. We can support the American flag without changing the American Constitution.

The first 10 amendments to the Constitution have come to be known as the Bill of Rights. They were adopted as part of the Constitution because the States insisted that before a new and powerful Federal Government could be created, there had to be clear and controlling limits on the power of that Federal Government against individual citizens.

The Bill of Rights secures the liberty of the individual by limiting the power of Government.

Across the whole sweep of human history, there is no better, clearer, more concise, more eloquent or effective statement of the right of citizens to be free of the dictates of Government than the American Bill of Rights.

For 200 years it has protected the liberties of generations of Americans. During that time, the Bill of Rights has never been changed or amended. Not once. Ever. The Bill of Rights stands today, word for word, exactly as it did when adopted 200 years ago.

Of the 10 amendments which make up the Bill of Rights, none is more important than the first. In this debate, its relevant words are few, direct, and clear.

Congress shall make no law . . . abridging the freedom of speech. . . .

Let me repeat those words:

Congress shall make no law . . . abridging the right of freedom of speech. . . .

Never in 200 years has the first amendment been changed or amended. As a result, never in 200 years has Congress been able to make a law abridging the freedom of speech.

Now we are asked to change that, for the first time. We are asked to give Congress and the States the power to do that which, for 200 years, the Bill of Rights has prevented them from doing.

We are asked to permit Congress, or any State, to make a law that would abridge freedom of speech, as defined by the Supreme Court.

Even though, as I have already said, I disagree with the Court, I do not believe we should amend the Bill of Rights. I do not believe we should ever, under any circumstances, for any reason, amend the Bill of Rights. The Bill of Rights is so effective in protecting individual liberty of Americans precisely because of its unchanging nature. Once that is unraveled, its effectiveness will be forever diminished.

If the Constitution is amended to prohibit the burning of a flag, where do we stop?

The principal supporter of this amendment is President Bush. I ask the President to answer this question for the American people:

If someone burns the Constitution, would President Bush propose an amendment to the Constitution to prohibit that? If not, does that mean he has less respect for the Constitution than he does for the flag?

If his answer is yes, then where does he draw the line? How about the Declaration of Independence?

The point is that once the Bill of Rights is changed or amended, no line can be drawn. That is why it should not be changed or amended.

We Americans revere the flag. We also revere the Constitution and Bill of Rights. We need not choose between them.

For a free people, the fight against an enemy army demands sacrifice and courage. That is difficult and demanding. It is also difficult and demanding in time of peace to live up to our own high ideals.

It is not difficult for Americans or anyone else to tolerate differences and eccentricities. They are all around us. But defending the freedom of those who would deny it to others—that is difficult.

Perhaps that is why no other nation today tries, or has ever tried, to live by a standard as high and as demanding as the American Bill of Rights. Every nation has a government. Every nation has a flag. Only the United States of America has a Bill of Rights.

We Americans do try to live by the Bill of Rights. We have chosen not to take the easy way out. We have chosen not to try to silence those who are wrong, but rather to challenge them with the truth.

That way has served us well. It has preserved our liberties for two centuries.

We will celebrate the 200th anniversary of the Bill of Rights next year. We will remind ourselves, and the world, that the greatest protector of liberty is the truth.

We have religious liberty in America because we reject any government-sanctioned religion. We believe each American will find God by his or her own path, through his or her own church.

We have political liberty in America because we reject any government-imposed political doctrine. We believe each American will find and defend his or her own political views.

We have personal freedom in America because we reject any government-dictated patriotism. We believe each American will freely discover in his or her own heart the love of country and pride in our Nation that has made so many Americans willing to defend it at the cost of blood and life itself for two centuries.

Our Founding Fathers had more confidence in their fellow Americans and more faith in their children than some of our current leaders. They knew better than to have the Government dictate what politics are right or wrong.

For 200 years, the Bill of Rights has protected the liberties of Americans through economic turmoil, civil war, political strife, social upheaval, and international tension. Despite the worst that fate and our enemies have hurled at us, we have never found it necessary to change the fundamental principles on which our Government was founded and by which our freedom is secured.

Principles which have stood that test of time should not be discarded or tampered with.

It will be a sad, tragic irony if a few obnoxious publicity seekers, who appear to hate America, achieve their victory by stampeding those who love America to take the unwise action of changing the Bill of Rights for the first time in American history. I love America and the American flag and the American Bill of Rights too much to let that happen without a fight.

Mr. CRANSTON addressed the Chair.

The PRESIDING OFFICER. The Senator from California.

APPLAUDING THE MAJORITY LEADER

Mr. CRANSTON. I applaud the majority leader on a superb statement on what America is all about and what the Bill of Rights and the Constitution are all about. This is exactly the sort of leadership we counted upon receiving from GEORGE MITCHELL when we elected him majority leader of the Senate. I am proud that we did so, and I am very proud that he made that

very thoughtful and very profound statement.

The flag stands for the Constitution and the Bill of Rights. It is getting things upside down to defend the flag and undermine the Bill of Rights, as the Dole amendment would do. I have talked to every Member of the Senate who is either against the amendment or is uncertain, and I am increasingly confident that the leadership provided by GEORGE MITCHELL will prevail and that the Dole amendment will be defeated. It is certainly what should happen in the Senate and in this country.

THE CITADEL'S 1990 BATTLING BULLDOGS

Mr. HOLLINGS. Mr. President, The Citadel's baseball Bulldogs are a team traditionally noted for their high spirits and low budgets. At the outset of this year's college season, the sports pundits picked The Citadel to finish a humble seventh in the Southern Conference.

As it turned out, the pundits went to sleep, and the Bulldogs dared to dream. They dreamed their way through a 26-game winning streak and the Southern Conference championship. They dreamed their way to the Atlantic Regional championship in Miami. And, earlier this month, they dreamed their way into the College World Series in Omaha—the only military school ever to make it to the final eight.

Of course, what got The Citadel's team to Omaha was not dreaming but determination and grit—plus superb coaching by Chal Port. Southerners say that what matters is not the size of the dog in the fight but the size of the fight in the dog. These particular 'Dogs ekked and scrapped and fought with an inspired abandon. Their reverie was cut short by Louisiana State in the College World Series, but the dream lives.

We will never forget the skill and heart and pride of the 1990 Citadel Bulldogs. Probably LSU's Coach Skip Bertman put it best when he said of the Bulldogs, "They're America's team—touched by Abner Doubleday himself. A real field of dreams."

Mr. President, I salute The Citadel Bulldogs for their tremendous season, and I request that the team roster be printed in the RECORD followed by an article "Who'd a thunk it?" from the Charleston News and Courier.

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

1990 THE CITADEL BULLDOGS

- No.—Name, Position, Hometown.
 1—Phillip Tobin, SS, Charleston, S.C.
 2—Larry Hutto, C, Hampton, S.C.
 3—Dan McDonnell, 2B, Port Chester, N.Y.
 4—Jason Rychelle, OF, Spartanburg, S.C.
 6—Tony Skole, 3B, Roswell, Ga.
 7—Mike Branham, OF, Charleston, S.C.

- 8—Derrick Rogers, C, Hertford, N.C.
 9—Gettys Glaze, P, Charleston, S.C.
 10—Anthony Jenkins, OF, Ladson, S.C.
 11—Chris Coker, 1B, Bamberg, S.C.
 12—Scott Elvington, INF, Spartanburg, S.C.
 13—Mike Black, OF, Matthews, N.C.
 14—Richard Shlirer, P, Orangeburg, S.C.
 15—Hank Kraft, P, Chesapeake, Va.
 16—Kevin McGarvey, P, St. Simons Island, Ga.
 18—Cornell Caldwell, OF, Charlotte, N.C.
 19—Vic Correll, INF, Nashville, Va.
 20—Bart Mays, INF, P, Collinsville, Va.
 21—Steve Basch, P, Lansing, Mich.
 22—Brad Stowell, P, Jacksonville, Fla.
 23—Billy Baker, P, 1B, Charleston, S.C.
 24—Ken Britt, P, OF, Blythewood, S.C.
 Eddie Graham, MGR, Austin, TX.
 30—Chal Port—Head Coach.
 17—Tom Hatley—Assistant Coach.
 5—Ken Creehan—Assistant Coach.

WHO'D A THUNK IT—IMPROBABLE CAST CARRIES CITADEL TO GLORY

(By Ken Burger)

In the beginning, back in January, when they gathered to practice in warmup suits and on some days could see their breath as they zipped the ball around the infield and the aluminum bats were cold to the touch, nobody gave it much thought.

Nor did early February send any signs. The season started as most do, lost somewhere between the end of football and the crescendo of basketball. They were winning a few games, there even appeared to be a pattern. But nobody really gave it much thought.

In fact no one, not even their coach, thought the 1990 Citadel baseball team would be much different from those that had come before. They were picked to finish sixth in the eight-member Southern Conference where only seven schools play baseball.

So who'd a thunk it?

That this band of unlikely heroes would somehow put it all together and battle their way to the College World Series. Certainly not the media. Certainly not coach Chal Port, who gave his usual preseason assessment of rebuilding. Probably not even the players, a group of 35 cadets with only seven seniors on the roster, almost all of whom are from South Carolina or neighboring towns in Georgia and North Carolina.

They would go through their season, do their best, enjoy the camaraderie and be able to tell their sons about playing baseball at The Citadel many years from now.

Nobody knew. Really, nobody knew.

It wasn't until late February, maybe early March, when their headlines starting getting a little larger, moving to the front page of the sports section. Bulldogs win 10th straight. Bulldogs win 12th straight. Bulldogs extend win streak.

Soon the television stations were showing up at College Park to get snippets of the moment for the evening news. Win streaks are fun to follow. They give people something to talk about over lunch. How 'bout those Bulldogs?

And then the streak got serious. As they approached the school record, still winning, the pressure started building. Seventeen. Eighteen. Nineteen straight. The school record was 22 straight. Now people were paying attention.

And they broke it, eventually winning 26 straight before losing to Kent State. The ride was over. The TV cameras didn't come back for a while. The team went into a mild

slump, apparently returning to reality. Everybody could relax.

But the slump didn't last. The Bulldogs started winning again. This time with a little less hoopla. And by the end of the season they won the Southern Conference regular-season title going away. No contest. Interesting. And to make things more interesting, the conference tournament was coming to Charleston for the first time. The pressure was on again.

By this time, however, the warm spring breezes of April found a Citadel team that had genuinely come into its own. They were loose. They were having fun. They had nothing to lose. And they didn't.

They dominated the tournament, won four straight, and earned the right to travel to Miami for the Atlantic Regional. Everybody thought it would be a nice trip for the boys who had played so hard. Nobody thought they had a chance.

But they did it again. Against unbelievable odds, they beat North Carolina State, East Carolina and the dreaded Miami Hurricanes twice to steal the regional crown and a trip to Omaha, Nebr., for the College World Series.

So who'd a thunk it?

Nobody was more surprised by this time than Port, a veteran of 26 years of coaching Citadel baseball teams. He had seen teams with more potential go south. He had seen some with less do well. But he had never had a group like this.

By now the city of Charleston and the Palmetto State were getting a little giddy about this club. The Citadel, yes, The Citadel was in the College World Series. What a trip. What a story. Everybody thought it was great. Nobody thought they had a chance.

And when they arrived in the Midwest, they didn't. Not really. The other teams were loaded. Real contenders. The Bulldogs were just an aberration, a novelty. The only military school to ever make it to the final eight. Everybody talked about how they had to march and what great manners the boys had and how Port was one of the funniest, most entertaining coaches around.

They lost their first game to Louisiana State, 8-2. People thought, that's OK, at least they made it this far. Nobody expected them to do anything. Anyway, one more loss and they're gone. They made a good showing. Got on ESPN.

Then they played the game of their lives. Trailing Cal State-Fullerton 4-1 going into the seventh inning, they rallied. Port did some of his magic coaching and strained every ounce of talent and ability out of his team. They won, 9-7, in a 12-inning drama that few will forget.

So they had done it. They had at least won a game in Omaha, proving they belonged, that they weren't a fluke. One more loss and they'd be coming home.

It came the next night, against LSU, again. This time it was 6-1, a loss relayed back to the fans by radio because ESPN couldn't show it live due to its major-league obligations. It was probably better that way. Hearing it was less painful than watching it.

And at 4:07 p.m. the next day, they touched down in Charleston. The end of a long odyssey. The season that couldn't have been, had been. They became and remain the most unlikely and humble of heroes.

For through their efforts they gave us all something to cheer for, and gave themselves something to remember forever. It was one of those things that wasn't supposed to happen, but it did. And those are the best kind.

Who'd a thunk it?

CONTINUING CONFLICT ON CYPRUS

Mr. KENNEDY. Mr. President, it is regrettable that while so many conflicts around the world are being peacefully resolved, the nation of Cyprus remains divided as Turkish troops continue to occupy the northern part of the island, as they have since the invasion of 1974.

Earlier this month, I had the opportunity to meet with the Secretary General of the United Nations, Javier Perez de Cuellar, and the newly elected Prime Minister of Greece, Constantine Mitsotakis—two statesmen who share a strong commitment to the peaceful resolution of the situation on Cyprus.

The Secretary General is continuing his tireless efforts on behalf of Cyprus, despite the Turkish Cypriots' insistence on obstructing the path to peace. Earlier this year, the leader of the Turkish Cypriots, Rauf Denktash, demanded that the Secretary General and President Vassiliou recognize his Northern Republic of Cyprus. As a result, the talks which the Secretary General had planned for late February broke down before they began. During his recent visit, the Secretary General said that he will soon resume his efforts to bring the two sides together, and it is my hope that this time his efforts will be successful.

I also believe it is imperative that President Bush and Secretary Baker make Cyprus a higher priority for the administration as part of the ongoing effort to resolve the stalemate.

In addition, I was encouraged by Prime Minister Mitsotakis' commitment to a peaceful resolution of the conflict. During our recent meeting, he spoke of his desire to improve relations with Turkey. But he is concerned, as many of us are, that despite the good faith efforts of the Secretary General and President Vassiliou, the situation remains unresolved.

It is my hope that the Turkish Government will use this opportunity to improve relations with Greece and help resolve this conflict, so that the people of Cyprus can begin a healing process that will permit future generations on Cyprus to live in peace and prosperity.

TERRY ANDERSON

Mr. MOYNIHAN. Mr. President, I rise to inform my colleagues that today marks the 1,921st day that Terry Anderson has been held in captivity in Beirut.

AN ECONO-POLITICAL SATIRE AFTER THE STYLE OF WILLIAM SHAKESPEARE

Mr. BYRD. Mr. President, parody and satire are among the cleverest and most challenging forms of humor.

For this week's issue of Business Week, however, Alan S. Blinder, the Gordon S. Rentschler Memorial Professor of Economics at Princeton University, has composed a satirical parody that combines elements of classical Shakespearean forms with contemporary issues in an unusually brilliant, insightful, and amusing fashion.

I would like to share this piece from the June 18, 1990, issue of Business Week with our colleagues. Therefore, I ask unanimous consent that it be printed in the RECORD.

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

[From Business Week, June 18, 1990]

O! THAT THIS TOO, TOO SOLID DEFICIT
WOULD MELT!

(By Alan S. Blinder)

A few nights ago, George Bush was heard wandering through the White House in the wee hours, brooding.

To tax or not to tax—that is the question. Whether 'tis nobler in the mind to suffer The slings and arrows of outrageous political misfortune

Or to face up to a sea of deficits, And by taxation end them.

To tax, to spend no more, And by a rosy scenario to say we end The structural deficit and the thousand natural shocks

The budget is helr to. 'Tis a consummation Devoutly to be wished.

To tax, to spend, the peace dividend Perchance to dream.

Aye, there's the rub.

For in that dream of peace what budget surpluses may come

When we have whittled down the Pentagon's coin

Must give us pause. There's the hope That may avert calamity in my term.

For who would bear the whips and scorns of dying S&Ls,

The infrastructure's crumble, The Democrats' obscene gloating,

The pangs of high interest rates,

The insolence of reporters,

And the insults that such a man of merit must endure

When he himself might his exit take with a fair Boskin?

Who would bear such burdens, To grunt and sweat before Congress,

But that the dread of raising taxes in an election year,

That electoral abyss from which no politician returns,

Paralyzes the will,

And makes us rather bear the deficits we have

Than fly to perils we know not of?

Pollsters do make cowards of us all.

Thus the vision thing is sickled o'er with the pale cast of doubt.

And events of great pitch and moment Pass us by in East Europe and at home As we brood upon this thought

And lose the capacity to act.

Soft you now! The fair Darman! Keeper of the budget.
Reader of the lips.

DARMAN. My lord, I have a T-word for you that Congress has long longed to deliver. I pray you now receive it.

BUSH. No. I never gave you license.

DARMAN. My honored lord, you know right well you did. And when thou disavowed sweet Sununu's words, it egged those evil legislators on.

BUSH. Ha! Are you honest? Are you fair?

DARMAN. What means your lordship?

BUSH. That if you be honest and fair, your honesty would not be so questioned in the Congress.

DARMAN. Would my revenue projections have won your heart were they more modest? Would my interest-rate assumptions have brought you cheer were they less bold?

BUSH. Not likely, good Darman. Alas, we stayed the clock, but now time gives our budget disproof. You read my lips.

DARMAN. Indeed, my lord, you made me.

BUSH. You should not have believed me, for virtuous hope cannot inoculate a budget from outrageous reality. I do not scorn the T-word now.

DARMAN. I was the more deceived.

BUSH. Get thee to Capitol Hill. Bring me back great Gramm, righteous Rudman, and hardy Hollings. I am myself an honest man, but my budget is accused of such things that dear Dole and duped Dukakis didst suffer at the polls. I am proud, revengeful, and with more budget schemes at my beck than I have accounting gimmicks to give them shape. The people know we are errant knaves all. They believe none of us. So go thy way to the Hill and bring to tria here. We'll have Gramm-Rudman III before the dawn.

(Darman returns an hour later with Gramm, Rudman, and Hollings.)

GRH. Double, double, toil and trouble, Fire burn, and cauldron bubble. Eye of Newt and toe of foal, Wing of Quayle and tongue of Dole. Silvered in the moon's eclipse, Right-wing Turks and well-read lips.

BUSH (startled). Who goes there?

DARMAN. 'Tis the trio, sir, from the Hill.

BUSH. Good men all. Twice before your magic pens have the budget crisis staved, with lofty aims and loopholes well hid. Will thou cook up one more brew to get me through 1992?

GRAMM AND RUDMAN. Aye!

HOLLINGS. Nay!

BUSH. Partisan fiend! Return this last to the Hill, there to slave 'til Democrats this White House regain—if 'ere they do! I'll repair with great Gramm and righteous Rudman and labor 'til morrow. At dawn's first light, we'll see who has the upper hand.

THE CONFLICT IN KASHMIR

Mr. WILSON. Mr. President, recent tensions in the State of Jammu and Kashmir have once again brought India and Pakistan to the threshold of war. Riots have broken out, curfews have been imposed, and death tolls continue to mount on both sides. While the leaders of India and Pakistan have both indicated a desire to end the violence, peace in this region seems ever more remote.

The tiny State of Jammu and Kashmir, bounded on the west by Afghan-

stan and Pakistan, and on the east by China, remains the seat of a conflict regional in its dimensions but potentially international in scope. Since 1947, disputes over Jammu and Kashmir have already caused two wars between India and Pakistan. But another Indo-Pakistani battle could escalate into a world tragedy because both countries now possess lethal technological weapons.

It is highly unfortunate that this issue has rekindled animosities between two democratically elected governments in the strategic southern cone of Asia.

Continued violence and stalemate in Jammu and Kashmir can only undermine the stability of each nation—one trying to solve its own internal ethnic disputes, and the other struggling to move out from under the shadow of dictatorship.

Although recent history would discourage us from hoping for a peaceful resolution of the Jammu and Kashmir problem, the United States cannot afford to sacrifice hope or consign the innocent civilians of this region to a fate of protracted war.

Our diplomats must seize upon the glimmers of hope that have emerged and try to transform them into enduring commitments between India and Pakistan.

Both sides have already stated that they do not want war if they can avoid it.

Both sides have already proposed democratic solutions for Jammu and Kashmir that while different in form, are similar in principle.

Both sides have already denounced extremists who would murder their way into power.

And most importantly, Mr. President, both sides have compelling interests in achieving a settlement of this crisis without taking up arms against each other.

America, in this case, must become the radical defender and ambassador of peace. We cannot impose specific solutions from afar or meddle in affairs that only the Indians, Pakistanis, and Kashmiris themselves can ultimately settle. Yet America's moral and political responsibilities compel our Nation—which has assisted in restoring stability and prosperity to tormented regions all over the world—to do nothing less for the people of Jammu and Kashmir.

The PRESIDING OFFICER. The Chair reminds the Senate that under the previous order the Senate was due to recess.

EXTENSION OF MORNING BUSINESS

Mr. MITCHELL. Mr. President, I ask unanimous consent that the period for morning business be extended so that Senator DeCONCINI

may address the Senate for 3 minutes. And does the Senator from Oklahoma wish to address the Senate?

Mr. NICKLES. Yes.

Mr. MITCHELL. And that Senator NICKLES address the Senate for 5 minutes, and that following the completion of their remarks, the Senate stand in recess.

Mr. DeCONCINI addressed the Chair.

The PRESIDING OFFICER. The Senator from Arizona is recognized.

Mr. DeCONCINI. I thank the Chair.

(The remarks of Mr. DeCONCINI pertaining to the submission of Senate Concurrent Resolution 139 are located in today's RECORD under "Submission of Concurrent and Senate Resolutions.")

Mr. NICKLES addressed the Chair.

The PRESIDING OFFICER. The Senator from Oklahoma is recognized.

THE FLAG AMENDMENT

Mr. NICKLES. Mr. President, I wish to respond to the majority leader. He made a forceful and thoughtful statement in opposition to Senator Dole's constitutional amendment dealing with protecting the flag. I want to respond in just a couple of short minutes.

One, I do think I hear strong opposition to Senator Dole's amendment, both by Senator CRANSTON of California, and the majority leader, Senator MITCHELL, but I have a real feeling that the problem deals not so much with the constitutional amendment; the problem deals with the Supreme Court ruling. I think that was a mistake. By a 5-to-4 decision, the Supreme Court threw out over 200 years of tradition and history that we have in this country. By a 5-4 decision, the Supreme Court totally ignored the 10th amendment to the Constitution, in my opinion, which is part of the sacred Bill of Rights.

As a matter of fact, in my opinion, I think the 10th amendment is probably the most ignored amendment to the Constitution. Certainly, the first amendment is very important: freedom of religion, freedom of the press, freedom of assembly, freedom of speech. For 200 years, our forefathers did not interpret that amendment to protect a person and say, well, yes, you have the freedom to burn the flag, the freedom to grab spray paint and paint the walls on the national monuments or on the Nation's Capitol. There are some restrictions. I do not see those actions as being speech.

I do not think our forefathers would envision the first amendment being interpreted so broadly as to protect such actions.

Finally, I call the attention of my colleagues to the 10th amendment. It says the powers not delegated to the

United States by the Constitution, nor prohibited by the States are reserved to the States respectively, or to the people, to the people, to the States and to the people. Forty-eight States have laws restricting burning or desecrating the flag, which the Supreme Court ignored. They had thrown that out. The Supreme Court by a 5 to 4 decision made a mistake. That needs to be overturned.

I also tell my colleagues that it is my preference that the Supreme Court would change their mind. They overruled the State statutes prohibiting desecration of the flag. So we passed a national law, and they overruled that as well, by the same 5 to 4 decision.

So what is our recourse? Our only recourse now is a constitutional amendment. My preference would be that the Supreme Court would reverse itself. That would probably only happen when we have the change in the makeup or membership of the Supreme Court, I hope that happens. I hope that we can have a more realistic Supreme Court that will read not only the first amendment, but also read the 10th amendment and read the other rights: "All other rights and powers not delegated by the Constitution to the Federal Government are reserved to the States and to the people," and that certainly includes protecting our national flag. Let us allow the States to make these kinds of decisions.

They have done it well. Was the national liberty in jeopardy for 200 years when the States were protecting the flag? I think not. I think five members of the Supreme Court made a serious mistake. I think we need to address that mistake. The only recourse for the time being is to change the Constitution and pass a constitutional amendment. My ultimate hope is that we change the makeup and membership of the Supreme Court which will happen and they will reverse this ruling.

Mr. President, I yield the floor.

RECESS UNTIL 2:15 P.M.

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

Thereupon, the Senate, at 12:49 p.m., recessed until 2:15 p.m.; whereupon, the Senate reassembled when called to order by the Presiding Officer [Mr. SANFORD].

The PRESIDING OFFICER. As a Senator from the State of North Carolina, I suggest the absence of a quorum.

The clerk will call the roll.

The assistant legislative clerk proceeded to call the roll.

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

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

NATIONAL AFFORDABLE HOUSING ACT

The Senate continued with the consideration of the bill.

Mr. INOUE. Mr. President, what is the pending business?

AMENDMENT NO. 2025

The PRESIDING OFFICER. The pending business is amendment No. 2025 by Mr. CRANSTON for Mr. INOUE to the National Affordable Housing Act.

Mr. INOUE. Mr. President, I am pleased to advise my colleagues that this matter has been cleared by both managers and it is scheduled to become part of the management technical amendments package. Accordingly, I ask for its immediate consideration.

The PRESIDING OFFICER. Is there further debate?

If not, the question is on agreeing to the amendment.

The amendment (No. 2025) was agreed to.

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

The PRESIDING OFFICER. The clerk will call the roll.

The assistant legislative clerk proceeded to call the roll.

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

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

AMENDMENT NO. 2026

Mr. GRAHAM. Mr. President, I send an amendment to the desk and ask for its immediate consideration.

The PRESIDING OFFICER. The clerk will report.

The assistant legislative clerk read as follows:

The Senator from Florida [Mr. GRAHAM] proposes an amendment numbered 2026.

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

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

The amendment is as follows:

At the appropriate place in the bill insert the following:

"In determining the Performance Funding System utility subsidy for public housing agencies, the Secretary shall include a cooling degree day adjustment factor. The method by which a cooling degree day adjustment factor is included shall be identical to the method by which the heating degree day adjustment factor is included."

Mr. GRAHAM. Mr. President, one of the provisions in the current public housing authority responsibility of the Department of HUD is to provide those PHA's with an annual operating subsidy. This is intended to be the difference between what the authority

collects in terms of rents and the cost of operating the property.

Part of the formula for calculating that differential relates to utility costs. For some time, the formula utilized by the Department has recognized the unusual occurrences of severe winter days, freeze conditions, by authorizing a heating degree adjustment factor which essentially allows for an adjustment for the additional costs which a public housing authority would undertake because of unusually severe winter type conditions. There is, however, no commensurate recognition of the severity that may occur during the times of drought and extreme heat which we have had in the last few years.

We have all seen scenes of these persons, particularly elderly persons and the very young, who have been dramatically adversely affected as a result of that. That also has an adverse effect in terms of the economics of operating many of the public housing authority properties.

So the amendment that I have submitted would direct HUD to develop an appropriate cooling degree day adjustment factor in the same way that we currently have a heating degree day adjustment factor. It would recognize a legitimate cost which is borne by public housing authorities in virtually every area of the country which has been subject to the severe heat of recent years. I believe it would bring both economic rationality and fairness in terms of the Federal Government meeting its obligation on an equal basis to public housing authorities in America.

I urge the favorable consideration of the amendment.

Mr. D'AMATO. Mr. President, will the Senator yield for a question?

Mr. GRAHAM. Yes.

Mr. D'AMATO. My inclination is to accept the amendment. I am going to ask if my distinguished colleague would not give us an opportunity to check what the cost impact would be. But possibly he could answer that. Does the Senator have any idea of what the implication in terms of costs would be?

Mr. GRAHAM. The answer is "No." The reason for that is because this is essentially a grant of authority directive to the Secretary to develop a formula for the definition and the application of the cooling days adjustment. And so you would have to know what the Secretary's construct was before you could then calculate what its economic impact would be. If you did as as I believe was done when the heating factor was introduced, and that is if you did not increase the total amount of funds, it would be a matter of redistributing within an existing formula that attempts to assess costs to public housing authorities for their utility

bills across on a national basis. It would add another factor in to the formula through which the funds were allocated and distributed.

But I cannot answer the question. I think it is obviously a legitimate but unanswerable question until the Secretary devises his particular means of implementing the directive.

Mr. D'AMATO. If the amendment were to be passed, would the Secretary be required to then, after he conducts his analysis to implement this cooling days program, would that be mandated?

Mr. GRAHAM. The amendment would require, determining the performance funding system, which is the system under which the operating subsidies are paid, the Secretary shall include a cooling degree day adjustment factor; and that that factor shall be identical to the method by which the heating degree day adjustment factor is currently included. That is in essence what the amendment says.

Mr. D'AMATO. It would seem to me, given the fact that we do this as it relates to heating, certainly as it relates to the additional cost, the burden that obviously does occur, that we are really talking about a reallocation of funds within the system without there being additional funds.

I would ask the Senator if he would not, before we move on to his other amendment, lay this aside. I do not think that I am going to object—and I possibly could accept it—but I would like to have an opportunity to check with the administration to see if they do have any objection to it.

Mr. CRANSTON. Mr. President, I will just add that the amendment is acceptable from my point of view. If it can be worked out to the satisfaction of Senator D'AMATO, then we accept it.

Mr. GRAHAM. Mr. President, I ask unanimous consent to lay this amendment aside pending the consideration of the next amendment.

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

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

The PRESIDING OFFICER. The clerk will call the roll.

The assistant legislative clerk proceeded to call the roll.

Mr. WALLOP. 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. WALLOP. Mr. President, I ask unanimous consent that the pending business, which I believe to be the amendment of the Senator from Florida, be set aside.

The PRESIDING OFFICER. That amendment has been laid aside.

AMENDMENT NO. 2027

(Purpose: To modernize United States circulating coin designs, of which one reverse will have a theme of the Bicentennial of the Constitution)

Mr. WALLOP. Mr. President, I send an amendment to the desk and ask for its immediate consideration.

The PRESIDING OFFICER. The clerk will report.

The assistant legislative clerk read as follows:

The Senator from Wyoming [Mr. WALLOP] proposes an amendment numbered 2027.

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

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

The amendment is as follows:

At the end, add the following:

SECTION 1. DENOMINATIONS, SPECIFICATIONS, AND DESIGN OF COINS.

Subsection (d)(1) of section 5112 of title 31, United States Code, is amended by striking the fourth sentence.

SEC. 2. DESIGN CHANGES REQUIRED FOR CERTAIN COINS.

Subsection (d) of section 5112 of title 31, United States Code, is amended by adding at the end the following new paragraph:

"(3) The design on the reverse side of the half dollar, quarter dollar, dime coin, 5-cent coin and one-cent coin shall be selected for redesigning. One or more coins may be selected for redesign at the same time, but the first redesigned coin shall have a design commemorating the two hundredth anniversary of the United States Constitution for a period of 2 years after issuance. After than 2-year period, the bicentennial coin shall have its design changed in accordance with the provisions of this subsection. Such selection, and the minting and issuance of the first selected coin shall be made not later than 1 year after the date of the enactment of this paragraph. All such redesigned coins shall conform with the inscription requirements set forth in paragraph (1) of this subsection."

SEC. 3. DESIGN ON OVERSE SIDE OF COINS.

Subsection (d) of section 5112 of title 31, United States Code, is amended by adding at the end the following new paragraph:

"(4) Subject to paragraph (2), the design on the obverse side of the half dollar, quarter dollar, dime coin, 5-cent coin, and one-cent coin shall contain the likenesses of those currently displayed and shall be considered for redesign. All such coin obverse redesigns shall conform with the inscription requirements set forth in paragraph (1) of this subsection."

SEC. 4. SELECTION OF DESIGNS.

The design changes for each coin authorized by the amendments made by this Act shall take place at the discretion of the Secretary and shall be done at the rate of one or more coins per year, to be phased in over 6 years after the date of the enactment of this Act. In selecting new designs, the Secretary shall consider, among other factors, thematic representations of the following constitutional concepts: freedom of speech and assembly; freedom of the press; right to due process of law; right to a trial by jury; right to equal protection under the law; right to vote; themes from the Bill of Rights; and separation of powers, including the independence of the judiciary. The designs shall be selected by the Secretary

upon consultation with the United States Commission on Fine Arts.

SEC. 5. REDUCTION OF THE NATIONAL DEBT.

Subsection (a)(1) of section 5132 of title 31, United States Code, is amended by inserting after the third sentence the following: "Any profits received from the sale of uncirculated and proof sets of coins shall be deposited by the Secretary in the general fund of the Treasury and shall be used for the sole purpose of reducing the national debt."

Mr. WALLOP. Mr. President, to my knowledge, both the distinguished chairman of the committee and the ranking member have agreed to this amendment. It is essentially the same language as a bill which has twice previously passed the Senate in this session. The bill is S. 428, which would redesign U.S. circulating coins to include on the reverse side the theme of the bicentennial of the Constitution. Sixty-seven Senators have cosponsored the bill; 278 Members of the House of Representatives have joined as sponsors.

The bill has been held up in the committee in the House for reasons which today remain unclear. It has been delayed despite the high public approval and proven economic benefit of the bill. Analysis indicated the coin's design would yield a net profit to the U.S. Government of as much as \$1 billion, moneys which can be used to reduce the national debt.

It is a common practice among nations to redesign their coins. The United States has changed coin designs 33 times before in our Nation's history. However, we have not redesigned our coins for a quarter of a century. The theme of the redesign is important: the Constitution. I urge the managers of the housing bill to accept the amendment.

Mr. CRANSTON. Mr. President, since this measure has passed the Senate unanimously five times and since it will bring in revenues swiftly that are so desperately needed, this side is perfectly willing and delighted to accept the amendment.

Mr. D'AMATO. Mr. President, I certainly have no objection, and I concur with the observations of my distinguished colleague from California.

The PRESIDING OFFICER. Is there further debate?

Mr. WALLOP. Mr. President, I just add that the distinguished Senator from California has been, numerous times, either the sponsor or cosponsor of this. We have worked on it together for a long time. Both of us would like to see this money come to the taxpayers at no expense to the Government.

Mr. CRANSTON. I thank the Senator from Wyoming for his leadership in this issue and for his recognition of my efforts in this same direction.

Mr. WALLOP. I urge its adoption.

The PRESIDING OFFICER. The question is on agreeing to the amendment.

The amendment (No. 2027) was agreed to.

Mr. WALLOP. Mr. President, I move to reconsider the vote by which the amendment was agreed to.

Mr. CRANSTON. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

Mr. WALLOP. Is the Senator from Florida prepared to retake the floor?

Mr. GRAHAM. Momentarily.

Mr. WALLOP. I yield the floor.

Mr. GRAHAM. Mr. President, in a moment I will be submitting another amendment, but before doing so, I have an explanation. During the committee consideration of this legislation, an amendment was offered which now appears on page 481, beginning at line 14, of the printed text, which relates to expedited financing construction. Essentially, the amendment would allow the Secretary to provide for adjustments in waivers for certain cost limitations relative to section 202 housing. This is housing for the elderly.

I was concerned about this amendment when it was offered in committee because of its potential effect for other 202 housing projects; that is, if we authorized costs that were above the norm for some projects and if the pool of funds available for section 202 was limited, the consequence would be that other projects that were being constructed within the standards would be adversely affected.

There have been some discussions over the last few days among various interested parties.

AMENDMENT NO. 2028

Mr. GRAHAM. I send an amendment to the desk, which I hope will resolve this issue, and ask for its immediate consideration.

The PRESIDING OFFICER. Without objection, the pending amendment is laid aside. The clerk will report.

The assistant legislative clerk read as follows:

The Senator from Florida [Mr. GRAHAM] proposes an amendment numbered 2028.

On page 481, line 15, strike "shall" and insert the following: "may, subject to the availability of appropriations for contract amendments for the purposes of this subsection."

Mr. GRAHAM. Mr. President, what this amendment intends to do is to recognize the validity that the Secretary should have some increased discretion relative to high-cost projects, but that those projects should be funded through appropriations specifically for contract amendments. This has been, apparently, the traditional way in which such extensions beyond the standard cost limits were authorized and funded; that is, specific authority to the Secretary for a waiver

with the funding to come through a special account denominated "Contract Amendments" for the purpose of funding those costs which went beyond normal cost standards.

Mr. President, I urge the adoption of this amendment.

Mr. D'AMATO. Mr. President, the Senator from New York has discussed this with other colleagues submitting legislation that would block grant the 202 Program. The 202 Program is a program that constructs housing for the elderly and the handicapped. It is a program that in most areas is in great demand and in great need. It is a program that in high-cost areas has developed a huge backlog. I do not have the figures in front of me now, but it is well over 20,000 units in the pipeline.

By the way, the program has steadily eroded to 12,000 to 10,000 to 7,500, and this year they propose 3,800 units for the entire Nation for our senior citizens, whom we venerate, whom we talk about, whom we say we want to help. This is a program that communities fight for. They want it. Twenty-plus thousand units held up in the pipeline. That is enough for 3, 4, 5 years, and, under the present budget, for 7 years.

Oh, we announce the grants. We have ribbon-cutting ceremonies, great fanfare, and nothing happens. Nothing happens. The community-based organization, whether it be Catholic charities, whether it be the Federation of Jewish philanthropies, et cetera, then runs into an incredible backlog. What happens? They say you cannot develop a community room. So you build 100 units, and there is no community room. People cannot come together.

We are talking about basic necessities for it so people are going to have some amenities, not just be stacked away. This is how this pipeline has clogged. If it were a human being they would be dead, their arteries would have atrophied, finished, over. Yet, we keep making these releases. Oh, we are building housing in New York, in Florida, in Pennsylvania, Illinois. When we check these areas, we will find many of them have not gotten but a small percentage of the grants that were actually awarded and announced.

Congressmen sent out the releases, "Housing coming to this area," "that area." Senators sent out the press releases. And you find out 6 years later, 7 years later the project has not been started.

Now, what we attempted to do was to give to the Secretary of Housing an opportunity to cut through some of the so-called redtape, to see to it that the housing would be constructed. That was the purpose of the amendment.

Of course, the same people who said let us block grant it so those local communities that want it, they can build the housing and, if they want to enrich it with other moneys from community development, from the HOPE Program or from the HOP Program, why they can do this, oh, no. I can tell you what. They went out and ginned up and they called up all the special interest groups to call up and say Senator D'AMATO is going to stop the 202 Program. Let us have it out on the floor. I am not stopping the 202 Program. The program is dead now. The artery has clogged. Only a small fraction gets through. If that is the way you want it, let us let the people know.

By the same token I am told, well, Senator, if you make this a block grant program, then they are going to slowly diminish the block grant program because they always do that, and there will be no housing for senior citizens.

I am asking my colleagues today, where is your voice in opposition to reducing the program which is a miserly one now, that has about 7,500 units for the entire Nation, 8,000, and they are cutting it to 3,700. I have not heard anybody say anything.

One the one hand, you say do not block grant it because the administration will kill that program. On the other hand, right in front of us, they are reducing it by more than 50 percent. And it does not even work. The artery is plugged, totally plugged. Incredible.

I am not going to oppose this amendment. I just want it to be said that when you say, on the one hand, that we are going to fix the artery, we are going to unplug it, we are going to push those housing units out, we want to help our senior citizens, that is not what has been done. When you oppose block granting, it is so that we give to the local communities and villages the opportunity to use that without having to come here on bended knee to ask the bureaucrats to help them, without having to go in and get the special interest guys who go over there and who know somebody and get them to unplug it or use political influence. They, say, oh, no. No, because if you do that, then they are going to kill the program.

So you do not want block granting because somehow you say that is going to reduce the funding levels. The funding levels are being reduced dramatically anyway, and the pipeline is totally clogged, and you cannot even get the Roto Rooter guy in there to unplug it. I tell you, it does not make much sense, and I hate to tell you, as we proceed with this bill, that we are not really going to be doing the people's business if this is the way we are going to continue.

Now, I do not know the purpose of the amendment. It is not to cost other people more money. I do not know. I really do not know. I thought we were going to unplug this line.

I would like to ask my distinguished friend and colleague from Florida, how does this help unplug the line?

Mr. GRAHAM. I have some good news. The good news is in a memo I received this morning from representatives of the Housing and Urban Development. I will just read a paragraph of the memo which they gave me on this amendment.

They say:

However, the bulk of the pipeline to which the D'Amato amendment would be applicable, while in high cost areas, have sufficiently high fair market rents to enable the projects to proceed. Therefore, increasing the fair market rents is not needed.

And they go on to make the point that the Department's opinion is that it has made good progress in terms of unplugging the pipeline, and that at this juncture they do not see the requirement to raise the fair market rents as a significant prescription to the malady as it currently exists. Therefore, the suggestion that where there is a specific case in which the necessity for increasing either limitations of cost on construction or the limitations on the fair market rent, that they should be handled as a discrete matter including a specific contract amendment appropriation to fund that differential.

I might say, to give the Senator further solace on this day, the Department's memo states:

Recently, due to cost problems in the New York City area, the Department issued instructions to the field offices which indicated that headquarters would permit increases up to 260 percent of the norm. Indications are from the field office that this should be sufficient to resolve cost problems on cases currently in the pipeline.

Mr. D'AMATO. I am prepared to accept the Senator's amendment, but I think it is worthy of note as it relates to what has taken place with this program, and I would hope we are not looking to take moneys from other areas but we are looking to see to the program which has a miniscule amount of housing in comparison to the demonstrated need—not only the need but in terms of the communities that are ready and willing to accept it and to build it. It is probably the finest program that continues to deteriorate as it relates to two matters.

No. 1, the manner in which it is administered and the fact that the administration, year after year, has cut back on the number of units. Again, I do not mean to be repetitious, but it seems to me that those who argue against the community development block grant formulas which could give great flexibility to the local communities argue on very weak ground, on the ground that to do so would eventually

lead to the program's elimination, when the program is being melted down in front of our eyes. It is being eliminated in front of us.

So I will accept the amendment of the Senator. I do not hold out much hope for the high cost areas, to be quite candid, but if this language will make the Senator feel better as it relates to a certain area, I will accept it.

Mr. CRANSTON, Mr. President, I support the amendment.

The PRESIDING OFFICER. Is there further debate? If not, the question is on agreeing to the amendment.

The amendment (No. 2078) was agreed to.

Mr. GRAHAM, Mr. President, I move to reconsider the vote by which the amendment was agreed to.

Mr. CRANSTON. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

AMENDMENT NO. 2026

Mr. GRAHAM, Mr. President, I believe that under the previous order, we now revert to the amendment that I previously offered and was laid aside.

The PRESIDING OFFICER. That is correct. The question is on agreeing to amendment No. 2026. The Senator from Florida is recognized.

Mr. GRAHAM, Mr. President, I ask unanimous consent to have printed in the Record a letter from the Housing Authority of the city of St. Petersburg, signed by Mr. Edward White, Jr., executive director.

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

There being no objection, the letter was ordered to be printed in the Record, as follows:

THE HOUSING AUTHORITY OF THE
CITY OF ST. PETERSBURG, FL.

April 19, 1990.

Hon. BOB GRAHAM,
U.S. Senate, 241 Dirksen Senate Office
Building, Washington, DC.

DEAR SENATOR GRAHAM: Thank you for the time you spent with me and other members of the Florida Association of Housing and Redevelopment Officials last month in Washington. We all enjoyed meeting you and having the opportunity to share our concerns pertaining to PHA operating problems and pending housing legislation.

One of the matters about which you have expressed particular concern and had asked for more detailed information involved certain inequities in the method(s) HUD uses to adjust and to reconcile actual PHA utility consumption to projected utility consumption at the end of each PHA fiscal year.

The referenced HUD methods for year-end reconciliation strongly disfavor PHA's located in warmer climates. PHA's project future utility consumption during their annual budget process by using a three (3) year rolling base period of actual consumption. The amount of PPS utility subsidy is determined by factoring current utility rates into the projection of utility consumption.

However, real PHA utility consumption related to heat may deviate from the projection based upon annual variations in tem-

peratures (severity of winters). HUD annually provides a heating degree day based adjustment factor for PHA's to apply to allowable actual heat related utility consumption to avoid PHA windfalls when actual heat related consumption is less than the projected consumption level because of abnormally mild winters. Conversely, HUD will provide additional subsidy if actual heat related consumption was higher than had been forecast because of an abnormally cold winter.

A significant inequity can occur when a PHA heats and cools with the same utility. This is especially so when the year-end adjustment is negative to reflect a mild winter but the PHA also had experienced unusually high consumption of the same utility related to cooling because of a severely hot summer.

The HUD utility reconciliation method does not recognize the dual use of a single utility for both cooling and heating and has no process to adjust for cooling degree days.

In response to a previous congressional inquiry about the referenced inequity, HUD reasoned that use of a cooling degree day adjustment factor would involve significant technical problems which are not as extensive as those encountered for heating degree day adjustment factors. According to HUD, the problem of isolating cooling costs is inherently complex because most PHA-owned air conditioning systems use electricity which is not generally separately metered and includes household lighting and cooling, and possibly other electrically powered uses.

HUD's reasoning is specious at best. Any electrically heated building also uses electricity for household lights, cooking and sometimes for hot water production. Similarly, natural gas is often used for heating and for hot water production.

HUD requires PHA's to apply the heating degree day adjustment factor whether the utility involved is used just for heat or not. Obviously, the fact that PHA units which are air conditioned by a utility which is also used for household lighting should present no greater problem in a cooling degree adjustment factor than is presently the case of the heating degree day factor.

Moreover, the Housing Authority of the City of St. Petersburg has prepared a method to estimate use of electricity for cooling purposes based upon a comparison of heating and cooling degree days which equitably approximates the relative use of the utility for heating and cooling. The data used for these calculations was obtained from the National Weather Service, the same source used by HUD to obtain heating degree day data.

Unlike most areas of the country, Sunbelt PHA's, particularly in Florida and south Texas, use electricity more to power cooling systems than to heat. It is grossly unfair to adjust allowable consumption downwards in a Sunbelt PHA because of a mild winter when in fact the affected utility was used primarily for cooling and was thus unaffected by the mild winter.

In the above referenced HUD response, it was claimed that there is no data available to measure the extent to which a cooling degree day adjustment factor is needed to ensure reasonable equity.

In fact, the St. Petersburg PHA provided data which graphically demonstrated that the present utility reconciliation method which does not take into account cooling degree days unfairly penalized St. Petersburg in the amount of \$46,000 in our fiscal

year-end March 31, 1980, quite a substantial loss for an authority of our size.

The HUD response further states that PHA's in warmer climates have only a limited proportion of their units equipped with air conditioning equipment. Thus, the absence of a cooling degree day adjustment would be offset by the small proportion of units affected.

HUD's claim is wholly erroneous. The percent of St. Petersburg PHA-owned low rent public housing units which is air conditioned is 32% of the total. The percent of PHA-owned low rent public housing units which are air conditioned is actually considerably higher when you factor out the number of units where utilities are purchased by the residents, and thus not affected by the year-end adjustment factor. Of the units where the PHA purchase utilities, the percent air conditioned is 65%.

Both the data base and the methodology to devise a cooling degree day adjustment factor in order to provide equity to Sunbelt-based PHA's is available. HUD should either immediately promulgate rules for a cooling degree day adjustment or waive the year-end utility reconciliation for PHA's who use the same utility for heating and cooling.

I have drafted a suggested form letter for you to use to enlist the support of other members of the Sunbelt Caucus.

Sincerely,

EDWARD WHITE, JR.

The PRESIDING OFFICER. Is there further debate on the amendment 2026.

Mr. D'AMATO. Again, I am going to ask my distinguished colleague if he would not withhold, because I do want to have an opportunity to check with the administration. I am willing to accept it, but I would like to ascertain if they have any serious, strenuous objection. If they do, depending upon who raises it, then I might even go along with the Senator on it. Did the Senator get that?

Mr. GRAHAM. The Senator heard those encouraging remarks.

Mr. D'AMATO. It seems to me, if we can, it makes sense that air-conditioning today should be considered as a cost element. I am ready to accept it, but I just do not want them to indicate they did not have an opportunity to seriously object. But, barring any serious objection, I am ready to accept it.

Mr. GRAHAM. I would like to underscore this is not just an air-conditioning amendment, although that is one factor during a severe heat period. It also relates to the fact people use other utilities, refrigerators, lights.

There is an additional whole array of items that function with the type of severe heat that this Nation has been experiencing in recent summers. It ought to be recognized.

Mr. D'AMATO. Mr. President, I agree with the Senator. Personally, my own preference would be to be supportive. I do not anticipate any difficulty in disposing of it in a very few minutes.

Mr. GRAHAM. I have no objection to laying this aside subject to the consideration of the next amendment.

The PRESIDING OFFICER. Without objection, the amendment is laid aside.

ORDER OF PROCEDURE

Mr. CRANSTON. Mr. President, I would like the attention of the Senator from New York. I am about to propound a unanimous-consent agreement just so Senators know what is happening to expedite business.

I ask unanimous consent that we proceed in the following order for the next few rounds on this bill. First, an amendment by the Senator from Connecticut, Senator LIEBERMAN; then Senator ALAN DIXON will have an opportunity to speak to the bill briefly; then two amendments by the Presiding Officer at the moment, Senator SANFORD; and, then an amendment by Senator WIRTH; that we go in that order.

Before we reach the end of that line, I hope we can agree on further amendments which will include some Republican amendments which will later be offered.

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

Mr. LIEBERMAN. Mr. President, I rise to support the bill and to commend our colleagues in taking the leadership in bringing it before us.

America's housing shortage is a crisis that affects virtually every region of our country. Hundreds of thousands, perhaps even millions, of our fellow Americans neither own nor rent shelter. Many must use emergency shelter spending 13 months there on the average at tremendous cost to the American taxpayers. Others double or triple up with relatives or friends.

Those are the unseen homeless who put further stress on their already heavily burdened lives. Young families trying to get a fresh start in the world find that the American dream of home ownership is fast becoming a nightmare of astronomical housing costs and unachievable downpayments.

This National Affordable Housing Act which has been so ably crafted by my colleague from California, Senator CRANSTON, my colleague and neighbor from New York, Senator D'AMATO, and their colleagues on the Banking Committee helps turn the American dream into reality for millions of our fellow Americans. It is a worthy and reasonable bill that will help State and local governments respond to the housing crunch within their borders in a fast and cost effective way. It moves Government back into the business of helping to give Americans a roof over their heads.

Even advocates of a limited role for Government in the life of our Nation cannot fairly deny that providing shelter is a basic task of Government.

I am honored that the National Affordable Housing Act, this bill before us now, contains two concepts that

were included in legislation that I introduced last April.

One provision of the legislation of course makes security deposit grant programs eligible for Federal housing funds. This is a proposal that I based on a similar program that was pioneered in the State of Connecticut. The program in Connecticut recognizes that many people who live in emergency shelters, or who are doubled up with relatives and friends in inadequate housing, actually have jobs and can afford to make monthly payments.

What they cannot afford to do is to cope with the security deposit and the first month's rent that most landlords naturally require before they allow a tenant to move in. A security deposit grant program allows the Government to provide the landlord with that security deposit and first month's rent.

It helps the homeless make the leap from emergency shelters into rental housing. It is a cost-effective response to the problem of homelessness because the Government, if Connecticut's experience is a guide, will actually get back most of the money it invests in security deposits and first months' rent from the landlords after the tenants move on to other housing.

It also helps reduce the astronomical amount of money that taxpayers are offering into emergency housing programs. I know we have all heard horror stories about the Government paying a \$2,000 a month tab to a so-called welfare hotel operator per room.

For the cost of less than 1 month's rent in such an emergency shelter, the Government is going to get that back at the end of the lease. We can help many families move into their own apartments where they can pay the rent instead of the taxpayer paying it every month.

In the first 2 years of this programs' operation in Connecticut, I am pleased to report that more than 2,000 homeless families actually became renters, thanks to the security deposit grant program. By helping to channel funds to such programs around the Nation this bill will help many, many thousands more to make that big move into a place of their own.

The second feature of this legislation which I have been proud to work with the committee on is its focus on rehabilitation of existing buildings for housing. I can tell you, Mr. President, that in my own State of Connecticut, in cities like Bridgeport, New Haven, Hartford, there exists many dozens of buildings that are empty and in various stages of disrepair. Those buildings are a blight on their neighborhoods, they are eyesores, they are health hazards, they are breeding grounds for crime, and drug abuse.

But abandoned buildings also represent an opportunity. This bill recognizes that opportunity. It is an opportunity to provide housing for the homeless and those who live in inadequate shelters in apartments.

The National Affordable Housing Act requires the recipients of Federal housing funds to give priority to rehabilitation of existing buildings where feasible. I think by emphasizing the rehabilitation of buildings that already exist this bill will minimize the construction of massive new housing projects, projects that take a lot of time and money to build. Renovating existing structures is clearly quicker and cheaper, and it can provide the spark for the rehabilitation of whole neighborhoods.

Mr. President, I am proud to be a co-sponsor of this legislation. I urge my colleagues to support it.

AMENDMENT NO. 2029

(Purpose: To create a consortium consisting of members from the public and private sector to develop and promote the use of new, cost-saving building technologies, and for other purposes)

Mr. LIEBERMAN. Mr. President, I send an amendment to the desk and ask for its immediate consideration.

The PRESIDING OFFICER. The clerk will report.

The legislative clerk read as follows:

The Senator from Connecticut [Mr. LIEBERMAN] proposes an amendment numbered 2029.

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

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

The amendment is as follows:

At the appropriate place, insert the following new title:

TITLE —FEDERAL GOVERNMENT CO-OPERATIVE PROGRAM WITH THE ADVANCED BUILDING CONSORTIUM

SEC. . SHORT TITLE.

This title may be cited as the "Advanced Building Consortium Act".

SEC. . FINDINGS.

The Congress finds that—

(1) there is a growing shortage of affordable housing for newly formed households, low- and moderate-income families and the homeless;

(2) one significant reason for this critical shortage is the high cost of constructing new housing or renovating existing buildings;

(3) recent technological advances could be applied to the design, construction, maintenance and operations of buildings which could significantly reduce costs;

(4) the unique characteristics of the building industry, which is highly diversified and composed primarily of small businesses that are continually confronted with a wide variety of financial, technical and regulatory uncertainties, make it difficult for those responsible for the design, construction, installation, operation, maintenance and financing of buildings to assume additional uncertainties and risks which they associate with innovative building technologies;

(5) the Federal Government has a responsibility, as the owner and operator of the Nation's largest inventory of buildings in every geographical region, to seek reductions in the costs of constructing and operating buildings;

(6) the Federal Government has expended hundreds of millions dollars in support of research and development of technologies that could be applied to buildings, but the results of that research are not applied to the Federal Government's buildings because the current procurement system makes it difficult for new building technologies to compete successfully with conventional technologies;

(7) the building industry, which has historically accounted for a significant portion of the gross national product, is now confronted with increasing foreign competition that threatens domestic companies in important market sectors, with corresponding substantial losses in employment;

(8) current institutional constraints impose high costs and require as much as 20 years to obtain the necessary market acceptance of new building technologies and therefore inhibit the private sector of the economy from investing in such worthwhile endeavors;

(9) the development of a cooperative program between the Federal Government and a responsible entity representing leaders of the building industry who are concerned with improving the above described conditions and capable of providing expertise and leadership to provide for the introduction, use and evaluation of cost-saving technological innovations in new and existing buildings owned and operated by the Federal Government, could facilitate the introduction and the early use of such cost saving innovative building technologies by Federal, State and local public agencies and by the private sector of the economy;

(10) while a new cooperative program of the Federal Government and the building industry is needed to facilitate introduction of technological innovations, various private organizations and institutions, private industry, labor, and Federal and other governmental agencies and other entities are presently engaged in building research, technology development, testing and evaluations and information dissemination and these capabilities should be effectively utilized wherever possible and appropriate in the implementation of this Act; and

(11) an authoritative nongovernmental instrumentality needs to be created by the Federal Government to address the problems and issues described in this section, with the advice and assistance of the various sectors of the building community, including labor and management, technical experts in building science and technology and State and local governments.

SEC. . CONSORTIUM AUTHORIZATION.

(a) ESTABLISHMENT.—There is established, for the purposes described in section , an appropriate nonprofit, nongovernmental instrument to be known as the Advanced Buildings Consortium (hereafter referred to as the "Consortium"), which shall not be an agency or establishment of the United States Government. The Consortium shall be subject to the provisions of this title and, to the extent consistent with this title, to the District of Columbia Nonprofit Corporation Act.

(b) DIRECTORS.—The Consortium shall have a Board of Directors (hereafter referred to a the "Board") consisting of not less than 15 nor more than 21 members who

shall be appointed by the Secretary of Housing and Urban Development, in consultation with cooperating Federal agencies, from among senior executives representing the various segments of the building community of the various regions of the country with extensive experience in building industries, including (1) representatives of the building industry, product manufacturers, and experts in health, fire and safety, and (2) members representative of the public interest highly experienced in building technologies, including architects, professional engineers and representatives of consumer organizations. No Federal official shall be a member of the Board. Members of the Board shall not participate in any deliberations of the Board affecting technologies or related matters where they hold a financial interest or membership in, or employment by, or receive other compensation from, any company, association, or other group associated with the manufacture, distribution, installation, or maintenance of the building products, equipment, systems, subsystems, or other construction materials and techniques associated with the building technology under consideration or with the conventional technology for which the new technology may be a substitute.

(c) NO STOCK.—The Consortium shall have no power to issue any shares of stock or to declare or pay any dividends. No part of the income or assets of the Consortium shall inure to the benefit of any director, officer, employee or other individual except as salary or reasonable compensation for services.

(d) POLITICAL CONTRIBUTIONS.—The Consortium shall not contribute to or otherwise support any political party or candidate for elective public office.

SEC. . CONSORTIUM FUNCTIONS AND RESPONSIBILITIES

(a) IN GENERAL.—The Consortium shall conduct research involving, and take actions to facilitate and promote the use of, new, cost-saving building technologies. In carrying out its activities, the Consortium shall—

(1) select and evaluate new building technologies, including energy cost savings technologies, that conform to recognized performance criteria and meet test standards for maintenance of life, safety, health, and public welfare when used in occupied buildings;

(2) conduct needed investigations in direct support of paragraph (1);

(3) conduct economic analyses of proposed new technologies when produced and installed in buildings at volumes associated with comparable conventional technologies;

(4) in collaboration with cooperating Federal agencies, advise building designers, installers, subcontractors, contractors and supervising officials responsible for buildings in the appropriate design and use of the innovative building technology incorporated in Federally owned or operated buildings;

(5) in collaboration with cooperating Federal agencies, monitor and evaluate the performance of new building technologies for at least 1 year after installation and building occupancy; and

(6) assemble and disseminate technical data and other information directly related to activities described in paragraphs (1) through (5) of this subsection.

(b) DELEGATION AND MONITORING.—The Consortium, in exercising its functions and responsibilities described in subsection (a) of this section, shall—

(1) assign and delegate to the maximum extent possible, responsibility for conducting each of the activities described in subsection (a) to private organizations, institutions, agencies, and Federal and other governmental entities that have a demonstrated capacity to exercise or contribute to the exercise of such responsibility.

(2) monitor the performance achieved through assignment and delegation, and

(3) when deemed necessary, reassign and delegate such responsibility.

(c) **CONSISTENCY WITH OTHER LAW.**—The Consortium, in exercising its functions and responsibilities under subsections (a) and (b) of this section, shall—

(1) assure to the extent possible that its actions and recommendations are consistent with nationally recognized performance criteria, standards, and other technical provisions of Federal, State, and local building codes and regulations and conform with generally accepted community and environmental standards; and

(2) consult with the Department of Justice and other agencies of Government to the extent necessary to insure that the national interest is protected and promoted in the exercise of its functions and responsibilities.

SEC. . FEDERAL PARTICIPATION.

(a) **COOPERATIVE PROGRAM.**—The Secretary of Housing and Urban Development, the Secretary of Defense, the Secretary of Agriculture, the Secretary of Energy, and the Administrator of General Services, and other departments, agencies and establishments of the Federal Government having responsibility for more than 1,000 buildings or for operating buildings at an annual cost of at least \$1,000,000 shall participate in a cooperative program with the Consortium to develop and implement programs to incorporate one or more of the recommended new technologies in a new or existing building within each department. The initial selection of the new technology and the specific building project in which the new technology will be incorporated shall be determined jointly by the cooperating Federal agency and the consortium within 1 year after the date of enactment of this Act. The technology selected shall be appropriate to the building selected, and its intended uses, and shall offer maximum opportunity to demonstrate cost savings.

(b) **REQUIRED ASSURANCES.**—Upon agreement between the Federal agency and the Consortium with respect to the selection of the appropriate technology and the schedule of necessary work, the Consortium shall—

(1) provide the Federal agency with a 5-year guarantee from the technology manufacturer that all necessary corrections to the technology will be made in the design, installation, and maintenance of the technology and that all malfunctions will be repaired without delay and that the technology manufacturer will be responsible for removal of the technology in the event of its failure to perform as required;

(2) provide the Federal agency and its officials responsible for constructing or renovating the buildings utilizing the new technology, as well as the designers, installers, subcontractors and contractors responsible for the design, construction or renovation of the buildings utilizing the new technology with the technical information necessary to assure the most appropriate use of the new technology;

(3) in collaboration with the Federal agency, monitor and evaluate the performance of the new technology; and

(4) prepare reports to be made available to public agencies at all levels of government, to the industry and to the public on the performance of the new technology.

(c) **PROCUREMENT WAIVER.**—Each Federal agency participating in this program is authorized to waive the applicability of procurement laws or regulations and deem the Consortium to be a sole source of the agreed-upon new technology for the selected building or facility. Competitive bidding for all other work in the selected building or facility shall conform with Federal building procurement regulations.

(d) **SET-ASIDE.**—Each Federal agency participating in this cooperative program shall set aside special funds in its annual appropriated building construction and renovation budget, in an amount not exceeding \$1,000,000 in any fiscal year to provide for the costs of testing, monitoring, and evaluating the new technologies employed in this program.

(e) **ANNUAL REPORT.**—Each participating Federal agency shall report annual to the Congress or its efforts to implement the purpose of this Act.

SEC. . AUTHORIZATION.

There are authorized to be appropriated to the Consortium an amount not to exceed \$500,000 for each of the first 2 years of the Consortium's operation. Such funds shall remain available to the Consortium until expended.

SEC. . ANNUAL REPORT.

The Consortium shall submit an annual report for the preceding year to the President for transmittal to the Congress within 60 days of its receipt. The report shall be a comprehensive and detailed report of the Consortium's operations, activities, financial condition, and accomplishments under this title and of the extent of the cooperation received from participating Federal agencies, and may include recommendations as the Consortium deems appropriate.

Mr. LIEBERMAN. Mr. President, this amendment would create a new public-private sector cooperative program called the Advanced Building Consortium which would be designed to facilitate the development and employment of new technologies in building construction.

The goal of this program would be to advance building techniques that will result in cheaper, safer, and more energy efficient structures. The fragmented nature of the building industry in America today inhibits construction innovations.

I have heard this from people who spend their lives and earn their livelihoods in the construction industry. It can take 15 to 20 years for a new building product or technology to gain general market acceptance long after it has been proven safe and reliable. That means the way in which we build homes and offices today has been woefully little changed from the way we built it in the sixties, despite the tremendous advances in science, engineering, computers, and other fields that can have some impact on the construction industry.

This Advanced Building Consortium which I am proposing would be composed of leaders in the construction industry, product manufacturers, contractors, engineers, and architects appointed by the Secretary of Housing and Urban Development. They would work to discover and renew building technologies.

The consortium would then recommend the most promising of these innovations to the Federal Government for use in Federal buildings and other structures built with Federal funds including military housing and housing for the homeless.

I think the American economy would benefit because new building technologies can be tested and brought to wide acceptance and usage through the construction industry with the aid of these Federal pilot projects. The American taxpayer would benefit because structures built with their tax dollars would be built in a more cost effective and energy efficient manner without the need for them to pay for the cost of developing such technologies.

Mr. President, last year I introduced a bill, S. 1479, which supports the search for new ways to lower building costs. Today I am offering this provision as an amendment to S. 566, I National Affordable Housing Act because by lowering construction and energy costs we make housing more affordable to the Federal Government and to individual consumers.

This amendment would create a Federal-private sector cooperative programs, the Advanced Building Consortium, which would facilitate the introduction and employment of new technologies in building construction. In a nutshell, the industry consortium would recommend new technologies to the Federal Government and then monitor the performance of these new cost and energy saving products in the laboratory of a Federal building.

The fragmented nature of the building industry has always been a great disincentive to innovation in construction. No single company accounts for more than 1 percent of new construction nationally. Construction companies are thinly capitalized and, therefore, unable to develop or finance new products. It often takes 10 to 20 years for a new building product to gain general market acceptance, even when a product is proven safe, reliable, and beneficial. The smoke detector waited 14 years before achieving a level of general acceptance.

Architects, builders, and engineers are reluctant to use new products because of high liability insurance costs and the prohibitive price of any new technology which is not yet in full production. Contractors are also reluctant to take on the risk of a new technology.

Due to this institutional aversion to change, building technologies have remained, for the most part, at the same level as immediately following the Second World War. Although energy costs have soared and the building sector now consumes 62 percent of the Nation's \$150 billion annual electric bill, construction technology has not been updated to keep energy costs down. Unless we encourage the new technologies in construction, greater energy efficiency and lower costs remain an impossibility.

This amendment would spur development of new building and housing technologies. The amendment enables the leaders of the construction industry—product manufacturers, contractors, engineers, and architects—who have the strongest interest in innovative products to form a consortium to develop new ideas. This independent consortium will recommend the most promising innovations to the Government for use in both existing and new buildings. If they are workable and cost saving, the new products in Federal buildings will provide the public and the construction industry with the information they need.

Using Federal buildings as a test ground sharply reduces the amount of development time necessary to bring new technologies to market. The Government, taxpayers and future home buyers will benefit from the development and testing of these new products. The Federal Government will be able to utilize new products without bearing the development costs. Federal buildings and housing will enjoy lower operating costs when the products prove successful, and consumers will benefit from having the new cost effective technologies on the market.

The Federal Government is no stranger to research and development projects for building technology. It has spent tens of millions without industry assistance in research without practical application. Sadly, the fruits of these tests, papers, reports have resulted in only a modest level of innovation. The people who would use the innovations want actual results not a paper report produced in a laboratory. The advanced building consortium would ensure that new technologies are used in actual construction and then reviewed for widespread use with industry's cooperation. The result would be a proven product rather than a report.

If the advanced building consortium is implemented, new cost-saving and energy efficient technologies can be introduced into Government buildings. Within a short period of time, the successful results of these pilot programs will be disseminated to all other areas of the building and construction industry. Use of the technologies in private construction would have the stamp of approval of experience in Federal

buildings. I believe this amendment is an important component in legislation designed to make housing more affordable.

Mr. President, I understand that both Senator CRANSTON and Senator D'AMATO have had an opportunity to review this amendment. I have reason to believe that they are both prepared to accept it. I certainly encourage them to do so, and thank them for the interest and cooperation.

Mr. CRANSTON addressed the Chair.

The PRESIDING OFFICER. The Senator from California.

Mr. CRANSTON. Mr. President, Senator LIEBERMAN has been very active in the development of the housing bill which is now before us in the Senate. I commend him for his efforts. I commend him for the insights he has offered on homelessness, low-income housing preservation, and housing affordability.

The amendment was part of a bill, S. 1479, which he introduced several months ago. Connecticut, like my State of California, has seen home prices escalate out of the reach of many low- and moderate-income families, especially young families just starting out.

This amendment would create an independent consortium to facilitate the development and adoption of energy-efficiency and cost-saving housing technologies. I support the amendment offered by my colleague from Connecticut.

Mr. D'AMATO. Mr. President, I support the amendment offered by Senator LIEBERMAN from Connecticut. I commend him. It makes sense, and it is sound. If we can build and bring these kinds of consortium to fruition, it is going to make our housing dollars for those who need housing go much further. We accept the amendment. I commend the Senator from Connecticut for his thoughtfulness.

The PRESIDING OFFICER. Is there further debate?

Mr. LIEBERMAN, I thank the Senators for their support, and I urge adoption of the amendment.

The PRESIDING OFFICER. The question is on agreeing to the amendment of the Senator from Connecticut.

The amendment (No. 2029) was agreed to.

Mr. CRANSTON. Mr. President, I move to reconsider the vote.

Mr. D'AMATO. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

The PRESIDING OFFICER. Under the previous order, the Senator from Illinois is recognized.

Mr. DIXON. Mr. President, as an original cosponsor of S. 566, the National Affordable Housing Act, I rise

today to urge my colleagues in the Senate to support this bill.

First, Mr. President, may I commend the chairman of the Housing Subcommittee, the distinguished senior Senator from California, Senator CRANSTON, and the ranking minority member, my friend from New York State, Senator D'AMATO, for their outstanding leadership in producing a significant housing bill.

This has been a 3-year bipartisan effort which reflects our adoption of proposals and suggestions from the private and public sectors, including State and local officials, assisted housing residents and advocates, and many other individuals, groups and organizations that have an interest in housing programs.

From time to time, I have addressed this body on the critical housing needs of this country. However, I continue to be concerned about the miserable failure of our assisted housing programs, and the adverse impact it has on low- and moderate-income individuals and families.

Since 1981, federally assisted housing programs have been slashed by more than 80 percent. As a result, today, many areas of the country are experiencing an acute shortage of available and affordable decent housing.

The number of low-income families seeking affordable housing currently outstrips the supply available to them. Many low-income families have been forced into housing well beyond their means.

Mr. President, we can not afford to turn our backs on these less fortunate individuals and families. I am committed to the goals of providing affordable housing, homeownership, jobs, and opportunities for all Americans. These are major components of the American dream.

Among other provisions, S. 566 establishes a permanent solution to the housing prepayment problem, with emphasis on preserving the low-income character of housing units. As you know, prior to enactment of the 1987 housing authorization bill, HUD's 221(d)(3) and 236 programs allowed owners of federally insured low- and moderate-income housing units to prepay their 40-year mortgage loans after 20 years. Experts estimate that because of this dilemma, within the next 15 years, nearly 250,000 multifamily units could be lost.

However, S. 566 removes the temporary extension in the 1987 law and establishes a standard value for the property. Additionally, S. 566 provides options to property owners so that they may extend the low-income use of their housing units, transfer the housing to existing residents or other qualified purchasers, or prepay and

convert the housing to market rentals or condominiums.

I wish to also highlight the provision in the bill which extends FHA-insured mortgages for 2 years at \$124,875. As we continue to negotiate with HUD on reforming FHA to actuarial soundness, I hope that a compromise can be reached on which we can all agree.

Under the administration's initiative, Homeownership and Opportunity for People Everywhere (HOPE) Grant Program, S. 566 permits low-income families to become owners of properties held by Federal, State, and local agencies. Additionally, S. 566 provides grants to help residents in FHA distressed and foreclosed multifamily buildings to purchase and maintain their properties.

As sponsor of the resident management of public housing provision in the 1987 housing bill, I believe that public housing homeownership and resident management give low-income persons a greater stake in their housing, and a greater sense of responsibility for their lives. Where public housing units are managed by residents, there have been improvements in the overall living conditions in the units, as well as decreases in the incidence of vandalism, maintenance costs, and rent delinquency. In addition, public assistance caseloads have decreased.

Other significant features of S. 566 include:

First, the creation of a Housing Opportunity Partnerships [HOP] Program where States and localities would be responsible for developing their own housing strategy, and for selecting and adapting appropriate ways to expand their supply of affordable housing;

Second, revision of housing programs for the elderly, disabled, homeless, and low-income families with children to include supportive services;

Third, assistance to the Farmers Home Administration for rural housing homeownership;

Fourth, reauthorization of the Community Development Block Grants Program; and

Fifth, authorization of an increase of \$3.1 billion in budget authority over the fiscal year 1991 baseline.

Although, as a compromise, I support consolidating the Public Housing Development Program into the HOP Program, I continue to be troubled by it. Low-income constituents tend to be less politically active, therefore, they are less likely to receive funds in a competitive grant program.

As you are aware, the Public Housing Development Program has provided housing for our poorest citizens. Funds are used for the development, acquisition, and reconstruction of low-income housing. This program is desperately needed in our increasingly tight rental markets where the housing certificate and voucher programs

are unsuccessful in providing shelter to families who need it. I am hopeful that the House-Senate conference committee will take a careful look at this provision.

I am deeply concerned about the size of the Federal budget deficit and will do all in my power to see that it is reduced. I am equally concerned about the disproportionate share of cuts that have been made in HUD-assisted programs since 1981.

However, I believe that the \$3.1 billion in budget authority that is proposed in S. 566 is fiscally responsible and program sound. I also believe that the bill gives affordable housing the priority it deserves on our national agenda.

Mr. President, I support S. 566, and I call on my colleagues to approve it.

May I finally say, once again, I warmly congratulate my colleagues, the distinguished senior Senator from California, and my friend from New York State.

Few people outside this room know how much time and energy these two men have devoted to this cause over a period of years. I am on the committee that is jurisdictional. I suppose that these two Senators have spoken to me several hundred times about various changes in this bill. They have worked assiduously for years in the service of their constituencies and the people of America to give us an affordable housing bill. I think these two Senators deserve the accolades and the warmest personal regards of their colleagues and the folks of America for this excellent work product.

I thank you, Mr. President, and my distinguished colleagues from California and New York State for the pleasure of working with them on this legislation and congratulate them heartily on a job well done.

The PRESIDING OFFICER. The Senator from California.

Mr. CRANSTON. Mr. President, I thank the Senator from Illinois very, very much for his hard work and contributions to this measure and for his remarks just now in support of it and for his remarks about the efforts that I and Senator D'AMATO have made as chairman and ranking minority member of this committee. I am very grateful and look forward to working with Senator DIXON as we complete action on this bill. We have a few hurdles yet to surmount.

May I ask the Senator from North Carolina if he is ready for his amendment?

Mr. SANFORD. Mr. President, I am afraid we have not quite completed the negotiations with the staff and I will have to suggest the absence of a quorum.

Mr. CRANSTON. Withholding that, since the Senator is not quite ready, I ask unanimous consent that we may proceed ahead of the two Sanford

amendments with a package amendment that has been worked out by the minority and majority staff of the committee.

The PRESIDING OFFICER. The Senator from New York.

Mr. D'AMATO. Mr. President, before we proceed, I, too, congratulate Senator DIXON, our colleague from Illinois, for his work on this bill and many provisions in this legislation, particularly as it relates to tenant management, giving people an opportunity to provide good sound management so there is a decent standard of living, so there is safety and soundness in the housing programs instead of just shoveling out hundreds of millions of dollars and not getting the tenants involved so they can help provide for their own security and needs. He meant it, felt it, and made it a part of the legislative package. I think he should be commended for it, not just in the legislation, but it is over a history of time that Senator DIXON has been concerned in this area.

Certainly as someone whose family lived in a project, I certainly appreciate that. I think for people who live in these projects, and many have deteriorated, it is only when we empower the tenants to do a better job and give them power and opportunity that we have hope to make a difference.

I congratulate the Senator.

The PRESIDING OFFICER. Is there objection to the request of the Senator from California?

Without objection, it is so ordered.

Mr. CRANSTON. Mr. President, the amendment that I now offer for consideration contains several provisions that have been suggested to me and to Senator D'AMATO by several of our colleagues.

As managers of the bill, we have considered each of these provisions and believe that they will enhance the bill now before us. In order to facilitate the process here today, and we are now moving along quite expeditiously with a lot of cooperation from Senators, we are offering these amendments as one package amendment. I will briefly describe the provisions included in this committee amendment.

The first amendment would authorize the use of HOP technical assistance funds for the promotion of employer assisted housing. The prohibitively high cost of homes in many regions with thriving economies has made it increasingly difficult for some employers to attract a constant labor supply. Rather than relocating, many businesses have found it necessary to assist their employees in obtaining affordable housing. Senator LAUTENBERG has been active in promoting this idea and we include it at his request.

The second amendment would direct HUD to extend existing congregate housing services contracts for up to 3

years and renew such contracts upon determination of continuing need. HUD's obligations would be subject to the availability of appropriations. This is included at the request of Senator MITCHELL, our majority leader, and Senator COHEN.

The third amendment, included at the request of Senator DODD, would allow funding for homeless prevention activities to be unrestricted. The bill currently places a 30-percent limit on such activities. Some communities have found that this limitation hampers their ability to best address the needs of their locality. The amendment would also allow staff costs to be included as an operational expense for emergency shelters.

The fourth amendment would clarify that lower matching requirements would apply to community-based nonprofit organizations that are unaffiliated with national nonprofits. This is included at the request of Senator GRAHAM of Florida.

The fifth amendment would extend HUD's home equity conversion mortgages demonstration project to 1993. This was also included at the request of Senator GRAHAM.

The sixth amendment, suggested by Senator RIEGLE, chairman of the parent Banking Committee of the Housing Subcommittee, would require participating jurisdictions to establish an outreach program to encourage the inclusion of minorities and women in HOP contracting activities. It would require HUD to report on the implementation of this provision within 6 months after promulgation of regulations and, thereafter, on an annual basis.

The seventh amendment, submitted by Senator KERRY of Massachusetts, would require that the Secretary study the actuarial soundness of implementing a program to project increases in an area's average home price and determine downpayments accordingly. This will test out the effectiveness of a very innovative idea proposed in legislation introduced by my colleague from Massachusetts.

The eighth amendment, submitted by Senator KOHL, would direct the Farmers Home Administration to pay interest on escrow accounts in States where other mortgage lenders are required to do so.

The ninth amendment, submitted by Senator PACKWOOD, would hold harmless the amount of funding that is determined through the allocation formula for a metropolitan city that annexes an urban county.

I believe these are all sound amendments that will enhance the bill. I hope they will be accepted promptly by our colleagues without any controversy, and none would seem to be in store.

AMENDMENT NO. 2030

(Purpose: To permit and promote employer-assisted housing programs)

Mr. CRANSTON. Mr. President, I send to the desk this amendment now as one amendment to be considered en bloc.

The PRESIDING OFFICER. The clerk will report the amendment.

The legislative clerk read as follows:

The Senator from California [Mr. CRANSTON] proposes an amendment numbered 2030 en bloc.

Mr. CRANSTON. 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:

On page 309, line 6, strike "and".

On page 309, line 12, strike the period and insert "; and".

On page 309, between lines 12 and 13, insert the following:

(8) facilitate the establishment and efficient operation of employer-assisted housing programs through research technical assistance and demonstration projects.

On page 486, line 7, strike out "this paragraph" and insert "subparagraph (A)".

On page 486, line 8, after the period, insert the following: "Assistance under subparagraph (B) shall be for a period of not to exceed 3 years and may be renewed, subject to the availability of appropriations, upon a determination of continuing need."

On page 526, beginning with "(A) on line 1, strike all through "(B)" on line 4.

On page 556, line 9, strike "(other than stat.)".

On page 472, line 15, before "The" insert the following:

"(A) MANDATORY WAIVER.—The Secretary shall reduce or waive the matching requirement specified under paragraph (1) for individual organizations that are not affiliated with national nonprofit organizations.

"(B) DISCRETIONARY WAIVER.—

On page 258, line 11, after "by" insert the following: "striking '1991' and inserting '1993', and by".

On page 303, between lines 9 and 10, insert the following:

SEC. 5. EQUAL OPPORTUNITY.

(a) SOLICITATION OF CONTRACTS.—Each participating jurisdiction shall prescribe procedures acceptable to the Secretary to establish and oversee a minority outreach program within each such jurisdiction to ensure the inclusion, to the maximum extent possible, of minorities and women, and entities owned by minorities and women, including, without limitation, real estate firms, construction firms, appraisal firms, management firms, financial institutions, investment banking firms, underwriters, accountants, and providers of legal services, in all contracts, entered into by the participating jurisdiction with such persons or entities, public and private, in order to facilitate the activities of the participating jurisdiction to provide affordable housing authorized under this Act or any other Federal housing law applicable to such jurisdiction.

(b) REPORT TO CONGRESS.—

(1) IN GENERAL.—Before the end of the 130-day period beginning on the date regulations are promulgated under this title, the Secretary shall submit to the Congress a

report containing a description of the actions taken by each participating jurisdiction pursuant to subsection (a) and such recommendations for administrative and legislative action as the Department may determine to be appropriate to carry out the purposes of such subsection.

(2) REPORT.—The Secretary shall include in each annual report required under section 383 a description of the actions taken by each participating jurisdiction pursuant to subsection (a) and such recommendations for administrative and legislative action as may be appropriate to carry out the purposes of such subsection.

At the appropriate place in the original bill insert the following section:

The Secretary shall undertake a study to determine the actuarial soundness of implementing a program to guarantee downpayments for first-time homebuyers based on a system of downpayment savings accounts and payment schedules that require monthly or other periodic payments over a specified period of time in an amount equal to a specified percentage of the value of housing at the time of purchase in a specified housing market area or census tract.

At the end of title VIII, add the following:

SEC. 5. ESCROW ACCOUNTS.

Section 501(e) of the Housing Act of 1949 is amended by inserting after the third sentence the following: "The Secretary shall pay the same rate of interest on escrowed funds as is required to be paid on escrowed funds held by other lenders in any State where State law requires payment of interest on escrowed funds."

At the end of title IX, add the following:

SEC. 5. ALLOCATION FORMULA IN CASES OF ANNEXATION.

(a) IN GENERAL.—Section 102(a)(12) of the Housing and Community Development Act of 1974 is amended by inserting at the end thereof the following: "Where the boundaries for a metropolitan city or urban county used for the 1980 Census have changed as a result of annexation, the current population used to compute extent of growth lag shall be adjusted by multiplying the current population by the ratio of the population based on the 1980 Census in the boundaries used for the 1980 Census over the population based on the 1980 Census in the current boundaries."

(b) APPLICABILITY.—The amendment made by subsection (a) shall apply to the extent approved in appropriations acts to the first allocation of assistance under section 106 that is made after the date of enactment of this section and to each allocation thereafter for a period not to exceed three years after the date of annexation.

The PRESIDING OFFICER. Is there further debate?

Mr. KOHL. Mr. President, I would like to thank the managers of this bill, Senator CRANSTON and Senator D'AMATO, for their willingness to include an amendment of mine in the leadership package. Let me take just a moment to explain my amendment.

This amendment makes a small but important change to the Farmers Home Administration's section 502 program—the single family home ownership program. It requires the Farmers Home Administration [FmHA] to pay interest on escrow accounts under the section 502 program in those States that require escrow funds to be

Interest bearing. The cost of the amendment is minimal, estimated by FmHA to be less than \$200,000 annually.

In 1987, Congress required FmHA to set up escrow accounts for single family housing borrowers in order to assure the annual payment of taxes and insurance. Participation is required by all eligible single family housing borrowers, regardless of whether borrowers have been prompt in their tax and insurance payments. While no FmHA escrow account has yet been established, FmHA has indicated that it lacks the authority to pay interest on escrow accounts at such time as the escrow program is implemented.

While the use of escrow accounts is common within the mortgage industry, many States require that these escrow accounts pay interest. Wisconsin law, for example, stipulates a 5.25-percent interest rate on escrow funds. Twelve other States have similar requirements: California, New York, Iowa, Maine, Maryland, Massachusetts, Minnesota, New Hampshire, Oregon, Rhode Island, and Utah all require some rate of interest on escrow funds.

This amendment simply assures FmHA single family housing borrowers the same rate of interest on escrow accounts that other borrowers in their State are assured from other lending institutions. FmHA would not be required to pay interest in those States that do not require escrow accounts to be interest-bearing.

Mr. President, my amendment is an effort to provide equitable treatment for FmHA single family housing borrowers, especially for those who have been prompt in paying their tax and insurance payments and who should not be penalized by having to contribute to a non-interest-bearing escrow fund. I know of no opposition to the amendment, and I want to thank again the managers of this bill for accepting this amendment.

Mr. COHEN. Mr. President, I rise in support of the committee's leadership package of amendments, particularly as it affects the Congregate Housing Services Program. The committee has agreed to the recommendation by Senator MITCHELL and me to continue this extremely worthwhile program for 3 years, and allow continued renewal of existing contracts as appropriations allow after that. I want to thank Senator CRANSTON and Senator D'AMATO for accepting our recommendation, and I can tell them that there are many relieved elderly citizens in Maine as a result of their attention to this matter.

The Congregate Housing Services Program has been a relatively small but extremely successful program over the years, and it has resulted in the ability of many elderly residents to

live in dignity and with a sense of pride. By providing limited nursing care, meals, personal care attendants, maid service and other services at specific sites, the CHS Program has been successful at achieving its goal of allowing many elderly to live outside a nursing home, which can often be costly and inappropriate.

The Congregate Housing Services Program operates at 60 sites nationwide. There are three sites in Maine that depend on the CHSP: the Methodist Conference Home in Rockland, the Old Town Housing Authority, and the Brunswick Housing Authority. The residents of these housing units have been extremely concerned about the future of this program, which they have come to depend upon in their daily lives. While it may be difficult for us to imagine, we must put ourselves in the place of these individuals, whose only choice would be to go to a nursing home if the Congregate Housing Services Program were eliminated. They do not need to do this, and they certainly do not want to do this. The relatively inexpensive CHSP Program has allowed them to live in a less costly setting, so it is one of the few programs that spends a bit of money in order to avoid very large expenditures.

The proposal to fold CHSP into the block grant that is incorporated in S. 566 is understandable on the part of the committee, but its impact on the effectiveness of the program would have been devastating. The administrators of CHSP at Rockland, Old Town, and Brunswick feared that the block grant approach would result in a less reliable program, if it was funded at all by the State or local governments. Because of the pressure on those entities to address pressing housing problems, it was feared that a small program like CHSP would be overlooked.

I believe that the amendment included in the committee's leadership package today will address the concerns expressed by the program's administrators and beneficiaries in Maine. Again, I thank the committee chairman and ranking member for listening to these concerns expressed by the program's administrators and beneficiaries in Maine. Again, I thank the committee chairman and ranking member for listening to these concerns and taking action on them.

Mr. D'AMATO. Mr. President, these amendments have been reviewed by staff. We find no objection. As a matter of fact, we find that a significant number enter into areas as it relates to housing and housing opportunities which will enhance the operation. So we are certainly supportive and have no objection.

The PRESIDING OFFICER. Is there further debate? Hearing none, the question is on agreeing to the

amendment of the Senator from California.

The amendment (No. 2030) was agreed to.

Mr. CRANSTON. Mr. President, I move to reconsider the vote.

Mr. D'AMATO. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

MORNING BUSINESS

Mr. CRANSTON. Mr. President, Senator SANFORD is still not quite ready with his amendment. I ask unanimous consent that we may have 5 minutes of morning business in which Senator LEVIN and perhaps other Senators may speak.

The PRESIDING OFFICER. Without objection, it so ordered.

The Chair recognizes the Senator from Michigan [Mr. LEVIN].

Mr. LEVIN. I thank the Chair and the Senator from California and the Senator from New York.

(The remarks of Mr. LEVIN pertaining to the introduction of Senate Joint Resolution 336 are located in today's Record under "Statements on Introduced Bills and Joint Resolutions.")

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

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. WIRTH. 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. WIRTH. Mr. President, I believe that I am next in line for offering an amendment under the previous unanimous-consent request.

FITZWATER BLAMES S&L CRISIS ON DEMOCRATS

Mr. WIRTH. Mr. President, I wanted to, however, just take a couple of minutes before then to respond to what I thought was a quite remarkable press conference held today by the White House Press Secretary, Mr. Marlin Fitzwater. Today, Mr. Fitzwater said that much of the blame for the Nation's savings and loan crisis lies with Democrats and dared us to make it a campaign issue in November.

"I just want to put them on notice that this plays both ways, and we're ready to play." Fitzwater said of the Nation's greatest financial disaster since the Depression.

"Take a look at all of them," he said. "They want to make this a political issue. We'll be glad to do it. There are a lot of battles that can be fought on this turf, and we're ready."

Getting down into his three-point stance, Marlin Fitzwater sets the tone for public debate on the most serious

financial crisis that this Nation has faced in its history of financial crises that many of us on the floor of the U.S. Senate have attempted to bring to the attention of the administration, obviously without any success, because nothing is going on. Mr. President, you know that and I know that and the American people know that while hundreds of billions of dollars are being spent to right the ship, too many of the people who have benefited are still on their yachts and nobody is going to jail.

Mr. Fitzwater said, "We're talking about a decade of negligence and mismanagement that has to be corrected."

The question is, Mr. President, who ran the Government during this decade of mismanagement and negligence?

The question is, Mr. President, who ran the Government during this "decade of mismanagement and negligence?" I do not remember that the Democrats won the election in 1980, Mr. President. I do not remember we won the election in 1984 and 1988.

"A decade of mismanagement," Mr. President, has been going on, no question about it. The only valid thing that Mr. Fitzwater has said in this whole transcript of his remarks this morning was that there has been a decade of mismanagement. That is absolutely the case.

What we are trying to do is to point out the facts of the situation. And the facts of the situation, in terms of mismanagement, are very, very clear. Let me, again, just recite a few of the concerns we have had, Mr. President: absolutely legitimate concerns.

In October 1988, the House Government Operations Committee found that insider misconduct caused or contributed to more than three-quarters of all thrift failures. Insider misconduct caused or contributed to it.

The General Accounting Office, last June, issued a report that examined 26 thrift failures and compared them to a sample of 26 solvent thrifts. The idea was to get a side-by-side; thrifts that had worked; thrifts that had gone down the chute.

In looking at the ones that had gone down the chute, gone insolvent, belly up, they found actions that appeared to be fraud and insider abuse. Investigations or legal action had been initiated against 25 or 26—investigations, legal action—what is going on?

Mr. Fitzwater says to us "We're talking about a decade of negligence and mismanagement that has to be corrected." This is what we are pointing to, this decade of mismanagement and neglect.

The President's own Attorney General, apparently, now in trouble with the President, recently talked about an "epidemic of fraud" in the savings and loan industry. Does the epidemic

of fraud come from the 1970's or the 1960's or the 1950's or from Mr. Fitzwater's "decade of negligence and mismanagement?"

The Attorney General said at least 25 to 30 percent of thrift failures can be attributed to criminal activity. The officials at the Resolution Trust Corporation said that 60 percent of the institutions that it seized have been victimized by serious criminal activity. An "epidemic of fraud," "serious criminal activity," what is going on?

What we attempted to do, Mr. President, and this is the point we have been making, we attempted to give the administration the ability to go after fraud. Put some people in jail. Put them behind bars. Have their ill-gotten gains returned to the taxpayers. The administration, however, told us they cannot spend the money. They cannot go out and hire the needed assistance U.S. attorneys, the FBI agents, accountants to do the job, even though the evidence was overwhelming they should be doing so.

The Federal Bureau of Investigation, the FBI, told us they have received more than 20,000 referrals involving fraud and other criminal activity in the financial services industry, and that the Bureau has been unable to examine them; 20,000 referrals involving fraud. They do not have the staff to go after them. More than 1,000 of those cases are major, involving losses of more than \$100,000.

As of February 1990, the Bureau also had more than 9,000 pending bank and S&L fraud and embezzlement cases, some 3,000 of which, said the Bureau, were major. Three thousand pending fraud and embezzlement cases, that were major, Mr. President. And more than 900 of them involved losses greater than \$1 million.

If more than 900 of the pending cases involve losses of more than \$1 million, that at least is almost \$1 billion of cases they know about. But the administration says they do not have the resources, cannot spend the money and go after it.

Even J. Timothy Ryan, the new Director of the Office of Thrift Supervision who came through here on a very controversial appointment—a number of people felt there were a lot of politics involved in that appointment but he was confirmed, that came and went—recently told me that bank and thrift regulators were sending the Department of Justice an additional 8,000 referrals a month regarding civil and criminal violations and that there were 80,000 referrals pending.

The point we are making, Mr. President, is let us get after this business. I cannot go to a gathering, I cannot go to a county fair, I cannot walk down the street, I cannot fly on an airplane without somebody coming up to me—and everybody has had this same reaction—and saying: What in the world is

going on? Why are those people not going to jail? What are you doing about it?

And we say, well, we are the Congress. There is an administration whose job it is to run the Government. And this administration, I also say to some of them when they follow with a second or third question, has been running this Government for 10 years. What has been going on?

Mr. Fitzwater says we are talking about a "decade of negligence and mismanagement that has to be corrected." He was absolutely right. I am going to start using that line. "High White House official said there has been a decade of mismanagement and negligence that has to be corrected." Absolutely correct.

Now, the suggestion is that we are making this a political issue. Come on. We are just trying to lay out the facts and the figures and have people understand what is going on. The facts and the figures, Mr. President, speak for themselves. And the facts and the figures speak loud and clear at the White House right now.

Why do you suppose there is an economic summit going on? There is not an economic summit because George Bush woke up one morning and stopped reading his own lips. There is an economic summit going on because we are in an incredibly deep financial crisis, Mr. President. We are in a deep financial crisis, in part caused by the irresponsible economic policies of this last "decade of negligence and mismanagement." But also from the fact that we have a S&L crisis that is mounting up and mounting up and mounting up.

That is why the summit is going on. That is why the President is deeply worried, because this negligence and mismanagement is coming back to bite. The chickens are coming home to roost, and it is about time.

A final note I would like to make, Mr. President. It might be we are going to be told that what we should have done in the securities industry was operate the securities industry the way we operated the savings and loan industry: Deregulate the industry, and then take all the resources away from supervising it. A double penalty: Deregulate the industry and then take all the resources away from supervising it. It is a double negative. That is what they did in the S&L industry over this "decade of negligence and mismanagement."

Thank goodness we did not do it in the securities industry, which is precisely what the administration wanted to do. They came to us, Mr. President, in the early 1980's, with this agenda of deregulate. At all costs, deregulate. Get the Government off our back.

They had that same agenda for the Securities and Exchange Commission.

We were told by the then chairman of the SEC, Mr. President, we can do more with less. That was the euphemism of the time that said deregulate, take away resources. They asked us to deregulate a large part of the securities industry. We refused to do it.

I ask you to think, Mr. President, for a minute, what would have happened if we had done that with the securities industry? It is one of the last places where we have some handle on these extraordinarily important and very fragile financial institutions which are so terrible important to our economy and to our ability to compete around the world. I hoped, Mr. President, we would stop; we would get away from the kind of discussions we had today.

This reminds me, I remember once the same person who is talking about, accurately, this "decade of fraud of mismanagement," described Mr. Gorbachev as a "drugstore cowboy." Do you remember that?

It is time for us to be moving along with a very serious commitment to governing, Mr. President; a very serious commitment to managing the economy; a very serious commitment to doing the job we were elected to do and not run away from all that, Mr. President.

I know this is the housing bill we are on, but the opportunity was taken to take some very significant shots at Democrats and take some very significant shots at a number of us in the U.S. Senate who have been concerned about this. I thought it was important to once again put the facts of the situation out.

We tried to put the facts of the situation out, Mr. President, when we had the dire emergency supplemental up.

The dire emergency supplemental, my colleagues will remember, had funding in it for Nicaragua and funding in it for Panama. I was looking at that. We are always sort of curious: What is a dire emergency supplemental? What does it tell us?

In the dire emergency supplemental, there were funds for Panama. So one asks: How are we going to spend these empty-ump number of dollars in Panama? We send in the Stealth fighters, the night fighters, we destroy Panama and now we are building it back up again. What is the justification for this?

There was \$30 million to promote tourism for Panama. The Senator from Illinois and I were talking about that. That looked a little curious to me to spend \$30 million for tourism in Panama. I happen to know we spent \$14 million to promote tourism in the whole of the United States, and we were going to spend \$30 million, a little country, to promote tourism in Panama.

That says to me that is going to be a boondoggle; that money is going to disappear and slide away someplace

else. What I attempted to do was get the Senate to pass an amendment to transfer that \$30 million of promotion of tourism in Panama over to enforce the S&L crisis. The administration says they cannot spend the money. We gave it to them once, let us do it again.

They raised a point of order on that which is the old dodge. If you do not want to deal with the question, you raise a point of order. Unfortunately, the point of order prevailed. Imagine, Mr. President, here we are in the United States Senate spending money to promote tourism in Panama and raising a point of order and refusing to enforce the law surrounding the S&L crisis.

Taxpayers out there are wondering: What are you all doing? I think there are some legitimate questions they are asking. I hope we can get some good answers, and I hope we can get the administration to give us some good answers as well.

So, Mr. President, as I say, I have an amendment.

Mr. President, as part of the record, I wish to include a letter dated August 4, 1986, from Mr. Lawrence Taggart, of Taggart Financial, to Hon. Donald Regan, then Chief of Staff of the White House.

Mr. Taggart points out that "My father and I have been politically active both in the Deukmejian administration in California and the Reagan administration in Washington." He said, "Having worked for the past 15 years within the industry and serving as the former commissioner of Savings and Loan of the State of California, I believe I am properly credentialed to bring to your attention the items addressed in this letter." He is very critical of any kind of hard administration of the S&L's, and he says, "These actions being done"—this is the actions by a Mr. Gray—"to the industry by the current chief regulator of the Federal Home Loan Bank Board are likely to have a very adverse impact on the ability of our party to raise needed campaign funds in the upcoming elections. Many who have been very supportive of the administration are involved with savings and loan associations which are either being closed by the Federal Home Loan Bank Board, or threatened with closure, without any serious consideration as to the consequences."

Another example of what has been going on, Mr. President.

I ask unanimous consent to have this letter printed in the RECORD.

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

AUGUST 4, 1986.

HON. DONALD REGAN,
Chief of Staff, White House, Washington,
DC.

DEAR HONORABLE REGAN: I AM writing because of a genuine concern for the thrift industry in this country, and the fact that a

number of actions have been taken recently which will cause irreparable harm to savings and loan associations. Additionally, these actions being done to the industry by the current chief regulator of the Federal Home Loan Bank Board are likely to have a very adverse impact on the ability of our Party to raise needed campaign funds in the upcoming elections. Many who have been very supportive of the Administration are involved with savings and loan associations which are either being closed by the FHLBB, or threatened with closure, without any serious consideration as to the consequences in the communities and states in which they are located.

Having worked for the past fifteen years within the industry and serving as the former Commissioner of Savings and Loans for the State of California, I believe I am properly credentialed to bring to your attention the items addressed in this letter. I have been encouraged by many thrift executives to write you with the desire that someone close to the Administration is made fully aware of certain actions recently emanating from the Federal Home Loan Bank Board.

BUSINESS ATTITUDE

My father and I have been politically active both in the Deukmejian Administration in California and the Reagan Administration in Washington, D.C. We have been very supportive because both administrations have been quite protective in fostering new business enterprises and promoting the precepts of free enterprise wherever possible.

The attitude of the FHLBB and Chairman Gray has been contrary to that of the Reagan Administration. While I was Commissioner of Savings & Loans in California (18 months ago), the Department of Savings and Loan found itself processing 210 applications for new savings and loan charters, which were encouraged by both the Legislature and the Administration in California. However, few of these applications ever received FSLIC insurance because of an attitude by Chairman Gray that new charters represented unacceptable risks and that there were already too many associations. Individuals were willing to commit millions of dollars to obtain charters and to promote home lending, but were wholly frustrated in their attempts because of inordinate processing delays at the FHLBB and countless denials predicated on frivolous grounds. These persons have now lost many millions of dollars in organizational expenses and most have resented to Gray's refusal to grant approval for new charters.

I, too, have had an application pending for a new charter together with 23 other shareholders. However, as I have been told by members of his staff, his strong personal bias toward me—which grew out of the fact that I expressed differences of opinions while Commissioner—has caused him to refuse to issue an approval or denial. Anyone in his position, with such a strong personal bias, should "step-aside" and allow his staff and other Board members to decide the fate of a pending application. This particular application has been awaiting a decision in final form for nearly one year.

While I can cite tens of dozens of other examples, the attitude of the FHLBB toward the industry it regulates is most likely apparent in the fact that although there were approximately 6,500 thrift associations 10-15 years ago, there are only 3,200 today, and nothing is being done to

foster or encourage new entrants into the industry—rather, processing of new applications has become non-existent and regulations have been promulgated which makes it extremely difficult for new associations to survive. It was always my understanding that the Reagan Administration has been wholly supportive of free enterprise and has encouraged entrepreneurs through deregulation to establish new businesses, and yet, this same attitude has not at all been apparent at the FHLBB. Instead, they have frustrated and discouraged those who desire to contribute substantial capital and become involved in the savings and loan industry.

COMPOSITION OF BANK BOARD

Currently, the Bank Board is authorized to have three members. Two members have submitted their resignations and the posts are waiting the appointment of two, new individuals.

It is difficult to emphasize just how important these two vacant seats are to the savings and loan industry. Chairman Gray is very strong in his opinions and assertions, and it now appears more appropriate than ever to fill these vacancies as soon as possible with two individuals who are both knowledgeable about the real problems which plague the industry today, and who have the "backbone" to stand up to a strong-willed Chairman if differences should arise. It is my understanding that two individuals have been proposed who would appear to be very capable and knowledgeable candidates, and would support the President's position of free enterprise and entrepreneurship.

The number of members on the Bank Board is too small and the industry problems too great to allow the major decisions to be made by virtually one individual. There is a very real and pressing need to achieve some semblance of balance on the Bank Board, to preclude or minimize the irreparable harm that may result from one person's overzealous attitude under the guise of attempting to protect the industry.

There are many executives within the industry who would advocate a larger Board to minimize the possibility of a monarchist agency, similar to the situation which exists today. These persons would recommend either a five or seven person board.

REGULATORY ENVIRONMENT

When Chairman Gray and I assumed our respective posts early in 1983, there had been a concerted effort both at the State level and in Congress to deregulate the thrift industry and free it from the shackles of burdensome and over-reaching, redundant regulations. However, before associations really had an opportunity to adjust to this new found freedom and deregulated environment, the FHLBB began to change its policy, most likely because of problems experienced with a few associations. It did not take long before a number of new regulations were introduced and promulgated restricting many of the activities that associations were becoming engaged in to develop additional sources of profit and capital and which they have become encouraged to do in order to recover out of the severe economic slump experienced in the early '80s. Fearing the widespread use of nontraditional activities, and forecasting substantial anticipated losses incurred by many because a few had experienced problems, Chairman Gray sought to dramatically restrict associations from further engaging in speculative activities, even though a return to more traditional forms of lending would substantial-

ly reduce the potential to keep associations profitable.

In the past several years, Chairman Gray has continually referred to the fact that he intended to regulate "by the lowest common denominator": that is, if a few associations experienced problems in a particular area, or became too speculative, he would introduce regulations to restrict all associations from the same activity. What has now resulted, is that rather than encourage healthy associations to become more profitable, their activities and abilities to make profits have been reduced to the level of the "lowest common denominator" relative to deregulated powers and authorities.

Having been close to the staff at the FHLBB, I am informed that in many instances proposed regulations, which await final approval pending the expiration of comment periods, are approved irrespective of the hundreds and thousands of comments which are received opposing the regulations from the industry executives. In fact, I have been told often the comments to proposed regulations are not even read nor considered—that it is merely an exercise in futility for those who respond out of concern.

All of the efforts and effects of the Garn-St Germain legislation which was so critical to the deregulation and survival of the thrift industry has been frustrated with the introduction of new, restrictive regulations—regulations which have been implemented without proper studies to assess the impact on the industry.

CLOSURE OF ASSOCIATIONS

In the past one and a half years, the Federal Home Loan Bank Board has caused to be closed twenty associations in California with aggregate assets of approximately twelve billion dollars. In many instances in both California and Texas, the top three to seven executives are forced to resign their posts because of intimidating threats by FHLBB supervisory agents that associations will be closed and/or taken over unless they resign immediately. And after the resignations have been secured, with no evidentiary basis in most cases that anything illegal or unlawful has been committed, the FHLBB proceeds to examine some associations with the predisposed intention of finding a sufficient number of problems assets to reduce the association to insolvency, thereby providing the "opportunity" to place the association into receivership or conservatorship.

In many of the instances where associations have been closed, the executives which have had to resign have been those with the most experience in the industry, and generally far more experience than the receiver or conservator that replaces them. In most instances, there is no prudent nor economic reason to close down or take over associations. If certain individuals are to be targeted for removal because of safety and soundness considerations, the associations they respectively manage do not have to be seized or closed. "You do not have to sink the ship just to get at the Captain." I can cite any number of examples in both Texas and California to support my statements and conclusions.

It is felt by many in the industry that the 250 extra Federal examiners on temporary duty in Texas are poised awaiting passage of the Recapitalization Bill pending approval in the Senate and House. If approved, sufficient funds will then be available to the FSLIC to proceed quickly to take over or close down associations, many of which are now being closely monitored and under

seize and Desist Orders or Supervisory Agreements. It is then anticipated that a substantial number of these "loaned" examiners will be transferred to California to begin a pattern of strict examinations and additional closures. Additionally, it seems that those who are typically targeted for removal or take over are sole shareholder associations or those who are controlled by a few shareholders, are highly profitable and which have experienced substantial growth over the past three to five years. Passage of the proposed Recapitalization Bill will provide Chairman Gray the necessary resources to proceed ahead in this pattern of graduating those individuals and associations he has targeted for removal.

In those cases where associations have been seized by the Federal regulators, industry executives have consistently complained of the lack of "due process" involved at the time of take-over. Special examinations are conducted in a discriminant manner, assets are appraised far below their book or fair market values, and without prior notice or forewarning, or an opportunity to question or object, association executives are informed that sufficient reserves must be established for problem loans to an extent that makes the association insolvent, and then these targeted associations are immediately seized, officers removed, and conservators assume required operational roles.

I can understand that due process may not be possible in those instances where associations may be hostile to regulatory concerns, or criminal activity is involved. However, these cases are very few in number. In the majority of seizures, management has generally been very cooperative with the regulators, and there is no evidence of criminal activity.

Once an association has been seized, it is extremely difficult to complain or object to the grounds for seizure. In most instances, because of the suddenness of the seizure, appropriate legal counsel cannot be present to object to the actions of the regulators. There are instances in which forty or fifty examiners/regulators converged upon non-hostile savings and loan associations in a show of force and in order to demonstrate to other novice examiners how a take-over is conducted. This type of regulatory activity has often brought fear, and even terror, to many innocent employees and customers.

There has been no due process—no opportunity for associations or management to object to the methods by which they are seized—no opportunity to contrast or question the evaluation methods or conclusions of value of appraisals conducted by the Federal Home Loan Bank(s). Never in the history of the thrift or banking industry has there been the number of seizures and take-overs as we have seen the past two years, and with such a total disregard for the rights of others.

DUAL SYSTEM

It is common to refer to our financial institutional system as a dual system—they are comprised primarily of banks and savings and loan associations. It is generally known that a distinction exists between Federally and State chartered thrifts, and this is referred to as a "dual system" as well.

Although State chartered thrifts (savings and loan associations) must conform to certain Federal regulations and laws (FSLIC), as well as those of the respective states in which they are situated, it is important to remember that an option does exist—owners/shareholders of associations can

elect either a Federal or a State charter. For years now there has been a delicate balance in this dual system, and states have zealously protected their respective rights and the ability to regulate their own State chartered financial institutions.

The move by the FHLBB the last two years to re-regulate the thrift industry has seriously upset this balance, as many of the powers and authorities enjoyed by various states have been preempted by overriding Federal regulations. California and Texas were two such states that permitted broad discretionary powers for savings and loan associations—the activities which were permitted enabled associations to achieve high levels of profit and recover from the severe economic slump experienced from 1980 through 1983. The broad investment powers generated a renewed interest in the savings and loan industry in these two states, and many sought to obtain new charters recognizing the opportunities which were available.

This past year, however, things have changed dramatically. These broad investment powers have been preempted by Federal law (FHLBB), and associations are no longer able to diversify their activities as they were accustomed. Many associations have been forced to consent to onerous supervisory agreements and Cease and Desist orders—measures which are dramatic in effect often predicated on trivial grounds and which seriously impair an association's ability to survive economically and remain solvent. The impact of these orders and agreements has been to severely reduce the earnings of associations to such an extent that capital eventually becomes impaired.

The sensitive balance of the dual system has now been substantially eroded because of the recent attitude of the FHLBB to take matters into their own hands and because of efforts to preempt the more favorable states' law. Whatever advantage states had has been obviated by actions of the FHLBB.

I felt compelled to bring these matters to your attention, Mr. Regan, because you have expressed personal concern regarding matters at the FHLBB. I wish to convey the feelings I have set forth in this letter as a former regulator and executive within the savings and loan industry and because of a genuine concern for the preservation of this industry. Unlike others in the industry who greatly fear reprisals from the Chairman of the FHLBB, and who are fearful of venting their anger and frustration, I am in a position to freely express myself and to bring to your attention the serious, irreparable harm that is being done to savings and loan associations across this land. If I can be of any assistance, or provide additional information in these regards, please do not hesitate to call upon me.

Sincerely yours,

LAWRENCE W. TAGGART.

Mr. KERREY addressed the Chair.

The PRESIDING OFFICER. The Senator from Colorado has the floor.

Mr. WIRTH. Parliamentary inquiry. Can the President give me a sense of where we are in procedure and recognition and what the unanimous-consent request was?

The PRESIDING OFFICER. Under the previous order, the Senator from North Carolina was to be recognized for the purpose of proposing two amendments. He asked that be with-

held because he was still negotiating those amendments.

Mr. KERREY. Can I ask the Senator from Colorado to yield?

Mr. WIRTH. I have the floor, and will be happy to yield to the distinguished Senator from Nebraska for a question.

Mr. KERREY. Mr. President, I have listened to the Senator from Colorado talk about this issue. I have listened to him talk about the savings and loan issue for over a year now. I have also taken a personal interest in this issue as a consequence of some very unsatisfactory experience that I had when I was Governor, with a similar sort of situation on a much smaller scale, with a slightly different consequence for people because, in this case, the deposits of the institution were not fully guaranteed, as it turns out. We just did not, in this case, ask the right questions. We were not as diligent in pursuit of the truth as we should have been. As a consequence, the people suffered. We did not regulate properly.

I have taken a personal and strong interest in the savings and loan issue as a consequence of that experience. In fact, in a conversation that I had with Secretary Brady over a year ago during the process of debate on the bill—I was offering an amendment that would have changed the structure of the RTC—I told Secretary Brady about that experience. My advice to the President was not to get this thing so close to him that it would look as if he were withholding information from the public.

In fact, I believe it is very significant that President Bush's spokesman in a press conference today made comments about me and other Members of Congress at the same time that he made a defense of the Attorney General. The Attorney General was asked by the Federal Bureau of Investigation to take a lie detector test. The test itself was requested in pursuit of the truthful answers relating to an incident where the executive branch leaked information about a Member of Congress.

I am saying to the Senator from Colorado that this is not just political attacking. This is more than just a Republican administration trying to go after some Democrats, although that clearly is a part of it. I see an abuse of power here. I see it as an executive versus legislative branch issue, not just as a political issue, though I am sure the President is concerned about this becoming a campaign issue in 1992.

Let me make it clear, as I said, that it is my personal experience dealing particularly with regulators that has caused me to take this interest. It is precisely because of the unsatisfactory experience, particularly the unsatisfactory answers that I got from regulators in pursuit of the truth in re-

gards a bank issue when I was Governor.

It is precisely because of this experience that I have and I will continue to take an interest in this issue. I do not believe that the President has been well advised, in fact, by not taking some advice that I and other people have tried to offer, with all due respect, for the President trying to work this thing out.

I believe, in fact, that the President has organized this bailout so that the U.S. Department of Treasury controls the flow of all information. I offer to my colleagues the example of Bill Seidman. Even Bill Seidman, who, when he provided a different version of the truth than the administration wanted, found himself in hot water as well. So it is not just Democrats; in this case, not just Members of Congress.

They have organized this bailout so as to be able to control the information. My experience in the past tells me that is a big mistake; that you should provide the maximum amount of sunshine and accountability, otherwise the people themselves will struggle with the questions that they, I think have a legitimate right to get an answer to.

The message I believe the President is sending is not just that we are going after Democrats. The message in this particular case is we are going after the entire legislative branch, not just to members of the Democratic Party, but to all Members of Congress. The message is this: I believe what the President is saying to us is simply give me a blank check; give me all the money that I need and then we will tell you perhaps if we need some more money, but that is about all we are going to give you. We will report to you every now and then, but do not press us; do not be too critical; do not step over the line. If you have some criticism, we would appreciate it if you would clear it with us first. If you get too critical in this thing, we might have some things on you; we might leak some information to the press on you as well. We might have something down in our files here on you, Senator, not just Democratic Senators, but Republican Senators as well. Maybe you wrote a letter in your past to some regulator that we will leak at just the appropriate time.

So I say to my colleagues, this should not just be seen as an issue of Democrats being angry when a President's spokesman makes inferences during a press conference. This is an issue much more important than an arrogant, sneaky maneuver by President Bush's spokesman in a press conference.

I believe it is symptomatic of something larger. I believe it is symptomat-

ie of the executive branch: It has grown too big and too far.

While they have been talking about local control, while they have been talking about States, local government having more control, they have been building a powerful Federal bureaucracy. In fact, the Resolution Trust Corporation is just a form of what appears to me to be a preferred method of governing. Any Member of the Congress who talks about health care understands that the real power lies with the health care financing administration. Any Member of Congress who understands agriculture understands that the real power lies down at USDA. Any Member of Congress who is interested in energy, or transportation, or other issues that are important to them—education, for example—understands that the real power is not on the Hill; the real power is downtown.

So, Mr. President, I would like to ask, at long last, the Senator from Colorado if he sees a similar sort of situation here? Does the Senator see this, in fact, not just as a situation where Republicans are concerned about this being a political issue for the President in 1992—that is obvious; it is obvious by the petulance displayed by the President's spokesman this morning that that is a concern. That to me is not debatable. They are concerned about 1992, and they have been watching polls on a whole variety of issues. That is not really debatable.

What concerns me here, and I was curious as to whether the Senator from Colorado, who has more experience than I have in the legislative branch, sees it the same; whether the Senator sees it as a situation where, in fact, the legislative branch is being told, "you do not really have any rights to push too far on an issue we consider to be our prerogative."

Mr. WIRTH. I think the Senator from Nebraska raises an absolutely valid point with which I agree. I have had experience myself in precisely this kind of intimidation tactic, or what I think is the Senator's suggestion that that is what it is. I think they are trying to say to us clear your statements, clear your questions before you ask them. Do not give the small potatoes speech on the Senate floor. You cannot do that unless you call the White House and clear it.

About 3 weeks or a month ago, Mr. President, there was a hearing about to be held on the Silverado Savings and Loan Institution on the House side, Silverado is in Denver, CO. As a diversionary tactic prior to doing that—the Republicans, the administration has control of all the files. They control all of this—they slid out information on David Paul. David Paul apparently was a major S&L figure in California. They attempted to paint a variety of Democratic Sena-

tors as David Paul and put out a major story that Senator TIM WIRTH was involved with David Paul, had used his airplane, had gone here and had gone there and put out a bill of particulars as to when this had happened.

Of course, the facts show that that was precisely not the case—never been on that airplane; the dates were wrong. I was in Colorado when I was supposed to be up here. It was the most preposterous and silly approach. But I suppose if you had not been around for a period of time and had not had some sear tissue—I have a lot of that politically—you would get kind of afraid and say what are these guys doing? I am going to hunker down and I am not going to say anything.

Not the case. We made it very clear. I called the ranking Republican on the other side, and they have all of this major defense up there and the staff minions are doing it on the Republican side, precisely what the Senator is suggesting is the case. And, of course, it happened again this last weekend. The Silverado hearing is occurring over there either today or tomorrow. They released another letter that I had written to Chairman Voleker in 1984 before any of this sort of thing was going on in an attempt to gain diversionary and intimidating tactics. A little bit silly. We caught them at it, right. In fact, the release, the press report on the release said documents released by Republican operatives, something to that effect. Caught in the act. It is very clumsy, and it also is a very ineffective diversion from the job that is supposed to be being done, and that is the job of presumably managing us back to some kind of economic health and not just trying to wind your way through, slide through, cut corners between now and 1992.

I believe their fundamental goal is precisely what the Senator suggests, just get reelected in 1992, damn the torpedoes, forget the truth, forget the validity of what is going on. All we are concerned about is getting reelected in 1992.

We could go on on this for a long period of time and talk about where we are headed on various policy issues, but thank goodness, Mr. President, we are going to think just about 1992 and, for example, bring up the flag. Let us wrap ourselves in the flag and maybe if we divert ourselves with these kinds of dishonest stories relating to S&L's and if we can wrap ourselves in the flag, we can fool the American people into thinking we are governing. They are not governing, and we are going to continue to point it out. In Mr. Fitzwater's own words, what we are doing right here in the U.S. Senate is talking about a decade of negligence and mismanagement. That is what it is all about, Mr. President.

Mr. KERREY. I wonder if the Senator will yield for another question.

Mr. WIRTH. I am happy to yield.

Mr. KERREY. I guess I need to make it clear that I have never stood on the floor and tried to associate President Bush with the reasons for the collapse of savings and loans. I have never given a speech and implied that his son as a consequence of being on the board of Silverado had some sort of association with the overall collapse. I have never stood here on the floor and said, "Aha, didn't you get a hundred thousand dollars yourself from Charles Keating?" I never came to the floor and said, "Weren't you the head of the deregulation task force that President Reagan put together?" I have never done any of that.

I think what is history is history. There are all kinds of processes for us to determine who is and who is not guilty in all of this. What I am concerned about is the way that currently we have not organized and what are we doing. If we just spent \$60 billion to \$80 billion of the taxpayers' money this year, it seems to me a legitimate question for a representative of the people to come to the floor and ask how is the money being spent? Has it had an impact on interest rates? Is it affecting the capacity of home buyers to buy homes? Is it doing anything at all to the economy? Are you selling them as quickly as you could? Are you taking into account the need for low-income housing? It seems to me legitimate for me to be asking questions like that.

I have no interest in going back and trying to connect the President with all sorts of things that may have happened in the past. That is not my interest. It seems legitimate for me to stand on the floor—and I ask the Senator from Colorado if he shares my feeling that we perhaps need more of it coming from Congress—and ask questions about how this is organized, questions about the impact upon interest rates, questions about the impact on home buyers, questions about the impact on communities, questions about the impact on healthy financial institutions that are out there right now competing, competing with 400 institutions that the Government of the United States now owns and is guaranteeing the deposits. It seems to me it is legitimate.

I apologize again for the long question, but it seems to me legitimate for us to be on the floor and, if anything, we need to be on the floor more and not be intimidated by what I consider a rather petulant remark by the President's spokesman. Rather than be intimidated by that remark, it seems to me we ought to be emboldened by it and come to the floor more often asking questions about how this money was spent.

If it was a program for children, a \$5-million program, let alone a \$500-

billion program for savings and loans, if it was a \$5-million program, we would be here with everything we have. If it went for children, if it went for schools, if it went for energy or the environment, if it went for anything other than this, we would be over here constantly saying we are the taxpayers' representatives and we have a right to know. It seems to me we should be here more often.

I again apologize for the length of the question and ask the Senator from Colorado as my last question if that is legitimate.

Mr. WIRTH. I thank the distinguished Senator for a question which is absolutely valid.

What I hear on a steady basis from constituents is, Where are the Democrats? Are you all standing up on this? Why are you not all telling the truth and talking about it?

Mr. President, if a tree falls in the woods and there is nobody around, does it make any noise? We can come out and raise these issues and if there is no attention given to it, it does not have any impact.

Now apparently and obviously we have some attention and it is about time. It is absolutely valid on behalf of the people that elected me and the people that are represented by the distinguished Senator from Nebraska and the people who represent all of the other constituencies on the floor of the Senate, all of our States have a right to know what is going on. They have a right to know and we have an obligation to ask, to raise these issues and continue to do so.

I have raised this issue about enforcement over and over and over again. The response that we have received from the administration consistently is, we cannot spend the money. We are doing the job. We are setting up task forces.

We are checking out the size of the task forces being referred to. Some are two people, some are four people, for what is admittedly these enormously complicated items and we are going to have an amendment later, Senators GRAHAM, DIXON, and I—we hope that it will come out on the crime bill; if not, as a freestanding bill—to go after the question of enforcing the law, bringing to bear the resources necessary to do the job. That is our responsibility, not just to do what the administration might suggest we ought to do.

Mr. KERREY. I promise this will be my last. I would like to know if I could ask one more question.

Mr. WIRTH. I will be happy to yield to the Senator for a question.

Mr. KERREY. In the one statement the Senator made with which I agree—although I will just broaden it a bit—the Senator said the people are asking, where are the Democrats? People are asking me, where is Con-

gress? As I said, I do not see this is a Republican-Democrat issue. For gosh sakes, does anybody have to be reminded that happened when the National Endowment for the Arts spent money that some Members thought was offensive? Does anybody have to be reminded that practically every time money is spent in some way that offends a Member of Congress, whether it is \$1,000 or whether it is \$1 million, that they are on the floor immediately saying it should not be spent that way?

Here you have \$500 billion and the Stanford report saying maybe it is a trillion over 40 years and the administration coming forward and saying, well, we are not going to count interest. We are not going to count the money that was spent prior to January 1989. We will leave all that off. Now instead of \$60 billion, it is \$135 billion, maybe. We are not sure.

It seems to me that not only should Democrats be on the floor but Republicans, without concern for whether or not it embarrasses the President because it seems to me, I would ask the Senator from Colorado, unless Congress becomes outraged that the taxpayers' money is being misspent, that it is being wasted, unless Congress comes to the fore with some sense of dignity, not comparable I would say to the indignity and outrage that some felt about the National Endowment for the Arts, we are going to get nothing done. All we will do is get something that might look good on TV but we will not in fact get to the bottom of it.

I ask if the Senator sees it that way, as an issue where Congress needs to become more engaged; not just Democrats, who are perhaps attacked again, as I said by a meanspirited, sort of angry little spokesperson for the President, but all of us in Congress.

Mr. WIRTH. The Senator again is correct. I did not raise the partisan issue; the partisan issue was raised by the present spokesman at the White House this morning. That was the purpose of my heading up to address the Senate to see if I might be able to correct the record, and to find once again what indeed our responsibilities are.

I would be more than happy to yield to the distinguished senior Senator from Illinois.

Mr. DIXON. Mr. President, I thank my friend, the distinguished Senator from Colorado, for his remarks. I would put this question to him.

Would he agree with this Senator and many others who have followed the thrift crisis that Bill Seidman is probably the best informed and the most responsibly motivated person in this administration with respect to finding not only a solution to the problem for the future, but a correct way to address the existing problem that is before us right now?

Mr. WIRTH. I agree with that, and in fact said to Bill Seidman directly that he has an enormous reservoir of good will because he is the one person who has been honest about this on a steady basis; absolutely nonpartisan about it, very clear, concise, and said let us get on and be aggressive; also, maybe most importantly, he shares with the distinguished senior Senator from Illinois a sense of urgency.

Mr. DIXON. Would my friend from Colorado answer this question? If my friend from Colorado were the chief executive of this country at this point in our history, with this immense problem before us, would my friend from Colorado urge Mr. Seidman to leave the administration, and show him the door at a time when this crisis is before us in the country, and he is the one single man most respected by every Democrat and every Republican on the Hill with reference to this particular concern?

Mr. WIRTH. I would keep Mr. Seidman. But is Mr. Seidman leaving?

Mr. DIXON. May I say to my friend, and Mr. President, may I say to my friends, too, in the Senate and in the country, that the best information I have—and I think the accepted view in this town—is that Mr. Seidman has been politely shown the door by the administration, and will shortly be leaving the administration and abandoning the post he has held with great distinction in this Government.

I would suggest that the experience of almost every one of us as public people over the time that we have served in public service is that indispensable men and women in the times of great crisis ought to be kept to address the problem and find the correct solution. I know of no one in the Government. I know of no one in the country better qualified to address the existing problem, and to suggest solutions so we do not have a repeat of this problem in the near future, than Bill Seidman.

Why do I talk about the near future, Mr. President? My colleagues know that, in recent hearings, we have had testimony that the early symptoms are there for the repetition of the disease that occurred in the thrift crisis in commercial banking in this country—right now, something like \$13 billion plus in funding to protect right now a \$49 billion exposure—testimony from major people in our hearings that if we had a recession similar to the 1982 recession, that problem would go right off the chart.

At a time like this, this administration is silently inviting in many ways, and certainly, by implication, inviting Mr. Seidman to depart the administration. I think that is a great tragedy. I am concerned about it.

Mr. D'AMATO. Will my colleague yield for a question?

Mr. DIXON. I will yield for a question, though I do not know that I have the power to do that.

Mr. WIRTH. The Senator from Colorado has the floor.

On the Seidman issue, and I will be happy to yield to the distinguished Senator from New York for a question, you will remember that Bill Seidman was I believe brought to Washington initially in 1974 by Jerry Ford. Mr. DIXON. He is a Republican, may I say; a friend, I think, of the former distinguished President.

Mr. WIRTH. He was brought to help Jerry Ford at a time of very real crisis to provide a calming influence. We know what happened. That was a time in which there was a good deal of significant healing after an enormous upheaval. Bill Seidman did a very fine job at that point, and I think he is entrusted with a similar kind of crisis today. I am sorry to hear the Senator say that he believes that he will be leaving or has been in fact given the door.

I am happy to yield to the distinguished Senator from New York.

Mr. DIXON. If I could make this further observation before my friend from Colorado gives my good friend from New York an opportunity to be heard, may I make these few points?

I agree with what my friend from Colorado has said. It is sort of implicit around here that the administration simply does not want to do much about this problem. We have the Seidman example. Here is the outstanding man in the Government leaving at a time of grave crisis. I think that is something the country ought to be concerned about.

My friend from Colorado talked about the fact that this Senator and the Senator from Colorado offered an amendment to the supplemental appropriations bill to take \$30 million from the assistance for Panama in that supplemental appropriations bill and give it to the Department of Justice to hire investigators and prosecutors; \$30 million, Mr. President. Do people here remember how much that bill involved?

First of all, for Panama and Nicaragua alone, it involved \$720 million. Many people supported that. But the entire supplemental itself—and the record will show I voted against it. It was a voice vote, but I put a statement in the RECORD about how onerous I felt that bill was. That bill contemplated \$4.5 billion of the taxpayers' money for all kinds of expenditures in the country. Not one person on the other side took exception to that expenditure. Yet on our \$30 million attempt to transfer funds for a useful purpose with reference to the thrift problem, there was a parliamentary objection on the other side, believe it or not, to that amendment when the whole bill itself, that whole supple-

mental appropriations bill, was subject to that same objection. That \$4.5 billion bill, full of a great deal of pork, went down without a burp, without a burp. But the \$30 million caused an upheaval of extraordinary proportions, Mr. President.

That is an attempt to try to solve the problem. We come along with our attempt now to set up a special strike force. We are finally going to have an opportunity on the crime bill to offer that amendment—the Senator from Colorado, the Senator from Florida, this Senator and others. I expect at that time that will be opposed by the administration.

Mr. President, there are any number of good reasons to have concern about how we are moving in the degree of due diligence in which we are moving on this thrift crisis in America.

When Mr. Fitzwater makes the kind of statement he made in this press conference and suggests it is a problem caused by the Democrats, I would want to again bring to the attention of this Senate and the public generally the fact that this is referred to even by the Secretary of the Treasury, Niek Brady, as a problem of this decade. This decade is a decade in which this administration has controlled the Government, and has been responsible for what occurs in the Government.

I think it is very clear that the deregulation, the inability to regulate that industry, and to properly regulate that industry is what has led to this very serious crisis in the country.

I would say that as a minimal thing the administration ought to be doing all it can to put the crooks in jail, to pursue with great vigor the deep pockets out there, get back this money by piercing the corporate veil by looking at bank accounts, by piercing bankruptcies if necessary, and fraud and criminality will do that, and otherwise in every way possible through a motivated effort of the highest degree find this money in the country in these deep pockets, from these crooks and these thieves who have taken it from the American people, and put it back in the Treasury.

I thank my friend from Colorado for his remarks, with which I want to fully associate myself. I say one last time, it is a sad day in this town when Bill Seidman leaves his post and leaves us without his intellectual capacity and his honesty and understanding of this great problem.

Mr. WIRTH. If I might reclaim my time and ask a question, is there a replacement for Mr. Seidman?

Mr. DIXON. I do not know that of my own information, may I say to my friend from Colorado. There will, of course, be a replacement, I think, in time for Mr. Seidman, I think that the confidence he holds of the American public and the Congress and the Gov-

ernment will be lost to America. I think it is a great loss.

Mr. WIRTH. It seems to me that before setting up a situation where a person who was trusted in doing the job leaves and before you encourage him to leave, before you open the door and invite him to leave, you have somebody ready to move into that slot and people know about it. If, in fact, we have what I think is a very real crisis of confidence and a valid crisis of management, I do not know who that person is.

Mr. DIXON. I might also respond, when we talk about these problems, Mr. Seidman has suggested some of the solutions we ought to look at, solutions like looking at the deposit insurance question. Incidentally, I do not think it is his view that the \$100,000 deposit insurance level should be reduced. I think he generally feels that would have very little salutary effect now.

There is a question of risk-based deposit insurance. I hope the Senator from Colorado knows that. This Senator has been researching it for months. There is a question of the too-big-to-fail doctrine, whether we ought to have it at all any more in view of the experiences we have had in America. This Senator feels we should not.

There is a question of stronger regulation. After the industry was deregulated on the recommendation of a commission chaired by the now President, then Vice President, of the United States. It is the view of the major regulator that absolutely nothing was done to supervise these institutions after deregulation, that is to say, to see that there was safety and soundness in these institutions.

What are we doing about that now? Why is the administration not bringing us legislation to deal with the problem that its own witnesses now tell us is a growing problem in America that could be repeated, Mr. President, and that the symptoms of that dread disease are already apparent in the commercial banking industry? Where is the legislation to address that problem? This Senator is working on legislation, but I am not the President of the United States or the Secretary of the Treasury. I am working on the problem because I see it. But where is the solution to the problem that this administration, in the last decade, has permitted to occur in this country? That is the question I think my friend from Colorado and others quite properly ask.

Mr. WIRTH. I thank the distinguished Senator from Illinois for his aggressive leadership and his sense of urgency, which I think is maybe the most important variable we ought to attend to. This is a serious matter that demands serious attention, demands

serious energy, and not business as usual.

The distinguished Senator from Florida—whom I see is on the floor—and I have legislation, in fact, to examine the deposit insurance issue, how much of it there ought to be, to examine how many deposits one has, and risk-based insurance. We introduced that in 1987. We have introduced that in this Congress, and we hope that we will have success in having that become law.

I see the distinguished Senator from Florida is here.

Mr. GRAHAM. I thank my colleague from Colorado.

I have another concern in reading the transcript of the press conference this morning by Mr. Fitzwater. The concern is that there seems to be, in the essence of this conference, an example of the passivity, an essential lack of concern for this problem, emanating from the highest levels of the administration.

For example, the whole press conference started with questions about a lunch held today between the President and the Attorney General and issues of what would be the topics to be discussed, and was one of those topics to be discussed the criticism of the slow-paced prosecution of the criminal component of the S&L debacle? In the course of the question-and-answer relationship with the press, this question was asked: "There is some fairly tough talk about going after these people," that is, the criminal element within the S&L industry, "is the President getting them," the criminals, "to cover more of the costs, seizing more of their own property to defray the enormous cost to the American taxpayer of this bailout?" That is a good question. That is a question which a lot of Americans have been asking themselves, asking us, hoping that they would have a chance to ask a spokesman of the President of the United States.

What was the answer? The answer is, Mr. Fitzwater says:

The Resolution Trust Corporation is charged with taking over these thrifts, dispensing with the property, getting back all the funds that they can to help pay for the depositors' losses.

That was not the question that the inquisitive reporter was asking. The inquisitive reporter did not want to get a lecture in how you sell distressed assets with an S&L. What she or he wanted to know is, how are you going to hold the individuals accountable who profited by these series of what Mr. Fitzwater would go on to call the "decade of mismanagement," how are you going to get the people who actually put the money in their pockets to disgorge and help to reduce the costs that all of us are now going to have to pay. The fact that Mr. Fitzwater either did not know or, if he knew, did

not think it was important enough to respond to that question, I think is indicative of the passivity with which this whole issue has been treated.

Mr. President, I further suggest that there is another fundamental issue, and that is the necessity for Presidential assumption of leadership on this issue. We have heard almost nothing since the initial legislation was introduced, almost a year and a half ago, on this issue from the highest levels. There has not been a call to action, nor has there been a statement to the American people that this is an issue under control, to calm yourselves, do not act in an irrational or an inappropriate manner, because we have this issue under control. What we have heard is silence.

I think it is time that the President step forth, and I suggest that he has a fairly obvious speech to be delivered. He needs to tell the American people some basic facts about just what is happening. Is this still the \$50 billion problem that he described it as being when his legislation was introduced in early 1989, or is it the \$500 billion issue that the General Accounting Office says it is, or is it the \$1 trillion issue that the Stanford University researchers think it may well be? What is the extent of the problem? The President of the United States is in the best position of any American to assess the depth of this issue, and what is the true extent of the challenge that we face?

The President needs to tell us how he thinks we ought to pay for it. Last year, the dominant concern was how to avoid having the cost assigned to anyone's responsibility. After a long debate, we finally decided to put 30 percent of the cost of last year's \$50 billion—\$30 billion out of the \$50 billion was put off budget, so that it would not be so visible, so that it would not be so painful.

I believe that we need the President to step forward to tell us today, was that a responsible decision? Or, should we revisit it? Should we not do as some very thoughtful people such as Felix Rohatyn last week suggested, pay for it now? You went to the party, you got the benefits, this particular generation of Americans; you should pay for this, not transfer it to our children and to our grandchildren.

Mr. President, I think those are legitimate questions. You, as the leader of the country, I believe could give this Nation a sense of calm and direction by speaking to those issues. We need to know some facts about what is happening relative to the criminal prosecutions.

Mr. Fitzwater said today he thinks there are maybe 1,000 cases that are currently being processed by the Department of Justice.

In response to the question on the S&L, is the President satisfied with

the pace that the Department of Justice has been pursuing prosecutions in the S&L scam, Mr. Fitzwater says:

We always like the prosecutions to go faster but this is a process that is not quick. It means chasing paper through a lot of organizations. We have some 1,000 cases, more than 1,000 cases in the works. The Attorney General is gearing up task forces all over the country.

We have information that in fact there are over 21,000 referrals of criminals cases currently pending, most of them in an inactive status before various investigatory and prosecutorial agencies. Is it 1,000 or 21,000, or as my colleague from Colorado reported last week in a conversation with the head of the Office of Thrift Supervision, it may be mounting at the rate of 8,000 to 10,000 every month as the regulatory agencies get deeper into the levels of abuse within these institutions?

I think the American people deserve to know the facts so that we, too, can understand and participate in moving our Nation through this very, very dark period of its economic and political history.

Finally, Mr. President, I suggest that the President could speak to the American people about what does this mean about your future? Does this S&L debacle say that your plans to buy a new home in the next few years are going to have to be put aside? Does this mean as a small business person that your hopes of securing financing for expansion of your business are going to have to be delayed? Does this mean that the economic future of the country is going to be placed in some doubt and, therefore, you should adopt a more defensive and protective individual, as well as societal, economic posture?

Mr. President, we received some disturbing news just this morning, a report that construction of new housing last month fell 1.4 percent to the lowest level since the 1982 recession. To what degree is that another response, another reflection, another symptom of the spreading S&L crisis?

Those are the kinds of questions that I think the President, not an uninformed petulant spokesman, should be speaking directly to the American people. With that candid talk could then come the outline where we go from here, because I agree that what the American people are interested in most now is solving this problem, not lacerating history. There will be plenty of opportunities for political and academic historians to evaluate what has happened in the past. What is critical now is what is going to happen from now through the future, that we have the ability and responsibility to provide some direction to control.

Mr. President, I would be interested in whether our distinguished colleague

from Colorado feels that that is another lesson that might be learned from a reading of the press conference held earlier today by Mr. Marlin Fitzwater.

Mr. WIRTH. Mr. President, the issue of again a lack of urgency and a lack of attention to this serious problem is raised by lack of knowledge. We are told this morning that maybe there are 1,000 cases out there. The facts of the matter are, as the distinguished Senator from Florida has pointed out, much, much more dramatic and difficult than that.

The Federal Bureau of Investigation has received more than 20,000 referrals, not 1,000. But 1,000 of those 20,000 involve losses of more than \$100,000.

As of February 1990, 4 months ago—and lots has happened since then—the FBI had more than 7,000 pending bank and S&L fraud and embezzlement cases, some 3,000 of which were major—3,000 fraud and embezzlement cases that were major—and more than 900 of those thought to involve more than \$1 million each. That is almost a billion right there.

Mr. Fitzwater pointed out and said maybe there are 1,000 cases here that we are kind of going after. Then he went on to say the Attorney General is gearing up task forces all over the country.

What is he gearing up the task forces with? The fact that we found out, after probing on this front, was that the administration—this goes to the point about the money—we said to them, "Spend this money and go after this fraud." They would not do it. The FBI was also asking for this money. The FBI asked for 224 more agents; the U.S. Attorneys Office requested 113 more assistant U.S. attorneys and 142 more support staff.

The administration now is coming around and saying maybe we will do a little bit more, but what they have done is let the FBI add 42 agents and 26 support staff. This is a faint response to the problem. The problem is mammoth; the response is a token response.

They say, can the administration use this money? Of course they can.

In recent testimony before the House Government Operations Committee's Commerce, Consumer and Monetary Affairs Subcommittee, the administration officials indicated there is a need for additional resources. These are people who are career service.

On March 14, 1990, Oliver B. Revell, Associate Deputy Director of the FBI, discussed the difference between the March 1989 request and the eventual allocation of resources to pursue financial institutions fraud and embezzlement. Mr. Revell said that these additional personnel were still needed

and that "we wouldn't have asked for them if we didn't need them."

On March 15, 1990, Assistant Attorney General Edward S.G. Dennis, Jr., testified before the same House subcommittee. Mr. Dennis' statement noted that seven FBI field offices requested additional special agents but were not allocated any new agents. Ten other FBI field divisions were described by Mr. Dennis as receiving "substantially fewer positions than requested."

The story was similar when Mr. Dennis turned to the U.S. Attorneys Offices: 11 districts requested additional assistant U.S. attorneys but did not receive any while eight districts received substantially fewer positions than they requested.

That is a very stark contrast to the Attorney General gearing up task forces all across the country.

Mr. PRYOR. Mr. President, I take this opportunity this afternoon to commend the very distinguished Senator from Colorado for bringing this matter to the attention of this body.

I also associate myself with the remarks of the Senator from Illinois, the Senator from Nebraska, and the Senator from Florida, that have preceded mine.

Mr. President, I ask unanimous consent that after my remarks appear in the RECORD that the transcript of the White House briefing given by Mr. Marlin Fitzwater be printed in the RECORD.

The PRESIDING OFFICER. Without objection, it is so ordered. (See exhibit 1.)

Mr. PRYOR. Mr. President, that is the press conference that Mr. Fitzwater, speaking for the President of the United States, held, I assume, this morning sometime before lunch.

About 2 hours ago someone handed me a United Press International summary of this press conference that I have just made reference to, that I am placing in the RECORD.

Mr. President, I will say that when I read this news article, this United Press International summary of that discussion in that press conference, I did not know whether to laugh or to cry, but I would sense that really what I felt was—I guess I was flabbergasted, flabbergasted that the chief spokesman of the President of the United States would make statements such as he made in this particular press conference.

My next reaction was, well, maybe Mr. Fitzwater—who has been so busy the last 2 or 3 weeks defending us from the flag burners, protecting our people from the flag burners—maybe he forgot to do his homework or look at any history of the last decade which has led up to the greatest financial scandal in our country's history.

So maybe we will not say that he meant this. Maybe we will just say he did not have time to do his homework.

Mr. President, I would like to say one thing. I am part of the guilt of the S&L problem. I was a U.S. Senator during the past decade. I voted for some of the deregulation proposals asked for by the Republican administration. I am part of the guilt.

But for Marlin Fitzwater to go to the press and say that the Democrats should bear the majority of the blame for the S&L crisis is beyond my comprehension. Mr. President, I think that this body, and this Senator, are within our rights, and within my rights, to ask the President of the United States at this time if he associates himself with these allegations and accusations against the Democratic Party.

I think if President Bush would only look back, he would have to remind himself that in the FIRREA Act, signed August 8, 1989, it took the Democrats working with the President to pass that particular bailout plan. It could not have been done without Democrats. It took Democrats, Mr. President, to approve the nominee for the OTS Director's position, Mr. Timothy Ryan, a man who I thought was unqualified for the job and whom I opposed. Despite my opposition, enough Democrats did vote with Republicans to approve Mr. Ryan's nomination. It could not have been done with just Republicans. My point is Mr. President, that Democrats have publicly supported President Bush's efforts to clean up the S&L industry, yet his spokesman puts the blame for the problem on us.

Mr. President, I have accepted blame for a portion of this S&L crisis because I was a Member of this body, and the buck stops here. But if there is any grave Democratic responsibility, I think it is that we were negligent—negligent because we did not subject the regulators who were telling the Congress about the status of the S&L crisis 3 and 4 years ago, to a polygraph test.

This is where we were negligent. We should have submitted them to a polygraph test. We should have put them under oath. Because, Mr. President, in looking back, and this is a harsh accusation, they simply were not telling us the truth. We could not find out the truth. We heard rumors. There were innuendos. There were accusations. We would call people before our committees. We could not get the truth.

Looking back, Mr. President, what was happening there was an attempt, a studied attempt, to make certain that during the last 1 or 2 years of President Reagan's Presidency—and he had been a most popular President—no scandals erupted. So they kept postponing this. They kept

saying, "Well, it is not as bad as you think. Senators and Congressmen. This thing is going to go away." Or, "we are going to grow our way out of it." But, Mr. President, the truth was the S&L crisis was here. It was happening. And we were not being told the truth. Those are the facts.

And, yes, all of us have a little blame to share.

Mr. President, I think the Senator from Nebraska a few moments ago put his finger on a larger issue. I would like to talk about that for just a moment. That larger issue is the abuse of power that we may be seeing the first signs of in this particular administration. I hope it is not true, because I know President Bush. I know him as an honorable man. I went to the U.S. House of Representatives with him as a freshman Congressman in the year 1967. He is a good man. He is a decent man.

But when his spokesman, Marlin Fitzwater, goes before the press and he starts talking about individual Senators and individuals who he is trying to put the blame on—he lists for example, Senator BOB KERREY, Democrat of Nebraska—and then he says, and I quote Mr. Fitzwater, "Take a look at all of them."

An abuse of power, after just having been with the Attorney General of the United States. "Take a look at all of them." What sort of a message is that, Mr. President? Is that a message to Senator KERREY, and to Senator WIRTH, and to Senator GRAHAM, and to Senator DIXON, and to Senator PRYOR.

"If you ask any questions about this, we are going to take a look at you." Is that what we are talking about? Is that what we have come to? They say, "Well, all of these problems are going to go away. We are going to have enough money to fund this. We do not need to put it on budget." Funny money, make believe, Disneyland.

Mr. President, I have been a politician pretty well all my life. I started running for office when I was 25 and got elected when I was 26. I have usually been able to explain just about anything—a vote, a position, a statement, a misstatement, you name it. Maybe that is the gift or the art or the science of being in politics; I do not know. I do not want to get into that.

But, Mr. President, I cannot go home to my State of Arkansas. I cannot go home and explain to those people in a town hall meeting why these crooks are not in jail and why the American taxpayer is going to have to pay for their yachts, their Jaguars, their mansions, their villas, their Mercedes. I cannot explain it.

I cannot explain to those people, Mr. President, when I go back to Arkansas, why these 21,000 cases that the Senator from Colorado once again brings to our attention on the Senate floor, why

these cases are not being prosecuted. Some people say, "Well, we do not have enough money. We do not have enough prosecutors. We do not have enough courts."

Mr. President, once again, it was the Democrats, it was the Democrats in this body and in the House of Representatives that said, "Mr. President, you name what you need to go after these crooks and these scoundrels. We will give it to you. We will get it for you." They cut back on the requests.

In FIRREA last year, signed by the President on August 8, there was—I think I am correct, the Senator may want to correct me—\$75 million authorized to investigate and prosecute S&L crimes. That money has not been spent, Mr. President. Some of it has. We tried, as we stated a moment ago, to take some \$30 million out of a foreign aid program and make it available so the Justice Department could have more money, so they could hire more prosecutors.

"Well, no, we do not think we will be for that"—a lackadaisical attitude.

Mr. President, last Thursday I made a little statement on the floor about a situation in Texas, to demonstrate the mentality, which is rather *laissez-faire*, and says everything is going to be nice. I wanted to know what the Government liquidators were going to be doing with some of the Persian rugs out of the S&L's they closed. I would like to be able to buy a Persian rug—probably I will never be able to. I wanted to know what they were doing with the Jaguars and walnut desks and conference tables and Picassos and sculpture. I said, what did they do with these?

Well, let me tell you what happened. The GAO found out in the State of Texas, they did a little test case there, a \$3.3 million inventory was taken to a warehouse. Do you know what the taxpayers netted out of those liquidations, Mr. President? After the warehouse storage, after the inventory, the lawyers' fees, the consultants—you name it—the taxpayers netted out of that \$3.3 million only \$57,000.

Mr. President, the distinguished occupant of the chair is a very successful businessman and he knows that is not a very good deal. It is not a good deal. It is a sweetheart deal and this is a sweetheart deal. Mr. President, George Bush's chief spokesman is trying to cast that blame where it is not due.

Looking at the State of Texas, people say well, we should have had more regulators or should have done this or should have done that. Yet the thrift industry was coming up here crying to us, saying, "We do not want regulation, we want deregulation, we want free enterprise, we want to be able to wave the flag." What happened, Mr. President? We had free enterprise, all right.

For example, in the State of Texas, in 1981, there were 54 regulators. By 1987 there were 12 regulators. We turned away from the problem. We thought it was being looked after. But we could not get the facts.

Mr. President, another comment from Marlin Fitzwater in today's press briefing. A reporter by the name of "Jerry" questioned: "Marlin, you are kind of suggesting that the decade of mismanagement was chiefly Democratic. Would you care to balance it off and tell us where the Republican faults lie?"

Mr. Fitzwater: "No."

Another question. Mr. Fitzwater calls on Sara. That could be Sara McClinton. I do not know.

Mr. Fitzwater calls on Sara who says in the second part of her question: "And also, Mr. Fitzwater, I would like to ask you if any Republican has ever come forward since that \$100,000 was passed, and asked that it be changed?"

Mr. Fitzwater says, "Well, we're taking a look at all of that now."

Mr. President, there has been a lot of talk today about blame. I think it is time to stop talking about blame and do something about the problem. I think the first thing we can do about the problem is hire the number of regulators we need. We can equip them, we can give them the tools.

They say, well, we are forming task forces all over the United States. Mr. President, we do not need any more talk about task forces. We do not need any more consultants. We do not need any more studies. We need action. The American people are asking and begging for that action because our credibility is diminishing quickly—this institution's.

I conclude, Mr. President, by saying I am deeply troubled by Mr. Fitzwater's statement and I am hoping that the President of the United States, George Bush, who is a very, very decent man, will disassociate himself, before the sun sets, from these accusations.

Mr. President, I thank the distinguished Senator from Colorado.

NATIONAL AFFORDABLE HOUSING ACT

The Senate continued with the consideration of the bill.

AMENDMENT NO. 2032

Mr. WIRTH. Mr. President, I have original recognition to offer an amendment. Mr. President, on behalf of myself, Mr. JEFFORDS, and Mr. HEINZ, I send an amendment to the desk and ask for its immediate consideration.

The PRESIDING OFFICER. The clerk will report.

The assistant legislative clerk read as follows:

The Senator from Colorado [Mr. WIRTH], for himself, Mr. JEFFORDS, and Mr. HEINZ, proposes an amendment numbered 2032.

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

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

The amendment is as follows:

Section 203 of the National Housing Act is amended by adding at the end thereof the following new subsection:

(v) Develop a Uniform Mortgage Financing Plan for Energy Efficiency.

(1) The Secretary of Housing and Urban Development, in consultation with the Secretary of Energy, shall within two years of the passage of the National Affordable Housing Act (NAHA), promulgate a uniform plan to make housing more affordable through mortgage financing incentives for energy efficiency.

(2) To develop this plan, the Secretary shall form a task force to make recommendation on financing energy efficiency in private mortgages, through the policies of Federal agencies and federally chartered financial institutions, mortgage bankers, homebuilders, real estate brokers, private mortgage insurers, energy suppliers, and non-profit housing and energy organizations.

Mr. WIRTH, Mr. President, I offer this amendment on behalf of the distinguished Senator from Pennsylvania [Mr. HEINZ] and the distinguished junior Senator from Vermont [Mr. JEFFORDS]. The three of us, Mr. President, have the pleasure and the honor of serving as chairs and cochairs of the Alliance to Save Energy, a very important national group set up 10 years ago by Senator Percy. The first Executive Director was Carla Hills, now the U.S. Trade Representative.

The purpose of the alliance was to focus on issues of energy efficiency. The alliance had a very important conference last spring that focused on affordable housing. One of the issues that emerged in the affordable housing conference was the importance of energy efficiency.

If, Mr. President, we could develop a program that made housing more energy efficient, the people who were in that housing would have more money left over to do other things. That is pretty obvious. If we can develop a way in which the energy efficiency can be applied to those individual's mortgages, then they are ahead and we can make housing available and affordable to a lot more people.

Without question, affordable housing is a national crisis: the shame of homelessness and the squeeze on homeownership remain realities despite this Nation's tremendous wealth. Today, many of our children are finding it difficult to own a home—even with two incomes. Young people that are able to afford their first home, must make that purchase further and further away from urban centers and the workplace.

Energy efficiency is also a pressing issue—for our energy security, our

international competitiveness and for the environmental crisis that is unfolding around the world. It is clear that the Earth's atmosphere cannot benignly absorb the increasing levels of carbon dioxide released by man's burning of fossil fuels. From acid rain to global warming, we have come to understand that energy policy is the essential component of environmental policy. Indeed, environmental policy is driving energy policy and will continue to do so for the foreseeable future.

My intention today is to explore the relationship of these two issues. For more than a decade, the Alliance to Save Energy has shown that energy efficiency should be a mainstay of the affordable housing formula. In 1988, we reported that energy is the largest cost of housing after rent or mortgage payments. Their research found that energy represents about 20 percent of the typical monthly housing expense, and more than one-third of the housing budget of low-income families.

We know that energy is a big piece of the affordable housing puzzle. Our challenge lies in finding opportunities to reduce consumer expenditures on energy in order to free up resources for investments in better and more decent housing. With the proper policy mix, good energy policy can be good economic policy, good housing policy and good environmental policy. We must keep in mind that every house we build or rehabilitate today will effect these policy objectives for years to come.

Energy, in itself, is not a primary consumer good. Rather, our constituents want energy services for their homes—lights, heat and air-conditioning. The objective of energy conservation is to ensure that these services are available to consumers in the most efficient manner. Research by the Alliance, Harvard University and other expert organizations, has found that by implementing cost-effective energy efficiency measures, we can cut our national housing bill by \$25 billion annually. In the process, we can help millions of people in this country. The Alliance believes that as many as 250,000 families could become homeowners for the first time and another 2 million households, mostly low-income renters, could afford to pay their housing bills if we make homes energy efficient. In the process, we can help limit the need for new powerplants and reduce environmentally damaging emissions.

If we were to reduce energy consumption by 25 percent in the housing sector of our economy, we could save the equivalent of 400 million barrels of oil every year, preventing the emissions of millions of tons of carbon dioxide—the primary greenhouse gas.

Mr. President, working with the Banking and Urban Affairs Committee, we have taken a first step in

achieving these savings. S. 566 includes language that directs the Department of Housing and Urban Development to develop energy efficiency standards for new construction of public and assisted housing. The Federal Government pays more than \$1 billion each year for the energy bills of public housing. Much of this could be avoided with cost-effective investments.

The amendment I am now offering takes a further step—develop a uniform mortgage financing plan for energy efficiency. While Fannie Mae, Freddie Mac, FHA, and VA have made progress toward incorporating energy considerations in the mortgage underwriting process, there is no uniform, simple policy that consumers and lenders can use to ease the affordability squeeze. We need a uniform, understandable procedure for incorporating the costs of energy efficiency improvements into the mortgage and ensure that it is well known to builders, realtors and buyers alike. If we let consumers roll the cost of energy efficiency improvements into their mortgages, the savings may help more buyers to qualify for loans.

The ingredients of an energy efficient home are well known and commercially available: better insulation, radiant barriers, more efficient heat pumps and high efficiency appliances. Unfortunately, these features are not being built into many of today's homes. High initial costs and the failure of mortgage insurance procedures to account for energy efficiency are the primary impediments.

Let me give a real-world example of energy efficient affordable housing. In Dallas, TX, homes are being financed with an initial added cost of \$250 to the home for energy efficient measures which adds about \$2.50 to the monthly mortgage payment. However—and this is what is key—these homes save the owners \$35 a month in energy bills.

I think you will agree that making this kind of mortgage readily available to buyers will enhance a family's ability to own a home, as well as make important reductions in energy consumption. Overall, I think these kind of initiatives will cost very little in public or private dollars, and will give us better, more affordable housing.

I hope, Mr. President, that this amendment will be agreed to. We have discussed it with the distinguished managers of the legislation on both sides.

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

Mr. CRANSTON. I think the Senator from Colorado has offered a very fine amendment. I know he has been very active for a long time in pushing energy efficiency relating to many,

many problems in our society, including global warming on a worldwide basis, pollution all over our country, and energy efficiency is one of the ways to resolve that. It is a fine amendment and I am prepared to accept it on behalf of the majority and I believe the minority is likewise ready to do so.

Mr. DOLE. Mr. President, I am not a member of the committee but I am advised there is no objection to the amendment on this side. We are prepared to accept it.

The PRESIDING OFFICER. Is there further debate on the amendment?

If there be no further debate, the question is on agreeing to the amendment of the Senator from Colorado.

The amendment (No. 2032) was agreed to.

Mr. CRANSTON. Mr. President, I move to reconsider the vote by which the amendment was agreed to.

Mr. DOLE. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

Mr. WIRTH. I want to thank the distinguished manager of the bill, Senator CRANSTON. He and his staff were very helpful in developing this. This is a different way of thinking about energy and housing. I think this is an important step. I want to thank Senator CRANSTON, as well as Senator D'AMATO, on the minority side, who was also helpful with his staff. Thank you, Mr. President.

Several Senators addressed the Chair.

The PRESIDING OFFICER. The Senator from California.

THE S&L CRISIS

Mr. WIRTH. Mr. President, to recapitulate, illegal activity was widespread within the savings and loan industry and will cost taxpayers billions of dollars. The American people rightfully expect the Federal Government to vigorously pursue individuals whose illegal activities contributed to the industry's losses. If we are serious about sending a message of "never again" to those involved in the financial industry, we must aggressively investigate and prosecute criminal activity related to the S&L crisis. We cannot let those in the financial services industry believe the Government will cover any loss—no matter how big—and then let the perpetrators go unpunished.

There is no question that fraud and insider abuse by S&L owners and management contributed significantly to the problem we now face. The need for additional resources to investigate and prosecute criminal activity within the thrift industry is also well documented.

The Federal Bureau of Investigation has received more than 20,000 refer-

als involving fraud and other criminal activity in the financial services industry that the Bureau has been unable to examine. More than one thousand of these cases are major involving losses of more than \$100,000.

As of February 1990, the Bureau also had more than 7,000 pending bank and S&L fraud and embezzlement cases, some 3,000 of which were major. And more than 900 pending cases and about 235 of the unaddressed referrals involve losses greater than \$1 million.

The Department of Justice caseload is growing rapidly. Mr. Timothy Ryan, the new Director of the Office of Thrift Supervision, recently informed me that bank and thrift regulators were sending the Department of Justice 8,000 referrals per month regarding civil and criminal violations and that there were now 80,000 cases pending.

Regulators will examine and close more insolvent institutions and the Department of Justice will receive thousands more referrals of possible criminal activity related to savings and loan failures, increasing the workload for Federal investigators and prosecutors.

The \$50 million requested by the administration for fiscal 1990 proved inadequate. The additional personnel provided by these funds did not meet the staffing needs identified in a 1989 FBI survey. In this survey, FBI and U.S. attorneys' offices requested 224 more FBI agents, 113 more assistant U.S. attorney positions, and 142 more support staff positions than the agencies received.

The administration's budget proposal for fiscal year 1991 does not make a specific request to target criminal activity related to the S&L crisis and instead includes some funding for this purpose within the overall request for investigating and prosecuting bank fraud. The budget would only permit the FBI to add 42 agents and 26 support staff, well short of the bureau's staffing needs.

Additional resources are needed as soon as possible because the passage of time makes investigation more difficult.

In recent testimony before the House Government Operations Committee's Commerce, Consumer and Monetary Affairs Subcommittee, administration officials indicated there is a need for additional resources to pursue financial institution crimes.

On March 14, 1990, Mr. Oliver B. Revell, Associate Deputy Director of the FBI, discussed the difference between the March 1989 request and the eventual allocation of resources to pursue financial institution fraud and embezzlement. Mr. Revell said that these additional personnel were still needed and that "we wouldn't have

asked for them if we didn't need them."

On March 15, 1990, Assistant Attorney General Edward S.G. Dennis, Jr., testified before the same House subcommittee. Mr. Dennis' statement noted that seven FBI field offices requested additional special agents but were not allocated any new agents. Ten other field divisions were described by Mr. Dennis as receiving "substantially fewer positions than requested."

The story was similar when Mr. Dennis turned to the U.S. attorneys' offices; 11 districts requested additional assistant U.S. attorneys but did not receive any while 8 districts received substantially fewer positions than they requested.

Mr. Dennis said that:

A significant reason why these shortages exist is that there is insufficient funding under FIRREA to fill all the requested positions.

Yet FIRREA authorized \$25 million more than the \$50 million the administration requested for this purpose.

By now Senators are familiar with this problem. The issue has drawn a great deal of attention in recent weeks. Although the Senate rejected my amendment to transfer funds from Panama tourism development assistance to the Department of Justice [DOJ] for investigation and prosecution of financial institution crimes, a variety of related proposals have since been introduced in both the House and Senate.

Several proposals would reorganize the Federal Government's activities in this area. These include legislation to create a Financial Services Crime Division within DOJ, authorize a special prosecutor to investigate the S&L crisis, establish local strike force in areas with the highest levels of criminal referrals, and authorize the Secret Service to join in investigating thrift crimes. Another bill directs the Attorney General to pursue the thousands of unaddressed referrals and pending cases over the next 2 years. Legislation has also been introduced that would expand investigators' subpoena authority, increase access to IRS records, prevent restitution orders from being discharged in bankruptcy, allow regulators' administrative expenses to be reimbursed from civil penalties, give the RTC priority in claims against an institution and its officers and directors, and make all types of bank fraud subject to the Racketeering Influenced and Corrupt Organizations [RICO] Act. Some of these ideas have found their way into more than one piece of legislation. Importantly, Members on both sides of the aisle in each Chamber have joined in this chorus calling for action.

Many of these initiatives deserve our serious attention and support. I ap-