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THE MANAGERS

OPIC-backed investments are shrouded in secrecy—and for good reason: Many of the funds appear to be cash cows for the politically well-connected. A look at the people who run them reveals a high-finance jobs program for Washington players, including a former speechwriter, a campaign manager, and a White House staffer. And, of course, big political contributors are well-represented.

DIRK ZIFF is co-chair of Ziff Bros. investments, which manages a \$150 million South Asia fund that received OPIC loan guarantees. Ziff, a prominent Democratic donor, was No. 6 on the Mother Jones 400.

JOHN LUGAR is Sen. Richard Lugar's (R-Ind.) son. His South America Private Equity fund, which has received \$100 million in loan guarantees from OPIC, stopped accepting investments in 1995.

BERNARD ARONSON is chairman of ACON Investments, which runs the OPIC-supported Newbridge Andean fund. He was an assistant secretary of state under Bush and a speechwriter for Carter.

Mr. SCARBOROUGH. I thank the gentleman from Indiana [Mr. SOUDER]. He is exactly correct. When Newsweek is talking about espionage, when the Washington Post is talking about how the White House does not tell the truth, as they editorialized yesterday, when the New York Times writes, "It is obvious we can no longer trust the President or the Attorney General," then something has to be done. There has to be an oversight function.

I just hope that one Democrat will have the moral courage to stand up and break through and step forward and be a hero, like Howard Baker, a Republican Senator, who back during the Watergate hearings had the guts to stand up and say, "What did the President know and when did he know it?" And by doing that, he broke the logjam, brought down a very corrupt administration, a Republican administration, and American democracy is better for it today.

I just pray to God that, for the sake of this country, Americans can see a Democrat step forward and do the same thing and that they will stop the political obstruction of justice in what clearly has become the largest fund-raising scandal in the history of this great Republic.

SCHOOLS AND EDUCATION IN A STATE OF CRISIS

The SPEAKER pro tempore. Under the Speaker's announced policy of January 7, 1997, the gentleman from New York [Mr. OWENS] is recognized for 60

minutes as the designee of the minority leader.

Mr. OWENS. Mr. Speaker, I want to address two major issues tonight. They are related in the long run. One is, schools and education are still in a state of crisis despite the fact that the American people have indicated that education is one of their number-one priorities, probably the number-one priority by the majority of the American people.

This first year of the 105th Congress session of Congress is coming to a close, and we are not dealing with the crisis. We have done nothing which really addresses the crisis in the manner that it requires. Certainly, the crisis in our inner-city schools, where most of the African American children attend school, where the poorest Americans attend school in the inner-city schools and crisis in the rural schools is not being addressed. We are still going backwards in New York City, for example, in terms of addressing the education crisis. So I want to talk about that.

I also want to talk about an issue that would seem unrelated, but it is related, and that is the present pre-occupation concern with the Internal Revenue Service. The Internal Revenue Service is important. I said before that people who are part of a care majority, liberals, progressives, whatever you want to call them, people who care about campaign finance reform and they really want it, there are a number of different elements, what you might call the caring majority. The people want to see an American system that operates fairly, democracy that is not distorted by big-money contributions.

All of those are part of the caring majority. The caring majority, in general, neglects revenue, neglects issues related to revenue. So the IRS and the taxpayer concern issues are likely not to get that kind of attention from that side of the aisle, this side of the aisle, that it deserves. And I would like to see that not happen.

I would like to see my colleagues pay close attention to the debate that is shaping up on the IRS, Internal Revenue Service, and to take that debate and discuss it at a new level. Let us not talk about how to beat up on IRS clerks and the agents. Let us talk about broad policies that are handed down from the very top, from Congress and from the White House, policy direction which leads to situations where large amounts of money that should be collected from corporations, those amounts are not collected.

It leads to situations where we have to beat up on middle-class taxpayers in order to get the kind of revenue that is expected because the IRS is being directed not to spend too much of its time or to wade into the complex situations presented by corporate financing.

I am particularly concerned about section 531 to 535 of the Internal Revenue Code. I have talked about that before. That is the section which pro-

hibits corporations from buying their own stock except under certain conditions. Stock buy-backs are big business nowadays, multi-billion-dollar business. Yet, there is a section in the Code that nobody wants to explain to me why it is not being enforced.

I have talked to quite a number of important people in the tax structure and have not been able to find out. If they were to collect that revenue, that is one of the areas where, if that bit of corporate welfare was ended, that is one of the areas where we gain additional funding to deal with some of the problems related to school construction and other problems that require money and education.

In other words, I do not really think we have a real problem with no money for school construction. Yes, I do think it is a problem. I think we lack the will to deal with school construction to spend the money that is necessary. We could get it if we wanted to, but we throw up a roadblock with the fact that there is no money. And, of course, the same problem is occurring at the local level and at the State level.

The argument is made that there is just not enough money to provide decent education. We are wasting money in many different ways. And not until the full wrath of public opinion and the wrath of the voters and not until the common sense of the voters comes down harder on public officials have to make these decisions, we have an understanding that we cannot just talk about education, we have to put some real dollars behind the effort to reform education and make it adequate for people at every level of our society.

Let me start by talking about schools first and education, because they were on the agenda of this Congress this week. They were on our agenda right up until the very last minute today. In fact, I think our last vote taken today on a bill was on passage of the D.C. appropriations bill. And that contest, that vote, it was a very close vote.

It was a situation where the time had to be broken by the Speaker of the House, it was that close, where many of us felt the House of Representatives had gone far in the direction of extreme control of local government and extreme control of decision-making that should be taking place at the local level.

We were shocked to see that the Republican majority which has consistently emphasized local control, local decision-making, which has made a great deal out of ending mandates by the Federal Government on local government, we were quite shocked to see to what extent the Republican majority in the House is willing to go with respect to mandating local control of Washington, D.C., going right into the school system and telling them what they have to do in terms of how to take care of their ongoing problem.

There is a very serious problem in the education in D.C. The District of

Columbia spends more than \$9,000 per child and has some of the worst education in the Nation. The problem has to be addressed. The people of the District of Columbia made a decision last year. Little more than a year ago, I think, they made a decision, had a referendum on whether or not they wanted vouchers, and they voted that they did not want vouchers as part of their solution to the school problem. We had local citizens involved in seeking a solution to a problem, and they rejected one possible approach.

The D.C. voters said, "No, we do not want vouchers." On the other hand, D.C. voters decided they would like to try an experiment with charter schools. The charter schools are a good alternative to vouchers, even among those people who insist that we have to have vouchers, for the purpose of shaking up the public school system, the bureaucracy, we need vouchers in order to provide competition for the public school system; to show innovative approaches, we need vouchers to provide an alternative.

Well, charter schools provide an alternative, and the residents of the District of Columbia voted, "We want the charter school alternative. We do not want vouchers." Yet, here we worked until late this afternoon pressing to push, the majority was pushing, and they finally won by one vote a solution on the people of D.C., which requires that they experiment with the voucher program for the next 5 years.

Now, I hope that that does not prevail, because the other body has already acted on this matter. The President says he will not accept a bill, he will veto any bill that forces the people of the District of Columbia to experiment with vouchers. So I hope it does not prevail. But it did pass this House. So here we were in a situation where the majority party, which has pushed for maximum local control, was trying to force it down the throats of the people here.

We had another problem today in our Committee on Education and the Workforce. I serve on the committee, and we had a Reading Excellence Act that was on the agenda for markup today. The Reading Excellence Act is designed to replace the President's proposal for America Reads.

The President's proposal has great emphasis on volunteers being used to tutor young people, students, to read. And the Reading Excellence Act takes a different approach and moves in the direction of teaching teachers to teach reading better and have teachers do the coaching of the reading and having professional groups contracted to provide the tutorial services.

Now, it is an interesting approach. There may be grounds for some kind of compromise. I hope so, because I would not like to see this first year of the 105th Congress end without doing something positive about the problem that clearly has been identified as a major problem.

If children cannot read, they cannot advance in school, they are bound to fail. That is well established. Everybody agrees they must learn to read. So the emphasis on teaching students to read as soon as possible and as thoroughly as possible is an appropriate emphasis. It is a place where there is no debate.

Surely, in an area where we do not have any debate, we ought to be able to go forward in this first year of the 105th Congress. Surely, we will not leave here with nothing being done in terms of a new Federal initiative when the President started the year with the State of the Union Address proposing an initiative, the America Reads was proposed. And now we have the Republican majority in the Committee on Education and the Workforce proposing the Reading Excellence Act.

We did not get to it today because we were on another bill. But in that Reading Excellence Act, there was another one of those mandates to the local level. It even goes beyond the local government right into the classroom. There is a mandate that they must use the phonics method.

Never before has the Federal Government gone so far in a matter that relates to education as this Reading Excellence Act proposes to go. That is to mandate, if you are going to get these funds and be a part of this program, phonics has to be used as a method of teaching reading.

We are going to go right into the pedagogy instruction processes and we, the Federal Government, are going to put our finger on a method that has to be used. That is one of the serious drawbacks of the Reading Excellence Act.

I hope some other features of that act can be combined with the President's America Reads program in the next 20 days or 15 days, whatever we have left here, that we do reach some agreement on some kind of program to push some new initiative in the area of teaching children to read.

We did not get to the markup of that bill because we spent a lot of time on a bill to encourage expansion of charter schools, which was proposed by the majority. But I voted for it because I think it is a small step forward in the area of the Federal Government encouraging the development of charter schools. It is a small step forward.

It is woefully inadequate. I hope that we come back next year and that we do something which is far more thorough with respect to charter schools. I worry about charter schools in several respects. The first is that we are playing around the edges of educational reform with this whole matter of charter schools.

We have about 700 charter schools now and 86,000 traditional public schools. If we want to really experiment with charter schools, we have got to have enough charter schools in enough different situations to be able to really study whether they are of any relevance or not.

We also cannot leave charter schools out there on the fringes so that elite groups only will be experimenting with charter schools. We need a greater variety of groups. We also cannot let charter schools become little pet projects of people who want to play around with education for a few years.

Maybe it is parents, while their children are in a particular school, they want to have a charter school. But when that is over and their children graduate from that elementary school, the interest dies down and the school collapses. We have to safeguard against creating problems in education. We ought to have some kind of Federal encouragement of the States to develop sound systems for regulating and developing charter schools.

There is a serious problem out there. If public funds are going to go to a group, they ought to be a stable group, ought to be a group that has some kind of promise of continuity, ought to be a group that is going to do a thorough job beyond just their individual or family interests.

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So we cannot have charter schools that are set with just a handful of teachers and a handful of parents and their immediate interests taken care of, and that is all. We need a more soundly grounded effort where we have a board of directors of some kind of group that is going to continue and really build an educational institution.

We should not waste funds on dilatory experience. That is one problem we are really going to have to come to grips with. The Federal Government cannot do it, but we can encourage States to do it by conditioning the funding of, Federal funding of charter schools for those States that take different approaches to the regulation of charter schools, to the development of accountability standards. They can take different approaches. We would not dictate the approaches, but take a sound approach to guaranteeing accountability, have a sound approach to guaranteeing longevity. Do not leave children to be victimized by dilatory experimentation.

I think all of this happened in one day with respect to education, and it is altogether fitting and proper that we should be that preoccupied with education on the floor and in the committee. Education is a number one issue for the majority of people and that is the way it should be. Common sense dictates that we ought to be more concerned and involved.

I do not think there can be too much discussion of education matters. I do think that we have to understand that no one person has the answers, and that the danger of fads and the danger of powerful people pushing through their particular remedies is always there, so we have to have the broadest possible participation and decision-making, and legislation ought to be based on some kind of set of fundamental principles.

Reform, in my opinion, ought to go forward across the board where we have a lot of different components of the effort to reform our schools. Charter schools are just one component. Whole school reform is another. There are many different components that ought to be there so that we can have a good look at what works and what does not work, and as fast as possible move on to institutionalize those things that do work.

Schools are very important back in New York. We have education in schools as a number one issue in the mayoral campaign. We have a great debate there as to what has happened to our schools and who is to blame. We had a situation where the schools were radically cut, the budget of the school system was radically cut under the present mayor, and now that it is an issue, there is an insistence that it was not really cut, that the cut did no damage, and that it is a figment of everybody's imagination that our schools are overcrowded.

Mr. Speaker, 91,000 children in 1996 could not find a place to sit. I understand it went down to about 80,000 in 1997. When school opened, they were that short of places, decent places for children to sit. A desk of their own was not there for large numbers of young people, even in this election year, and strange things are happening to make the problem disappear before the eyes of the citizens of New York.

There are efforts being made to keep one candidate out of schools. Ruth Messenger was not allowed to go into certain schools, or if she went into the schools, the press was not allowed to accompany her. That is unusual. In all previous mayoral campaigns, the schools have been open to candidates. We have had here in Washington in the last few days Members of Congress attend a school and go into the school to announce a program. The Republican majority went into a school just before they announced a new initiative on education.

So the fact that the present mayor has maneuvered to ban his opponent from schools is very unusual. New York is, unfortunately, not up in arms about this, even in the city university system, at the college level where college students certainly are able to determine, make up their own minds about the truth or falsity of a situation with respect to candidates, and they certainly ought to have the benefit of the maximum open debate. However, certain colleges have refused to allow the mayor's opponent to speak there. So education is such a hard issue, until there are some oppressive, totalitarian tactics that are being developed to keep the issue at a certain level and to avoid confronting it fully.

A few days ago we had a school in Harlem closed also because of the fact that it was a newly renovated building and the fumes were so strong in the building that they had to evacuate the students. Now, that is a building that

used to be a dry cleaning plant, it is a building that was renovated to make it a school, and before it was purchased for renovation, the board of education was warned that it was on the site of a dry cleaning plant. Even after, as it progressed and they made some renovations, tests were done and the fumes were detected. They were warned again, but the bureaucracy pressed on.

I do not want to place the blame on the mayor's office; the mayor's office certainly was not involved with this, it is bureaucracy that might be corrupt or may not be corrupt. It may be that somebody paid somebody off to guarantee that the test of the fumes was not anything alarming, and the children could be put in there. But now they are in there, and the tests show that the fumes are too strong to keep young children in the building. These are fumes that could very much affect the development of young people in various ways and they should not be subjected to this. But this is the bureaucracy.

This is one of the reasons why in a school system as large as New York, no matter what we do, there is a need to have some way to shake up that bureaucracy. Competition is one way. Alternative schools, charter schools, some ways must be found to show them that we do not have to do business this way.

We do not have to have situations where somebody in the bureaucracy for some reason allows a building which is unfit for habitation to be renovated, paid for by the board of education, and actually march youngsters in there and start having classes and then to have to evacuate. It is one more example of how a system of 1,100 schools and more than 1 million children and more than 60,000 teachers is kind of unimaginable, certainly in its present form, and something needs to happen to come to grips with the fact that time goes by, reforms come and go, and we still have these horrendous problems such as the occupation of a building that costs millions of dollars to renovate for children and they are exposed to deadly fumes.

There is some good news in New York. On November 4 there is a referendum on the ballot which will deal with \$2 billion for school construction. So maybe we will have the kind of school construction funds which will allow for the construction of new buildings, and we will not be renovating old dry cleaning plants in the first place. We will not be renovating some other sites that are undesirable that have been called to my attention, schools near dumps and schools in just other predicaments. With a \$2 billion initiative for school construction, maybe New York City will be a part of the State which gets priority and we can eliminate more than 250 schools that still have furnaces that burn coal.

There is a great deal of alarm about youngsters being exposed to dry cleaning fumes. Well, dry cleaning fumes are pretty pungent and can be identified easily, but when we have furnaces

burning coal in an area, it spews its filth into the air, it pollutes the air all around, and we have come to accept it as almost normal, those little granules out there. The things that make up soot that poisons the lungs of young children and increases the asthma rate are not alarming enough people. The whole sense of urgency and emergency is not there when it comes to dealing with furnaces in schools that burn coal.

In other words, there is a state of crisis certainly in big city schools, and I am not privy to the facts, but I am certain that New York is probably not the only city still with schools that burn coal in their furnaces. Asthma is a problem in a lot of other cities, as well as New York City, but we certainly are not moving with dispatch in New York to deal with something as obviously unhealthy as coal-burning furnaces in schools.

I have also talked before about the fact that I think it is child neglect and child abuse to force children to eat lunch at 10 o'clock in the morning because schools are overcrowded and they have to have several different rounds of feeding in the cafeteria, and in order to feed all of the children in an overcrowded school they have to start feeding some lunch at 10 o'clock. Ten o'clock is when they have just had their breakfast, and some do not eat lunch until after 2 o'clock when they are getting ready to go home for supper. All of these things go on and on, and they are accepted as normal.

My problem is, they are accepted as normal at the local level, and even in this mayoral campaign there does not seem to be much alarm about the fact that it continues this way. They accept it as normal at the national level. The school construction initiative, which made a lot of sense, has now been put on the back burner. Nothing will be done about it this year. Our only hope is that with the gentlewoman from New York [Mrs. LOWEY] and the cosponsors of that bill growing every day, almost all the Democrats are now on the school construction initiative, we will have some action on school construction in the next half of the 105th Congress.

However, if we have a child in school, we know that they only live one life. Postponing these urgent matters is serious business. Postponing school reform or saying that we will get around to it and eventually in 5 or 10 years schools will be better, that is not enough. Our children go through the process only once, and in the African-American communities across the country the anger and the frustration is moving toward panic.

The panic results in a cry for vouchers in many cases, without really knowing the full story as to how vouchers are going to work. Anything that is offered becomes a cure when we are in desperate need of some relief, and parents see their children as going through a process that they will only

go through once, and nothing of any great momentum has developed to change the way public schools in our big cities are being administered. We have to have a greater sense of urgency and understand that there is an emergency that has to be addressed.

America's concern for education is on target, but the sense of urgency is not great enough. We do not have at this point real momentum behind the Federal school construction initiative. I hope we will get it next year. We must work harder to bring some relief by having a Federal stimulus. The Federal Government cannot do it all. If we start it, the States are more likely to pick up on it and the local governments also.

Budget cuts at the local level are still devastating schools. This year, an election year, the mayor of New York has put computers in junior high schools and restored some funds cut, but the budget cuts that were instituted a few years ago still have a devastating effect on schools. The devastating impact is still there because they encouraged the school system to cut its budget by laying off, encouraging the retirement of the most experienced principals and administrators and teachers.

We have lost our most experienced principals, administrators and teachers as a result of the encouraging of those people to retire, because they are at the high end of the salary scale and we save money. When a teacher in the system for 20 years, 25 years, retires and a new teacher comes in, we save a lot of money. But in the process of saving money, we cut radically into the quality of education and administration.

Money is always there. Money is a great roadblock to making even the most obvious kinds of changes. Education reform, a lot of controversial items are involved but some are not so controversial, and one is construction, and that requires money. The purchase of equipment for laboratories, the purchase of books, a number of education reform items are clear of any controversy.

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They do not require debate. We know they are needed. Money is the obstacle. Which brings me to the second part of my discussion today. Money is the obstacle, and it has been always thrown up as a reason for not taking action.

The reason we do not have a construction initiative is because in the process of the negotiation of the balanced budget, that was on the table, and the Republican majority decided they did not want to support it. The President, in the process of negotiation, he had to take some of his items off the table. He took off the school construction initiative.

We do not have the money, we say. We give the impression to the American people that this is an almost bankrupt Nation and that we cannot afford to reform our schools. At the

same time, there is a tremendous amount of waste. I want to go into a discussion of where all the waste is.

Obviously, there is plenty of it in the military budget, still. The President vetoed some items that were sent to him recently in terms of military construction. There are a lot of items in that military budget that have not been vetoed and are not even being discussed.

NATO is still our primary responsibility, while very prosperous nations in Europe do not shoulder their part of the burden.

We still are spending far more for weapons systems than we need to spend. In an era when the cold war is no longer existing, there is no great sense of need for emergency development of weapons systems.

There are a number of places where we could cut the budget, Mr. Speaker, but I am not going to talk about that tonight. I want to talk about the revenue side, and the fact that one area that we have been pursuing is the fact that corporate welfare takes many forms. One form of corporate welfare is the refusal of the IRS to enforce the Internal Revenue Code against corporations.

Corporations enjoy corporate welfare in many ways. The list is very long. We have heard discussions of it. We have taken some steps to lower the amount of corporate welfare. There have been some reductions in the agricultural subsidies, there have been some reductions in the overseas advertising budgets for American products. There have been some reductions in a number of different items that were identified as corporate welfare 2 years ago. But there is still a great deal left to be done.

In the area of reforming the Internal Revenue Service, we ought to take a hard look. The whole discussion and debate about the Internal Revenue Service should not go forward as a debate dominated by the right, by people who want to change the Tax Code in order to make it easier for people who are wealthy to hold on to more of their wealth, a greater percentage of their wealth than poor people do, or to take advantage of the marvelous economic system that we have and not pay back to that system.

Corporations in particular, if they are not subjected to what Congress has decided in the Tax Code should be done in terms of taxation, then they are, in a way, being subsidized. Every time we refuse to carry out one of the items, one of the sections of the Internal Revenue Code Congress has put in there, we imbalance the whole situation, because each part of the Tax Code was put in to realize a certain amount of revenue.

I am very concerned about an area that was identified by a friend of mine who works with an agency that prepares corporate taxes, that led me to inquire of the Internal Revenue Service why it was not being enforced. Sections

531 to 537 of the Internal Revenue Tax Code was called to my attention by a friend who noticed that large amounts of buy-backs of stock are underway by corporations. Some corporations have been buying back their stock for many years, and there has been an escalation in the number of big corporations that buy back their stock.

The question was raised, and I have talked about it on the floor here before, as to why are they violating sections 531 to 537 of the Internal Revenue Tax Code, which says that you cannot do that except for certain specified reasons.

This friend of mine did further research, and a staff member of mine helped to do research also, which identified that the buy-backs which are made in order to distribute them as stock options to the employees, buy-backs which are made in terms of specific things that are being done in that particular financial game plan, they are all legal and they are there.

But then he subtracted those kinds of purposes for buying back stock from the non-stated purposes, and he had a big amount left. Billions of dollars have been bought back by corporations for no reason, other than that they are stockpiling their own wealth, which raises some serious questions.

I guess Congress must have been concerned when they passed 531 to 537, that section, they must have been concerned about the fact that when corporations buy back their own stock it does set up a situation where you could manipulate or seem to be manipulating the market, because they are in a position to sort of keep the prices up artificially by buying back their stock. But I do not want to go speculating. I am not an expert in taxes. That direction is not the direction I want to take tonight.

I merely want to say that if it is on the books, if there is a clear prohibition against buying back stock, except for certain stated purposes, then why is it being allowed in such great amounts? Why is it escalating? If we want to get more revenue, then instead of the Internal Revenue Service pursuing middle class taxpayers with such fervor, instead of going overboard to guarantee that they squeeze every penny out of taxpayers who do not have the wherewithal to hire expensive tax lawyers and accountants, who get frightened by the fact that they got a letter from the IRS, instead of pursuing that course, which is reflected in the fact that over the years, since 1944, more and more of the tax burden has shifted from corporations to individuals and families.

I have talked several times about the fact that families and individuals pay an inordinate amount of this burden of the income tax, up to about 44 percent. They used to pay somewhere down near 28 percent, and the corporations paid the greatest percentage. Now corporations pay around 11 percent, and individuals are still up there and families

are still up at 44 percent. So it could be attributed to the way Congress has written the law. That is part of it. The laws have been written to favor corporations. There are laws, as we have noted before, which really amount to corporate welfare. Part of the Tax Code does that.

There may be another factor. As we pursue the reform of IRS, as we pursue hearings related to what the Internal Revenue Service is doing to families and individuals, let us bear in mind that the question ought to be asked, what are they not doing to corporations? Why are they, in a very zealous manner, pursuing middle class taxpayers and families and individuals, while they are not pursuing certain clear aspects, certain clear items of the Tax Code with respect to corporations?

I sent a letter to the commissioner of IRS, Mrs. Richardson at that time, and she has resigned since, I think, and I asked about the enforcement of sections 531 to 537 of the Internal Revenue Tax Code, and why is the section, called unreasonable accumulation of surplus provisions, why was that unreasonable accumulation of surplus section not being enforced.

I never got an answer from the then commissioner of IRS. It was sent to one of her agents, who then sent it to his secretary. I got an answer finally from a person who identified themselves, it sounds as if they were a low-level clerk. They really had no title of any great significance.

That is the kind of answer I got, and it was not a letter that I wrote alone, but there were 30 Members of Congress, 29 Members of Congress, who joined me. So 30 Members of Congress wrote a letter to the IRS requesting, and I read this letter before on this floor, requesting that we get an explanation as to why sections 531 to 537 of the Internal Revenue Tax Code were not being enforced.

I got no letter back from the commissioner. I got an answer back from a low-level person who, in part of the letter, implied that it is too difficult to pursue these cases. That statement, that it is too difficult to pursue these cases, certainly runs parallel to a statement that I had heard made in one or two previous administrations. It was either the Nixon administration or the Reagan administration.

A statement was leaked out that the word had come down from the White House to the Tax Commissioner at that time that they should stop wasting so much time pursuing corporations, that corporations had lawyers and accountants and it was very difficult to get them to pay their taxes properly, so revenue collection was lagging. In order to make sure revenue collections did not lag, they were being advised from the top to pursue middle class taxpayers more vigorously and leave corporations alone.

The answer that I got sort of implied that that is pretty much the strategy that is used. If we are going to have

hearings, then let us ask that question. If we are going to have hearings on reform, then let us include in the reform some kind of reporting system which tells us how many audits are being done of corporations, and in what ways; why is a provision like sections 531 to 537 not being pursued?

It has a penalty built in, but it is not unlawful. In other words, if you do not follow sections 531 to 537, they are not going to put you in jail. However, if you are caught you pay a very stiff penalty.

It is a very interesting part of the tax law. We know there are many provisions in the tax law which say if you do not comply, you go to jail. If you do not file, you are at risk of going to jail. There are a number of items that are pretty clear. You can be jailed if you do not do them. Yet, here is a provision which has no threat of jail, but it says if you are caught, you pay a penalty.

The penalty is a very stiff penalty, 39 percent. If you are caught violating that section of the law and the amount of buy-backs is \$1 million, say, then 39 percent of \$1 million is the penalty. That is in the law. It is clear. It used to be fuzzy as to what the target was. They said at one time it was written only for closely-held corporations, family corporations, but in 1984 they clarified that.

There is a section in the law, in the revision of the Tax Code in 1984 or 1987, 1984, Congress in the Revenue Act of 1984 amended the statute by adding section 532(c) which reads, "The application of this part to a corporation shall be determined without regard to the number of shareholders of such corporation." So not small, closely-held corporations only, but all corporations are subject to sections 531 and 537.

If we are going to have hearings, the Committee on Ways and Means, and certainly I serve on the Committee on Government Reform and Oversight, and we are now having hearings on campaign finance reform, I hope we can go to some more productive hearings related to the IRS and the IRS's methods of targeting people for collection; why corporations are not being given the same kind of scrutiny that individuals and families are given; why are we letting corporate welfare take place by not enforcing the Tax Code?

There are some good articles that have emerged over the last few weeks related to the IRS, and there is one I would like to quote from, here, related to what needs to happen at the IRS. This is written by a gentleman who used to be an IRS commissioner. His name is Fred Goldberg. He was IRS commissioner from 1989 to 1991.

Mr. Goldberg agrees with me in one very important area. That is, "The buck stops at the top. When things go wrong in any organization, the temptation is to blame the workers. Don't. What's missing is top-down focus on what we want from the IRS, and the expertise, continuity, and accountability to meet those expectations. That's

why the restructuring commission recommended sweeping changes in IRS management, governance, and oversight. IRS commissioners now have no set term. Most serve for only a couple of years. They have neither the tenure nor the tools to build a management team and hold that team accountable. Give the commissioners a 5-year term and the power to reward employees who do the job and fire those who don't."

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Instead of wildly fluctuating budgets, give the IRS stable, long-term funding that will let them get the job done. Require coordinated, ongoing congressional oversight that focuses on broad strategic issues.

I repeat, I am quoting from an article that appeared in Newsweek magazine, October 13, an item written by Fred Goldberg, a former commissioner of the IRS from 1989 to 1991. "Require coordinated ongoing congressional oversight that focuses on broad strategic issues." I cannot emphasize that too much: Broad strategic issues.

Yes, we ought to deal with the fact that people had their homes taken away from them. Mistakes have been made in arithmetic that have led to endless anguish. Papers were lost and records confused. All kinds of things have happened which require attention.

But we need to focus on the broad strategic issues of what is the IRS here for and why should it be in the business of fervently pursuing middle-class taxpayers who are easy to pursue, while it neglects corporations that would yield a far bigger dividend if they were made to obey the law?

Mr. Goldberg continues by saying, and I quote,

Mind what you measure, because that is what you will get. Congress and the administration talk a lot about fair and reasonable treatment of taxpayers. But at present, the primary IRS performance measures are limited to raw enforcement data like how much money the agency claims taxpayers owe after audits . . . Congress, the administration, and senior IRS management make the rules. When they start measuring and rewarding fair and reasonable treatment of taxpayers, that is what we will get.

In other words, I sent the letter asking the question about section 531 to 537 to Commissioner Richardson. I got no answer from her. I got an answer from a low-level employee. I sent back another letter asking her to provide me with a better answer and please do it herself. I got no answer.

I sent the letter to Secretary Rubin. In the structure of the Federal Government, the IRS is under the Secretary of the Treasury. The Secretary of the Treasury is under the President.

Now, I am not going to blame the Democrats or the Republicans for what the IRS does, because despite the fact that this is a Federal agency, it is part of the executive branch of government, and the IRS commissioner does report to the Secretary of the Treasury. The Secretary of the Treasury does report

to the President. It is a huge institution of 100,000 employees, and only a handful of them are appointed through any political process.

So the vast majority of IRS employees have been there through Democratic and Republican administrations. We cannot move them politically. It is not a political problem. There is a management problem, there is a philosophy problem, and there is a problem of administrative philosophy.

Congress makes the laws, and the administration is supposed to enforce the laws. If there is a section 531 to 537 and nobody from the top is willing to even reply to Members of Congress who inquire as to why they are not enforcing it, then we have a problem.

Do not blame the IRS clerks, do not blame the agents who are in that system who are going to respond to the pressure from the top. Ask the basic question: What is coming down from the top?

Mr. Goldberg talks about how important it is to make any reform effort bipartisan. The IRS would be a fat political target, but we should not fall into partisan politics. In this present effort since we have focused a lot of attention, begun to focus a lot of attention, on the IRS, let us have a bipartisan effort to reform the IRS. Let us have a bipartisan effort on behalf of the average ordinary taxpayer out there who wants to be treated fairly.

Let us have a bipartisan effort, because in the whole scheme of collecting revenue, which, again, as I said before, liberals and progressives, people who make up the "Caring Majority," have traditionally ignored the revenue side of the fiscal operation of government. We have not paid attention enough to what happens in terms of how revenue is collected. We have only campaigned for improvements in expenditures. We have campaigned against waste. We campaigned in favor of setting new sets of priorities.

The priority we set in education is constantly being pushed aside and frustrated by the claims being made that the Nation is too poor to afford expenditures for programs like education that are needed. The effort is being made to balance the budget as a top priority, and we cannot balance the budget unless we stop all new programs.

The school construction initiative is considered a new program. That is one of the reasons why it is receiving such stiff opposition from the Republican Majority. No new programs unless we identify the source of the money we are going to get to pay for it.

So, Mr. Speaker, that is why I am here. Being primarily concerned about education, I am here talking about revenue because we must wade into that side of the equation and prove that without unbalancing the budget, without affecting the present move toward a balanced budget, we could, in addition to cutting waste elsewhere, we could improve the revenue side without hurting the average American citizen

out there. There is revenue to be collected by enforcing the Internal Revenue Code in a way which is impartial and does not back away from the enforcement of the Code with respect to corporations.

We are going to have a new tax bill next year. Probably in this 105th Congress there will be a different kind of tax reform. Since I have been here, I have gone through the Reagan tax reform and gone through the Clinton tax improvements, reforms, and they all dealt with the ways we deal with the brackets and new deductions, and there are a number of things that have happened which most of the reformers are claiming are complicating the Tax Code even more.

This kind of reform is being proposed to deal with some items that certainly should have been dealt with before. It is unthinkable that we have not had more oversight hearings on the Internal Revenue Service.

During the 15 years that I have been here, I have served on the Committee on Government Reform and Oversight. It used to be called Government Operations Committee, but it has the same mission. Never has there been a thorough review of the Internal Revenue Service.

We have dealt with a lot of issues which I consider trivial, but we have never dealt in a serious way with looking at the IRS and its major role in the life of every American and deciding that we want a first class agency administratively, we want the most modern equipment, we want procedures that are second to none. In a Nation which prides itself on the most advanced computers in the world and the most advanced business procedures, certainly the IRS should lead the way.

The gentleman from Ohio [Mr. PORTMAN] has an article in this week's Hill newspaper, the Wednesday, October 8, issue of Hill under the Opinion section. Mr. PORTMAN talks about the fact that there will be new legislation proposed and it is called the IRS Restructuring and Reform Act of 1997. He is cosponsoring that with the gentleman from Maryland [Mr. CARDIN], and Senators BOB KERREY and CHARLES GRASSLEY, one Democrat and one Republican in the Senate.

They are sponsoring a bill which will deal with these very vital fundamental issues related to the administration of the IRS that is long overdue. They point out the fact that we recently had to pay a \$4 billion bill, if we want an example of government waste, we had to pay \$4 billion for a failed computer modernization effort at the IRS. A failed computer modernization effort cost us \$4 billion. They are going to have to redo it.

The IRS requires that we file accurate returns, but they have never balanced their own books. We have an outrageous situation like this in Federal agencies, and recall that the CIA, Central Intelligence Agency, lost \$4 billion in their petty cash fund. That

was on the front pages of the New York Times and the Washington Post, yet most people just do not believe it happened. They reported it, and finally there was a statement made that the Agency had discovered, rediscovered, \$4 billion that it did not know it had.

So in big government agencies that do not have oversight, these kinds of problems would occur. It is up to Congress to take a more vigilant role in terms of oversight. In the process of exercising oversight, my point, as I come to a close here, is that we should do more than dwell on the clerical, administrative problems. They need to be resolved. We need the best information technology. We need customer service that flows out of the IRS that is the best in the world. We need to show that we have a great concern for the people who pay taxes at every level.

There is no reason why we cannot get from the IRS service as good as we get from our local bank. After all, all taxes are local, and they come from ordinary people, and they deserve to be treated with great respect. All of that needs to be done.

But, Mr. Speaker, we also need to address ourselves to the question of, what are the priorities and how is the Tax Code being uniformly enforced across the board? Who is the beneficiary of special treatment? Are we using the IRS, the Tax Code, for corporate welfare by choosing not to enforce certain portions? What corporations benefit, and how much? By choosing not to enforce certain portions, how are we placed in a situation where more pressure has to be applied on the middle-class taxpayer because we are not reaping, not collecting, the kind of revenue that was projected and predicted when Congress developed the codes in the IRS, in the Internal Revenue Code? All of that should be on the table.

Why is it that over the years since 1944, the amount of taxes collected, the percentage of taxes collected from corporations, although corporations have been booming, we have had unparalleled prosperity, why is the percentage of the income tax burden that they bear, why has it gone down while the percentage of income tax burden borne by individuals and families has gone up?

Why can the IRS give us some statistics without divulging individuals', and I am sure they can, categories? They can tell us exactly what kinds and how much revenue was produced in each section of the Code. There are ways to analyze without getting into individual discussions of corporations and individuals. All of that can be done, and it will give us a fairer system.

The time we spend on the IRS will be far more productive. We will do more than give our constituents a joyful feeling that finally somebody is going after those guys. It is long overdue. But we should also get to the root of the matter. Why are they pursuing, relentlessly pursuing, the average taxpayer, the families and individuals,

when there is so much that they are not doing with respect to corporations?

And when they do make the revenue collections, we can identify the fact that there is money available for the priorities that we have identified in education. We want to know where the money can come from. It can come from corporations paying their penalties for the violations of section 531 and 537. That section alone will produce all the money we need for school construction over the next 5 to 10 years. The two are very much related.

Education is very important. The IRS review is very important. Both parties in a nonpartisan, bipartisan way should pursue both of these objectives, and I would certainly hope that we will spend part of the remaining weeks of the first year of the 105th Congress doing this. But in the 105th Congress in the second year, we will give our full attention to a bipartisan effort to collect the taxes that are not being collected in the corporate welfare and divert the money that we raise that way into the coffers for the improvement of the public schools across America, starting with a new school construction initiative.

LEAVE OF ABSENCE

By unanimous consent, leave of absence was granted to:

Mr. HASTINGS of Washington (at the request of Mr. ARMEY), for today after 2 p.m., on account of attending his daughter's wedding.

SPECIAL ORDERS GRANTED

By unanimous consent, permission to address the House, following the legislative programs and any special orders heretofore entered, was granted to:

(The following Members (at the request of Mr. WISE) to revise and extend their remarks and include extraneous material:)

Mr. BROWN of California, for 5 minutes, today.

Mr. WISE, for 5 minutes, today.

Mr. RODRIGUEZ, for 5 minutes, today.

(The following Members (at the request of Mr. JONES) to revise and extend their remarks and include extraneous material:)

Mr. HANSEN, for 5 minutes, today.

Mr. FOLEY, for 5 minutes, today.

Mr. DELAY, for 5 minutes, today.

Mr. THUNE, for 5 minutes, today.

Mr. CRAPO, for 5 minutes, today.

BILL PRESENTED TO THE PRESIDENT

Mr. THOMAS, from the Committee on House Oversight, reported that that committee did on this day present to the President, for his approval, a bill of the House of the following title:

H.R. 1122: An act to amend title 18, United States Code, to ban partial-birth abortions.

ADJOURNMENT

Mr. OWENS. Mr. Speaker, I move that the House do now adjourn.

The motion was agreed to.

The SPEAKER pro tempore (Mr. SCARBOROUGH). Pursuant to the provisions of House Concurrent Resolution 169 of the 105th Congress, the House stands adjourned until 10:30 a.m. on Tuesday, October 21, 1997, for morning hour debates.

Thereupon (at 9 o'clock and 15 minutes p.m.) pursuant to House Concurrent Resolution 169, the House adjourned until Tuesday, October 21, 1997, at 10:30 a.m. for morning hour debates.

EXECUTIVE COMMUNICATIONS, ETC.

Under clause 2 of rule XXIV, executive communications were taken from the Speaker's table and referred as follows:

5420. A letter from the Administrator, Farm Service Agency, transmitting the Agency's final rule—Standards for Approval of Cold Storage Warehouses for Peanuts (RIN: 0560-AF04) received October 9, 1997, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Agriculture.

5421. A letter from the Acting General Counsel, Department of Housing and Urban Development, transmitting the Department's final rule—HUD Disaster Recovery Initiative [Docket No. FR-4254-N-01] received October 9, 1997, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Banking and Financial Services.

5422. A letter from the Director, Office of Regulatory Management and Information, Environmental Protection Agency, transmitting the Agency's final rule—Approval and Promulgation of Air Quality Implementation Plans of New Source Review (NSR) Implementation Plan Addressing NSR in Nonattainment Areas; Louisiana; Louisiana Administrative Code (LAC), Title 33, Environmental Quality, Part III, Air, Chapter 5, Permit Procedures, Section 504, Nonattainment NSR Procedures [LA-14-1-7239; FRL-5905-7] received October 9, 1997, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Commerce.

5423. A letter from the Director, Office of Regulatory Management and Information, Environmental Protection Agency, transmitting the Agency's final rule—California State Implementation Plan Revision; Interim Final Determination That State Has Corrected Deficiencies [CA 198-0056; FRL-5907-2] received October 9, 1997, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Commerce.

5424. A letter from the Director, Office of Regulatory Management and Information, Environmental Protection Agency, transmitting the Agency's final rule—Approval and Promulgation of State Implementation Plan; Minnesota; Evidentiary Rule [MN40-03-6988; FRL-5906-3] received October 9, 1997, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Commerce.

5425. A letter from the Director, Office of Regulatory Management and Information, Environmental Protection Agency, transmitting the Agency's final rule—Standards of Performance for New Stationary Sources and National Emission Standards for Hazardous Air Pollutants: Approval of Delegation of Authority to New Mexico [FRL-5904-8] received October 9, 1997, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Commerce.

5426. A letter from the AMD—Performance Evaluation and Records Management, Fed-

eral Communication Commission, transmitting the Commission's final rule—Amendment of Part 73, Subpart G, of the Commission's Rules Regarding the Emergency Broadcast System [FO Docket 91-301, FO Docket 91-171] received October 8, 1997, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Commerce.

5427. A letter from the Acting Director, Defense Security Assistance Agency, transmitting notification concerning the Department of the Air Force's proposed Letter(s) of Offer and Acceptance (LOA) to Greece for defense articles and services (Transmittal No. 98-07), pursuant to 22 U.S.C. 2776(b); to the Committee on International Relations.

5428. A letter from the Acting Director, Defense Security Assistance Agency, transmitting notification concerning the Department of the Air Force's proposed Letter(s) of Offer and Acceptance (LOA) to Turkey for defense articles and services (Transmittal No. 98-06), pursuant to 22 U.S.C. 2776(b); to the Committee on International Relations.

5429. A letter from the Acting Director, Defense Security Assistance Agency, transmitting notification concerning the Department of the Navy's proposed Letter(s) of Offer and Acceptance (LOA) to Greece for defense articles and services (Transmittal No. 98-05), pursuant to 22 U.S.C. 2776(b); to the Committee on International Relations.

5430. A letter from the Director, Office of Sustainable Fisheries, National Oceanic and Atmospheric Administration, transmitting the Administration's final rule—Fisheries of the Northeastern United States; Summer Flounder Fishery; Commercial Quota Available for New Jersey [Docket No. 961210346-7035-02; I.D. 100197A] received October 9, 1997, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Resources.

5431. A letter from the Director, Office of Regulatory Management and Information, Environmental Protection Agency, transmitting the Agency's final rule—Withdrawal from Federal Regulations of Nineteen Acute Aquatic Life Water Quality Criteria Applicable to Alaska [FRL-5903-7] received October 9, 1997, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Transportation and Infrastructure.

5432. A letter from the Director, Office of Regulatory Management and Information, Environmental Protection Agency, transmitting the Agency's final rule—Revocation of the Polychlorinated Biphenyl Human Health Criteria in the Water Quality Guidance for the Great Lakes System [FRL-5907-4] (RIN: 2040-AC08) received October 9, 1997, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Transportation and Infrastructure.

5433. A letter from the Director, Office of Regulatory Management and Information, Environmental Protection Agency, transmitting the Agency's final rule—Withdrawal from Federal Regulations of Arsenic Human Health Water Quality Criteria Applicable to Idaho [FRL-5903-4] received October 9, 1997, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Transportation and Infrastructure.

5434. A letter from the Chief, Regulations Unit, Internal Revenue Service, transmitting the Service's final rule—Examination of returns and claims for refund, credit or abatement; determination of correct tax liability [Rev. Proc. 97-48] received October 8, 1997, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Ways and Means.

REPORTS OF COMMITTEES ON PUBLIC BILLS AND RESOLUTIONS

Under clause 2 of rule XIII reports of committees were delivered to the Clerk for printing and reference to the proper calendar, as follows: