

Americas located at Fort Benning, Georgia. The Senate amendment did not address this matter.

TO PROMOTE AN INTERNATIONAL ARMS TRANSFER REGIME

The conference agreement does not include language from the Senate amendment that would have authorized the president to continue and expand efforts through the United Nations and other international fora to limit arms transfers worldwide, and that specified the transfers that should be limited. The Senate language would also have required a semiannual report on progress in such negotiations to accomplish this goal. The House bill did not address this matter.

SENSE OF THE SENATE REGARDING UNITED STATES COMMITMENTS UNDER THE UNITED STATES-NORTH KOREA AGREED FRAMEWORK

The conference agreement deletes Senate language that expressed the Sense of the Senate regarding the Agreed Framework and deliveries of heavy fuel oil to KEDO and North Korea. The House bill did not address this matter.

SENSE OF THE SENATE REGARDING AN INTERNATIONAL CONFERENCE ON THE BALKANS

The conference agreement deletes Senate language expressing the Sense of the Senate regarding the need for an international conference on the Balkans. The House bill did not address this matter.

ACCOUNTABILITY OF SADDAM HUSSEIN

The conference agreement deletes Senate language regarding accountability for Saddam Hussein. The House bill did not address this matter.

The managers agree with the intent of the language of the Senate amendment on the need for accountability on the part of Saddam Hussein.

SENSE OF THE SENATE REGARDING ASSISTANCE PROVIDED TO LITHUANIA, LATVIA, AND ESTONIA

The conference agreement deletes Senate language that expressed the Sense of the Senate that assistance to the Baltic nations should not be interpreted as expressing the will of the Senate to accelerate membership of those nations into NATO.

SENSE OF THE SENATE REGARDING ASSISTANCE UNDER THE CAMP DAVID ACCORDS

The conference agreement deletes Senate language expressing the Sense of the Senate on assistance under the Camp David accords. The House bill did not address this matter.

SENSE OF CONGRESS IN MANAGEMENT OF UNITED STATES INTERESTS IN UKRAINE

The conference agreement deletes Senate language expressing the Sense of the Congress in management of U.S. interests in Ukraine. The House bill did not address this matter.

SENSE OF THE SENATE ON THE CITIZENS DEMOCRACY CORPS

The conference agreement deletes Senate language expressing the Sense of the Senate on the Citizens Democracy Corps. The House bill did not address this matter.

CONTROL AND ELIMINATE THE INTERNATIONAL PROBLEM OF TUBERCULOSIS

The conference agreement deletes Senate language expressing the Sense of the Senate on elimination of the international problem of tuberculosis. The House bill did not address this matter.

LIMITATION ON ASSISTANCE TO THE GOVERNMENT OF THE RUSSIAN FEDERATION

The conference agreement does not include language contained in the House bill lim-

iting assistance to the government of the Russian Federation at \$172,000,000. The Senate amendment did not include a similar provision. This matter is addressed in title II under the heading "Assistance to the Independent States of the Former Soviet Union".

EXPANDED THREAT REDUCTION

The conference agreement does not include two sections from the Senate amendment regarding the Expanded Threat Reduction Initiative. The House bill did not contain similar provisions.

CONFERENCE TOTAL—WITH COMPARISONS

The total new budget (obligational) authority for the fiscal year 2000 recommended by the Committee of Conference, with comparisons to the fiscal year 1999 amount, the 2000 budget estimates, and the House and Senate bills for 2000 follow:

[In thousands of dollars]	
New budget (obligational) authority, fiscal year 1999	\$33,330,393
Budget estimates of new (obligational) authority, fiscal year 2000	14,615,535
House bill, fiscal year 2000	12,668,115
Senate bill, fiscal year 2000	12,735,655
Conference agreement, fiscal year 2000	12,737,335
Conference agreement compared with:	
New budget (obligational) authority, fiscal year 1999	-20,593,058
Budget estimates of new (obligational) authority, fiscal year 2000	-1,878,200
House bill, fiscal year 2000	+69,220
Senate bill, fiscal year 2000	+1,680

SONNY CALLAHAN,
JOHN EDWARD PORTER,
FRANK WOLF,
RON PACKARD,
JOE KNOLLENBERG,
JACK KINGSTON,
JERRY LEWIS,
ROY BLUNT,
BILL YOUNG,

Managers on the Part of the House.

MITCH MCCONNELL,
ARLEN SPECTER,
JUDD GREGG,
RICHARD SHELBY,
ROBERT F. BENNETT,
BEN NIGHTHORSE
 CAMPBELL,
C. S. BOND,
TED STEVENS,
DANIEL K. INOUE,
FRANK LAUTENBERG,
B. A. MIKULSKI,
ROBERT BYRD,

Managers on the Part of the Senate.

SCHOOL CONSTRUCTION AND EDUCATION IMPROVEMENT

The SPEAKER pro tempore (Mr. WAMP). Under the Speaker's announced policy of January 6, 1999, the gentleman from New York (Mr. OWENS) is recognized for 60 minutes.

Mr. OWENS. Mr. Speaker, in order to have continuity on this question of prescription drugs, I would like to yield my first 5 minutes to the gentleman from Texas (Mr. GONZALEZ).

HIGH COST OF PRESCRIPTION DRUGS

Mr. GONZALEZ. Mr. Speaker, I thank my distinguished colleague for yielding. It is a great opportunity, and I appreciate it, because it is a very important subject and it is an issue, I think, when we go to our town hall meetings, obviously this is something that is coming up over and over again.

In my district, as in many congressional districts around the country, older Americans are increasingly concerned about the high prices they pay for prescription drugs. I requested that the minority staff of the Committee on Government Reform investigate this particular issue. Numerous studies have concluded that many older Americans pay high prices for prescription drugs and have a difficult time paying for the drugs that they require. The study presents disturbing evidence about the cause of these high prices.

The findings indicate that older Americans and others who pay for their own drugs are charged far more for prescription drugs than the drug companies are charging their most favored customers, such as large insurance companies, health maintenance organizations and the Federal Government.

The findings show that senior citizens in my district, the 20th Congressional District, San Antonio, Texas, pay more for his or her own prescription drugs, on average, more than twice what the home health organizations would pay, private insurance companies and the Federal Government. This is an unusually large price differential. It is seven times greater than the average price differential for any other consumer good.

It appears that drug companies are engaged in a form of discriminatory pricing that victimizes those who are least able to afford it. Large corporate, governmental and institutional customers with market power are able to buy their drugs at discounted prices. Drug companies then raise prices for sales to seniors and others who pay for drugs themselves to compensate for these discounts to their favored customers.

Older Americans are having an increasingly difficult time affording prescription drugs. By one estimate, more than one out of eight older Americans has been forced to choose between buying food and buying medicine. There is no reason in today's time, in this the greatest country and democracy known to mankind, that we should have this type of situation exist.

Preventing the pharmaceutical industry's discriminatory pricing, which it is, and thereby reducing the price of prescription drugs for seniors and other individuals will improve the health and financial well-being of millions of older Americans.

Mr. Speaker, I include for the RECORD a copy of this report prepared

by the Committee on Government Reform for my district.

PRESCRIPTION DRUG PRICING IN THE 20TH CONGRESSIONAL DISTRICT IN TEXAS: DRUG COMPANIES PROFIT AT THE EXPENSE OF OLDER AMERICANS

(Prepared for Rep. Charles A. Gonzalez, Minority Staff Report, Committee on Government Reform, U.S. House of Representatives, August 2, 1999)

EXECUTIVE SUMMARY

This staff report was prepared at the request of Rep. Charles A. Gonzalez of Texas. In Mr. Gonzalez' district, as in many other congressional districts around the country, older Americans are increasingly concerned about the high prices that they pay for prescription drugs. Mr. Gonzalez requested that the minority staff of the Committee on Government Reform investigate this issue. This report is the first report to quantify the extent of prescription drug price discrimination in Mr. Gonzalez' district and its impacts on seniors.

Numerous studies have concluded that many older Americans pay high prices for prescription drugs and have a difficult time paying for the drugs they need. This study presents disturbing evidence about the cause of these high prices. The findings indicate that older Americans and others who pay for their own drugs are charged far more for their prescription drugs than are the drug

companies' most favored customers, such as large insurance companies, health maintenance organizations, and the federal government. The findings show that a senior citizen in Mr. Gonzalez' district paying for his or her own prescription drugs must pay, on average, more than twice as much for the drugs as the drug companies' favored customers. The study found that this is an unusually large price differential—seven times greater than the average price differential for other consumer goods.

It appears that drug companies are engaged in a form of "discriminatory" pricing that victimizes those who are least able to afford it. Large corporate, governmental, and institutional customers with market power are able to buy their drugs at discounted prices. Drug companies then raise prices for sales to seniors and others who pay for drugs themselves to compensate for these discounts to the favored customers.

Older Americans are having an increasingly difficult time affording prescription drugs. By one estimate, more than one in eight older Americans has been forced to choose between buying food and buying medicine. Preventing the pharmaceutical industry's discriminatory pricing—and thereby reducing the cost of prescription drugs for seniors and other individuals—will improve the health and financial well-being of millions of older Americans.

A. Methodology

This study investigates the pricing of the five brand name prescription drugs with the highest sales to the elderly. It estimates the differential between the price charged to the drug companies' most favored customers, such as large insurance companies, HMOs, and certain federal government purchasers, and the price charged to seniors. The results are based on a survey of retail prescription drug prices in chain and independently owned drug stores in Mr. Gonzalez' congressional district in Texas. These prices are compared to the prices paid by the drug companies' most favored customers. For comparison purposes, the study also estimates the differential between prices for favored customers and retail prices for other consumer items.

B. Findings

The study finds that:

Older Americans pay inflated prices for commonly used drugs. For the five drugs investigated in this study, the average price differential was 154% (Table 1). This means that senior citizens and other individuals who pay for their own drugs pay more than twice as much for these drugs than do the drug companies' most favored customers. In dollar terms, senior citizens must pay \$68.06 to \$122.99 more per prescription for these five drugs than favored customers.

TABLE 1.—AVERAGE RETAIL PRICES IN MR. GONZALEZ' DISTRICT FOR THE FIVE BEST-SELLING DRUGS FOR OLDER AMERICANS ARE MORE THAN TWICE AS HIGH AS THE PRICES THAT DRUG COMPANIES CHARGE THEIR MOST FAVORED CUSTOMERS

Prescription drug	Manufacturer	Use	Prices for favored customers	Retail prices for seniors	Differential for senior citizens	
					Percent	Dollar
Zocor	Merck	Cholesterol	\$27.00	\$113.94	322	\$86.94
Prilosec	Astra/Merck	Ulcers	59.10	129.49	119	70.39
Norvasc	Pfizer, Inc	High Blood Pressure	59.71	127.77	114	68.06
Procardia XL	Pfizer, Inc	Heart Problems	68.35	142.17	108	73.82
Zoloff	Pfizer, Inc	Depression	115.70	238.69	106	122.99
Average price differential						154%

For other popular drugs, the price differential is even higher. This study also analyzed a number of other popular drugs used by older Americans and in some cases found even higher price differentials (Table 2). The drug with the highest price differential was Synthroid, a commonly used hormone treatment manufactured by Knoll Pharmaceuticals. For this drug, the price differential for senior citizens in Mr. Gonzalez' congressional district was 1,702%. An equivalent

quantity of this drug would cost the manufacturer's favored customers only \$1.75, but would cost the average senior citizen in Mr. Gonzalez' district over \$31.00. For Micronase, a diabetes treatment manufactured by Upjohn, an equivalent dose would cost the favored customers \$10.05, while seniors in Mr. Gonzalez' district are charged an average of \$54.81. The price differential was 445%.

Price differentials are far higher for drugs than they are for other goods. This study

compared drug prices at the retail level to the prices that the pharmaceutical industry gives its most favored customers, such as large insurance companies, government buyers with negotiating power, and HMOs. Because these customers typically buy in bulk, some difference between retail prices and "favored customer" prices would be expected.

TABLE 2.—PRICE DIFFERENTIALS FOR SOME DRUGS ARE MORE THAN 1,700%

Prescription drug	Manufacturer	Use	Prices for favored customers	Retail prices for seniors	Price differential for seniors
Synthroid	Knoll Pharmaceuticals	Hormone Treatment	\$1.75	\$31.54	1,702%
Micronase	Upjohn	Diabetes	10.05	54.81	445%

The study found, however, that the differential was much higher for prescription drugs than it was for other consumer items. The study compared the price differential for prescription drugs to the price differentials on a selection of other consumer items. The average price differential for the five prescription drugs was 154%, while the price differential for other items was only 22%. Compared to manufacturers of other retail items, pharmaceutical manufacturers appear to be engaging in significant price discrimination against older Americans and other individual consumers.

Pharmaceutical manufacturers, not drug stores, appear to be responsible for the dis-

criminatory prices that older Americans pay for prescription drugs. In order to determine whether drug companies or retail pharmacies were responsible for the high prescription drug prices paid by seniors in Mr. Gonzalez' congressional district, the study compared average wholesale prices that pharmacies pay for other drugs to the prices at which the drugs are sold to consumers. This comparison revealed that the pharmacies in Mr. Gonzalez' district appear to have relatively small markups between the prices at which they buy prescription drugs and the prices at which they sell them. The retail prices in Mr. Gonzalez' district are just 6% above the published national Average Wholesale Price,

which represents the manufacturers' suggested price to pharmacies. The differential between retail prices and a second indicator of pharmacy costs, the Wholesale Acquisition Cost, which represents the average price pharmacies actually pay for drugs, is only 31%. This indicates that it is drug company pricing policies that appear to account for the inflated prices charged to older Americans and other customers.

I. THE VULNERABILITY OF OLDER AMERICANS TO HIGH DRUG PRICES

This report focuses on a continuing, critical issue facing older Americans—the cost of their prescription drugs. Numerous surveys and studies have concluded that many

older Americans pay high costs for prescription drugs and are having a difficult time paying for the drugs they need. The cost of prescription drugs is particularly important for older Americans because they have more medical problems, and take more prescription drugs, than the average American. This situation is exacerbated by the fact that the Medicare program, the main source of health care coverage for the elderly, fails to cover the cost of most prescription drugs.

According to the National Institute on Aging, "as a group, older people tend to have more long-term illnesses—such as arthritis, diabetes, high blood pressure, and heart disease—than do younger people." Other chronic diseases which disproportionately affect older Americans include depression and neurodegenerative diseases such as Alzheimer's disease, Lou Gehrig's disease, and Parkinson's disease. Older Americans spend almost three times as much of their income (21%) on health care than those under the age of 65 (8%).

The latest survey data indicate that 86% of Medicare beneficiaries are taking prescription drugs. Almost 14 million senior citizens, 38% of all Medicare beneficiaries, use more than \$1,000 of prescription drugs annually. The average older American uses 18.5 prescriptions annually, significantly more than the average under-65 population. It is estimated that the elderly in the United States, who make up 12% of the population, use one-third of all prescription drugs.

Although the elderly have the greatest need for prescription drugs, they often have the most inadequate insurance coverage for the cost of these drugs. With the exception of drugs administered during inpatient hospital stays, Medicare generally does not cover prescription drugs. According to a recent analysis by the National Economic Council, approximately 75% of Medicare beneficiaries lack dependable, private-sector prescription drug coverage.

Thirty-five percent of Medicare recipients, over 13 million senior citizens, do not have any insurance coverage for prescription drugs. In rural areas, the problem is even worse, with 48% of Medicare recipients lacking any prescription drug coverage. In total, Medicare beneficiaries pay more than half of their drug costs out of their own pockets.

Even when seniors have prescription drug coverage, the coverage is often inadequate. The number of firms offering retirees prescription drug coverage is declining, from 40% in 1994 to 30% in 1998. Medigap policies are often prohibitively expensive, while offering inadequate coverage. Medicare managed care plans are also sharply reducing benefits and coverage.

The high cost of prescription drugs and the lack of insurance coverage cause enormous hardships for older Americans. In 1993, 13% of older Americans surveyed reported that they were forced to choose between buying food and buying medicine. By another estimate, five million older Americans are forced to make this difficult choice.

II. ARE DRUG COMPANIES EXPLOITING THE VULNERABILITY OF OLDER AMERICANS?

Rep. Charles A. Gonzalez of Texas asked the minority staff of the Committee on Government Reform to investigate whether pharmaceutical manufacturers are taking advantage of older Americans through price discrimination, and, if so, whether this is part of the explanation for the high drug prices being paid by older Americans in his congressional district. This report presents the results of this investigation.

Industry analysts have recognized that price discrimination occurs in the prescrip-

tion drug market. According to a recent Standard & Poor's report on the pharmaceutical industry, "[d]rugmakers have historically raised prices to private customers to compensate for the discounts they grant to managed care customers. This practice is known as 'cost shifting.'" Under this practice, "drugs sold to wholesale distributors and pharmacy chains for the individual physician/patient are marked at the higher end of the scale."

Although industry analyses acknowledge that price discrimination occurs, they have not estimated its degree or impact. This report, prepared at Mr. Gonzalez' request, is the first attempt to quantify the extent of price discrimination and its impact on senior citizens in the 20th Congressional District in Texas.

The study design and methodology used to test whether drug companies are discriminating against older Americans in their pricing are described in part III. The results of the study are described in part IV. These results show that drug manufacturers appear to be engaged in substantial price discrimination against older Americans and other individuals who must pay for their own prescription drugs. The impact of the manufacturers' pricing policies on corporate profits is discussed in part V.

III. METHODOLOGY

A. Selection of Drugs for this Survey

This survey is based primarily on a selection of the five patented, nongeneric drugs with the highest annual sales to older Americans in 1997. The list was obtained from the Pennsylvania Pharmaceutical Assistance Contract for the Elderly (PACE). The PACE program is the largest outpatient prescription drug program for older Americans in the United States for which claims data is available, and is used in this study, as well as by several other analysts, as a proxy database for prescription drug usage by all older Americans. In 1997, over 250,000 persons were enrolled in the program, which provided over \$100 million of assistance in filling over 2.8 million prescriptions.

B. Determination of Average Retail Drug Prices for Seniors

In order to determine the prices that senior citizens are paying for prescription drugs in Mr. Gonzalez' congressional district, the minority staff and the staff of Mr. Gonzalez' congressional office conducted a survey of 11 drug stores—including both independent and chain stores. Mr. Gonzalez represents the 20th Congressional District in southern Texas, which includes central San Antonio and rural areas to the west and southwest of the City.

C. Determination of Prices for Drug Companies' Most Favored Customers

Drug pricing is complicated and drug companies closely guard their pricing strategies. For example, drug companies require HMOs to sign confidentiality agreements before offering them pricing discounts. The best publicly available indicator of the prices drug companies charge their most favored customers is the prices the companies charge the federal government.

The federal government pays for prescription drugs through several different programs. One important program is the Federal Supply Schedule (FSS), which is a price catalogue containing goods available for purchase by federal agencies. Drug prices on the FSS are negotiated by the Department of Veterans Affairs (VA) and often approximate the prices that the drug companies charge their most favored non-federal customers.

According to the U.S. General Accounting Office, "[u]nder GSA procurement regulations, VA contract officers are required to seek an FSS price that represents the same discount off a drug's list price that the manufacturer offers its most-favored nonfederal customer under comparable terms and conditions." To obtain additional price discounts available to the private sector, the VA has established at least two additional negotiated-price programs: (1) a VA formulary that operates similarly to the formularies established by well-managed HMOs, and (2) a Blanket Price Agreement (BPA) program, under which the VA commits to purchasing minimum quantities of particular prescription drugs. Yet another program through which the federal government obtains prescription drugs is section 340(b) of the Public Health Service Act, which entitles four agencies (the VA, the Indian Health Service, the Department of Defense, and the Public Health Service) to purchase drugs at a maximum price of 24% below the manufacturer's average nonfederal price.

This analysis uses the lowest price paid by the federal government as a proxy for the prices paid by drug companies most favored customers. All prices were updated in June 1999 to reflect current pricing.

D. Determination of Prices Paid by Pharmacies

The survey also looked at two other pricing indicators: (1) the Average Wholesale Price (AWP) and (2) the Wholesale Acquisition Cost (WAC). These two prices provide an indicator of the extent of markups that are attributable to the pharmacy (in contrast to those that are due to the drug manufacturer). The AWP represents the price that manufacturers suggest that wholesalers charge retail pharmacies; the WAC represents the actual average price that wholesalers charge pharmacies. Both AWP and WAC were obtained from the Medispan database and were updated in June 1999 to reflect current pricing.

E. Determination of Drug Dosages

When comparing prices, the study used the same criteria (dosage, form, and package size) used by the GAO in its 1992 report, *Prescription Drugs: Companies Typically Charge More in the United States Than In Canada*. For drugs that were not included in the GAO report, the study used the dosage, form, and package size common in the years 1994 through 1997, as indicated in the *Drug Topics Red Book*. The dosages, forms, and package sizes used in the study are shown in Appendix B.

F. Comparison of Price Differentials for Other Retail Items

In order to determine whether the differential between the most favored customer prices and retail prices for drugs commonly used by older Americans is usually large, the study compared the prescription drug price differentials to price differentials on other consumer products. To make this comparison, a list of consumer items other than drugs available through the FSS was assembled. FSS prices were then compared with the retail prices at which the items could be bought at a large national chain.

IV. DRUG COMPANIES CHARGE OLDER AMERICANS DISCRIMINATORY PRICES

A. Discrimination in Drug Pricing

In the case of the five drugs with the highest sales to seniors, the average price differential between the price that would be paid by a senior citizen in Mr. Gonzalez' congressional district and the price that would be paid by the drug companies' most

avored customers was 154% (Table 1). The study thus showed that the average price that older Americans and other individual consumers in Mr. Gonzalez's district pay for these drugs is more than double the price paid by the drug companies' favored customers, such as large insurance companies and HMOs.

For individual drugs, the price differential was even higher. Among the five best selling drugs, the highest price differential was 322% for Zocor, a cholesterol treatment manufactured by Merck. For other popular drugs, the study found even greater price differentials. The drug with the highest price differential was Synthroid, a commonly used hormone treatment manufactured by Knoll Pharmaceuticals. For this drug, the price differential for senior citizens in Mr. Gonzalez' district was more than 1,700%. An equivalent quantity of this drug would cost the most favored customers only \$1.75, but would cost the average senior citizen in Mr. Gonzalez' congressional district \$31.54. For Micronase, a diabetes treatment manufactured by Upjohn, the price differential as 445%. Every drug looked at in this study had a large price differential. Among the five highest selling drugs, three (Zocor, Prilosec, and Norvasc) had price differentials that exceeded 110%. The lowest price difference was still high—106%, for Zoloff.

In dollar terms, Zoloff, an antidepressant, had the highest price differential. Senior citizens in Mr. Gonzalez' district must pay over \$120.00 more for 100 tablets of Zoloff than a favored customer. The difference between seniors' prices and prices for favored customers was more than \$80.00 for 60 tablets of Zocor and over \$60.00 per prescription for each of the remaining three best selling drugs (Procardia XL, Norvasc, and Prilosec).

B. Comparison with Other Consumer Goods

The study also analyzed whether the large differentials in prescription drug pricing could be attributed to a volume effect. The drug companies' most favored customers, such as large insurance companies and HMOs, typically buy large volumes of drugs. Thus, it could be expected that there would be differences between the prices charged the most favored customers and retail prices. The study found, however, that the differen-

tial in prescription drug prices were much greater than the differentials in prices for other consumer goods. The study found that, in the case of other consumer goods, the average difference between retail prices and the prices charged most favored customers, such as large corporations and institutions, was only 22%. The average price differential in the case of prescription drugs was seven times larger than the average price differential for other consumer goods. This indicates that a volume effect is unlikely to explain the large differential in prescription drug pricing.

C. Drug Company Versus Pharmacy Responsibility

The study also sought to determine whether drug companies or retail pharmacies are responsible for the high prices being paid by older Americans. To do this, the study compared the average wholesale prices that pharmacies pay for drugs to the prices at which the drugs are sold to consumers. This comparison revealed that pharmacies appear to have relatively small markups between the prices at which they buy prescription drugs and the prices at which they sell them. The study found that the average retail price for the five best-selling prescription drugs was just 6% more than the published Average Wholesale Price, and only 31% above the pharmacies' Wholesale Acquisition Cost. This finding indicates that it is drug company pricing policies, not retail markup, that account for the inflated prices charged to older Americans and other individual customers. These findings are consistent with other experts who have concluded that because of the competitive nature of the pharmacy business at the retail level, there is a relatively small profit margin for retail pharmacists.

The study found few significant differences in retail prices between pharmacies in different parts of Mr. Gonzalez' district. Moreover, although there were variations in prices between chain and independent pharmacies, these differences were in general not systematic.

V. DRUG MANUFACTURER PROFITABILITY

Drug industry pricing strategies have boosted the industry's profitability to extraordinary levels. The annual profits of the

top ten drug companies are over \$25 billion. Moreover, the drug companies make unusually high profits compared to other companies. The average manufacturer of branded consumer goods, such as Proctor & Gamble or Colgate-Palmolive, has an operating profit margin of 10.5%. Drug manufacturers, however, have an operating profit margin of 28.7%—nearly three times greater.

These high profits appear to be directly linked to the pricing strategies observed in this study. For instance, Merck, the country's largest pharmaceutical manufacturer, had a 24% increase in sales and a 12% increase in profits in the first quarter 1999. According to industry analysts, Merck's increased profits were due in large part to sales of Zocor, which is sold in Mr. Gonzalez' district at a price differential of 322%. Zocur itself accounts for 13% Merck's revenues.

Pharmaceutical companies have been rapidly increasing their prices. These price hikes make it even more difficult for uninsured senior citizens to afford prescription drugs. In 1998, pharmaceutical prices increased by 5.1%, more than three times higher than the overall inflation rate. The price of Synthroid, which is sold in Mr. Gonzalez' district at a price differential of more than 1,700%, increased 20.4% in 1998.

Overall, profits for the major drug manufacturers grew by over 21% in 1998, compared to 5% to 10% for other companies on the Standard & Poors index. The drug manufacturers' profits are expected to grow by up to an additional 25% in 1999. According to one analyst, "the prospects for the Pharmaceutical industry are as bright as they've ever been."

APPENDIX A.—THE FIVE TOP SELLING PATENTED, NON-GENERIC DRUGS FOR SENIORS RANKED BY 1997 TOTAL DOLLAR SALES

Rank and drug	Manufacturer	Indication
1. Prilosec	Astra/Merck	Ulcer.
2. Norvasc	Pfizer, Inc.	High blood pressure.
3. Zocor	Merck	Cholesterol reduction.
4. Zoloff	Pfizer, Inc.	Depression.
5. Procardia XT	Pfizer, Inc.	Heart problems.

Source: Pharmaceutical Assistance Contract for the Elderly ("PACE"), Pennsylvania Department of Aging Annual Report to the Pennsylvania General Assembly: January 1–December 31, 1997 (Apr. 1998).

APPENDIX B.—INFORMATION ON PRESCRIPTION DRUGS ANALYZED IN THIS STUDY

Brand name drug	Dosage and form	Indication	Prices (dollars)				
			Favored customer price	Wholesale acquisition cost	Average wholesale price	Price differential ¹	
Zocor	5 mg, 60 tablets	Cholesterol reducer	\$27.00	\$86.07	\$106.84	\$113.94	322%
Prilosec	20 mg, 30 cap	Ulcer	59.10	100.34	119.57	129.49	119%
Norvasc	5 mg, 90 tablets	High Blood Pressure	59.71	96.00	119.17	127.77	114%
Procardia XL	30 mg, 100 tab	Heart Problems	68.35	111.46	138.37	142.17	108%
Zoloff	50 mg, 100 tab	Depression	115.70	182.98	227.13	238.69	106%
Average price differential							154%

¹ Average retail price vs. favored customer price.

APPENDIX C.—PRICE COMPARISONS FOR NON-PRESCRIPTION DRUG ITEMS

Item	FSS price	Retail price	Differential
Binder Clip, small, 1 box	\$0.49	\$0.49	0%
Rubber Bands, 1 lb	2.57	2.67	4%
Toilet Paper, 96 Rolls	44.74	47.98	7%
Rolodex, 500 Card	13.24	14.29	8%
Tape Dispenser	1.44	1.69	17%
Wastebasket, Plastic, 13 qt	2.95	3.49	18%
Scissors	10.88	12.99	19%
Pencils, #2, 20-pack	1.03	1.26	22%
Paper Towels, 30 Rolls	22.94	29.98	31%
Post-It Notes	2.08	2.89	39%
Envelopes, 500, White, 20 lb. weight	6.45	9.49	47%
Correction Fluid, 18 ml., dozen	6.66	9.99	50%

APPENDIX C.—PRICE COMPARISONS FOR NON-PRESCRIPTION DRUG ITEMS—Continued

Item	FSS price	Retail price	Differential
Average price differential			22%

Mr. OWENS. Mr. Speaker, I would like to begin by thanking the Chair and the staff for extending me the courtesy of holding open the floor for a while.

I would like to talk today about two important events that have taken

place in the last 20 days. Both of those events, I think, have bearing on the subject of school construction and education improvement. The first event took place on September 10. It was a memorial service for James Farmer. James Farmer was a founder of the Congress of Racial Equality. He died on July 9 of this year. Last year he had been awarded the Presidential Medal of Freedom by President Clinton.

James Farmer was a very special person for me, because I began my career in public service as a member of the

Brooklyn Congress of Racial Equality. CORE, as it was known nationally, was a very different organization at that time from the CORE we know today. There is no resemblance whatsoever between the CORE of today and the CORE of the civil rights movement time in the 1960s. James Farmer was an individual that I think deserves to be singled out for his special contribution in terms of the techniques of direct action, sit-ins, demonstrations and picket lines. A number of things that became commonplace during the civil rights struggles of the 1960s were attributed to many individuals, but James Farmer was the person who initially started it. By providing a way for individuals to take immediate, direct action, he also inspired the young people of that time to get very much involved. CORE was very much a young people's movement and it spread to the entire civil rights movement. The entire civil rights movement was bolstered by the techniques which were pioneered by James Farmer.

James Farmer, of course, lived for a long time after the 1960s and his career took many turns. People tend to forget because of the fact that, in my opinion, he was burned out and left the movement. Knowing what the 1960s were like and being a part of it, I am sure his family suffered a great deal. By the time he left, he had a lot of problems that he had to take care of. He left the movement and went into government, but he must be remembered for the time he was there during the movement and for the pioneering that he did as early as 1942.

To sort of sum up what I feel we should remember about James Farmer, I will read the statement that I made at the memorial service that was held on September 10 at the Kennedy center. There were many speakers there who looked at James Farmer's life from many different approaches, but I was most interested in trying to pinpoint what it is that James Farmer did that is relevant now, how is it relevant to the situation faced now in the African-American community, how is it relevant to the situation faced now by African-American parents who are dependent upon the public school system and they are watching a crumbling system, a system that is being abandoned, and they appear to be helpless in the face of what is going on.

I contend that we are slowly, by the kinds of decisions we are making or not making, we are abandoning the public school system, and the primary victims of that are the people in the inner cities who happen to be African American and Hispanics. But certainly a large part of the population is African American. The African-American parents have been targeted by people who want to accelerate this process of destroying the public school system. They want to hold up the specter of

vouchers as a solution to the public school problem and they are using the discontent and the vulnerabilities of the African-American parent as a weapon. They are taking polls, encouraging African-American partners to speak out in favor of vouchers, and unwittingly many African-American parents and African-American leaders are contributing to the process of eroding support for the public schools.

I want to link these two and at the same time link it to the Congressional Black Caucus legislative weekend that just took place on September 16, 17, 18 and 19. The thing that struck me most about the Congressional Black Caucus legislative weekend was the absence of a sense of urgency about education. Education is something that African-American leaders always applaud any kind of education reform and if you make a proposal for improvements, they will applaud that. They generally will go along and endorse any efforts to improve schools, but my problem is that the energy and the effort that is necessary to make this happen is not there behind the endorsements.

I saw in the Congressional Black Caucus weekend a situation where only the Congressional Black Caucus education brain trust and two or three other forums, issue forums and brain trusts, focused in on education. In none of the dialogue, in the bigger dialogue at the Congressional Black Caucus prayer breakfast or at the dinner, was there a focus on the emergency nature of the educational situation faced by the African-American community.

So what I am doing now is saying to African-American parents and leaders out there in the inner city communities, there is something wrong, I am not certain I know what it is, about the way your leadership behaves on the issue of education. On the issue of education, we do not seem to be able to get any intensity going. We do not seem to be able to get any focused attention over a long period of time. In order to combat that, I am saying to the parents out there and the ordinary people in the communities and the ministers and everybody else, you better not wait for the leadership, the top leadership in the African-American community to stop the process of abandoning the public schools. You better not wait for the top leadership in the African-American community to really take steps to push for the necessary public funding for school construction. The energy is not there. We need to generate the energy from below.

Where does James Farmer come in? He is the guy who showed us how little people all across the country can do their own thing, can become their own advocates and do not have to wait until the master planners and the folks who are at the top decide to get around to dealing with an issue. During the civil rights movement, during the 1960s,

there was a great deal of activity by parents pushing to improve the schools and people have asked, why is that not happening now, why have parents in the inner city communities gone to sleep? Why are they so chaotic? Why are they so devastated that they cannot respond to what is happening? The atrocities continue in the school systems in the big cities every day and parents do not seem to be able to respond.

My first answer to that question is that during the 1960's, the civil rights movement provided leadership for parents, also. The activists in the civil rights movement helped to organize parents. Parents were organized but they were also stimulated to do for themselves and they were handed the tool by people like James Farmer:

If you don't like what's happening in the schools, you better go out there and get a picket, line up, you better sit in at the school, you better raise hell about what's going on in order to get the attention of the people who make the decisions.

That formula is not obsolete. It is still a formula which is relevant. I hope that as we look at James Farmer's life and pay tribute to him over the next month or so, there things do not last long, people die, we have memorial services, and then they are forgotten. I do not want him to be forgotten.

There is a book that has been re-issued. His autobiography has been re-issued. I would like to commend to people who want to really know what James Farmer is all about to read the book, "Lay Bare the Heart," the autobiography of the civil rights movement by James Farmer, and listen carefully to the basic message he had to offer, that everybody in America has the right and has the opportunity to fight for themselves.

Direct action, direct action which is nonviolent. I cannot stress too much that James Farmer came out of the nonviolent direct action movement. Gandhi and the Fellowship of Reconciliation and all the people who have insisted that you can be revolutionary without picking up a gun, you can be revolutionary without resorting to violence, you can be revolutionary by letting yourself become the object of the hatred of the enemy by taking a lot of abuse and by absorbing a lot of the energy of those who hate, James Farmer was a major proponent of that. We know Martin Luther King as a proponent of nonviolence more so because, of course, Martin Luther King mobilized great masses of people and made a mark definitely in terms of the media and history. There are elements of all of James Farmer and the direct action in everything Martin Luther King did. They had the same mentors. Gandhi was a mentor, spiritual and philosophical person that Martin Luther King looked up to as much as James Farmer.

As early as 1942, James Farmer pioneered the techniques of nonviolent action against racial discrimination. As the civil rights movement reached its climax in the 1960s, he became its major spark plug and a gyroscope for the struggle. Because of Jim Farmer, the civil rights battle, which was being pursued successfully but slowly in the courts, marched into the streets where the crusade made a greater leap forward.

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He was the role model for the youth and for the masses who found that through nonviolent direct action every individual had the opportunity to bear witness in the fight for freedom.

My last contact with Jim Farmer was at the White House when President Clinton conferred on him the Presidential Medal of Freedom. He greeted me then as he has always over the years. He had the same deep voice and hearty manner of a self-confident and reassuring fatherly counselor. Despite the fact that the ravages of disease had rendered him blind and his limbs were amputated, Jim Farmer's great indomitable spirit was still in no way disabled.

Jim Farmer was probably the most potent role model of the civil rights movement. The young of the 1960s, the youth of the 1960s, were inspired repeatedly by the Farmer steadfast dedication, by his shining integrity and his overwhelming personal courage. Jim Farmer's willingness to constantly place himself in danger on the front lines made his young troops stand up and cheer. From the segregated swimming pools in northern cities to the burning buses in Alabama, Jim Farmer never retreated from the billy clubs and the tortures of racist terror. He was our super hero in the best sense of the concept of heroism.

Jim Farmer inspired ordinary people to take on extraordinary challenges. Unfortunately, the names of thousands who made a difference will never appear in the history books, but the memory of my formative years is electrified by the portraits of Brooklyn CORE members like Oliver and Marge Leeds, Mary Phifer, Elaine and Jerry Bibuld, and Arnold Goldwag. These CORE warriors still stand out in my mind as the bravest and most unselfish people that I have ever known.

I served as chairman of the Brooklyn Congress of Racial Equality for 2 years. My first experience in politics was a run for the city council in Brooklyn, under the Brooklyn CORE sponsorship, the Brooklyn Free and Democratic Party we called it, after the Mississippi Freedom Democratic Party. That was my first foray into politics. We lost badly, Mr. Speaker, but I learned enough to be able to win later on in my second bid for public office.

As a confused and anemic present-day movement for economic and

human rights struggles to establish some kind of momentum, and we are confused and anemic these days as we attempt to try to begin to address the many problems that are facing the people on the bottom, it is vitally necessary that we properly interpret at this point and that we assimilate the great and unique legacy of Jim Farmer.

To achieve and sustain peace with justice, the alloy of political leverage and legal maneuvering must also include the steady pressure of individuals bearing witness through nonviolent direct action. It is still relevant; it is not old fashioned. It is for us, the living, to absorb the James Farmer legacy. The challenge is for us, the living, to utilize that legacy to move humanity forward. In the great complex fabric of our American democracy, the strategies, the tactics, and the instruments for gaining and preserving the fullest measure of our freedom must also be complex, intricate, and dynamically diverse. The power of nonviolent direct action must again be accorded its rightful place in the arsenal for the advancement of human rights.

Of the struggle, in the advancement of the struggle, the elements that were there before are still necessary. The courtrooms are very appropriate, the appropriate beachheads in the fight of justice. We still need legal actions in the courts. The halls of city councils and State legislatures and certainly the United States Congress will always be vital battle grounds in our fight for freedom and for human rights, but the picket lines and the sit-ins and the marches, the nonviolent personal confrontations with injustice, wherever it may be, are the initiatives that have been too long neglected.

The movement for universal justice and for the opportunity for all to pursue happiness has become bogged down. It is mired in trivia and ineptness. Those who suffer most have retreated into suicidal apathy. They will not even exercise their right to vote. We fought for so long. So many people died, and so many people were injured and humiliated. James Farmer spent many weeks in jail in the South pushing for voter registration. James Farmer was the organizer of the Mississippi Freedom Summer where Chaney, Goodman and Schwerner, three civil rights workers, two white from the North, and one from the South were murdered. Those people were fighting for the right to vote and now have the right to vote, and more than 50 percent of the people do not bother to come out to vote in the African American community. As my colleagues know, these great masses are looking for somebody else to deliver them. They huddle and wait for someone else to fight for them.

We need to activate them; we need to let them know that they must fight for themselves. If we return to nonviolent

direct action around the grievances that they consider important, maybe we will get them to understand the connection, the vital connection between their vote and their overall welfare in this democratic society of ours.

In tribute to the pioneering spirit of James Farmer, it is imperative that we re-examine our present strategy and our tactics and our styles. Especially the leadership of the African American community needs to re-examine our strategy, our tactics and our style. Our tactics have locked out a large number of people who should be allowed to fight for themselves. The fortresses of mega-greed, corporate totalitarianism, and systemic racism must be assaulted with new vigor and with the old diversity of weapons which includes nonviolent, direct action. Jim Farmer's approach guided the sit-ins and the voter registration marches. Few civil rights leaders were beaten, gassed, and arrested as many times or stayed in jail as many days as Jim Farmer.

But this bold leader and fighter for civil rights was not a wild and reckless radical. Jim Farmer was not a wild and reckless radical. The freedom rides, the Mississippi Freedom Summer and all other court actions were planned with great concern for the lives of the participants and with a clear focus on a specific segregation or human rights violation target.

As part of a five-point procedure Farmer mandated that every action must be preceded by a clear statement of the grievance and an opportunity to negotiate must be provided. Jim Farmer also reflected deeply on the fate of the African American community that was to come. After you broke down the walls of segregation, what would it be like? He was constantly preoccupied with that.

Under Farmer's tutelage and inspiration, CORE chapters all over the Nation launched initiatives against slum landlords and inadequate government services. The CORE strategy and tactics extended under Farmer's leadership into community action, into economic development projects; and finally Farmer also encouraged youthful CORE members to enter the political arena where more than a few of his proteges have carried the action into city councils, State legislatures and the halls of Congress.

I consider myself one of Jim Farmer's proteges. The first time I ran for city council and lost, CORE was in dire economic straits, and the national CORE office was broke. They were struggling to meet day-to-day expenses, and because Jim Farmer had encouraged me to run for office, when I went to the office and asked for contributions and some help, I remember he took one of the badly needed \$300 away from the planning process to meet the payroll and other expenses, and he gave me a check for \$300 from

my city council campaign. We lost and lost badly; but as I said before, what I learned in that campaign allowed me to survive and persevere in later runs for public office in the State Senate and in the Congress.

So he encouraged youthful CORE members way back then, the late 1960s, to enter the political arena, and more than a few of us. There are many city council persons and members of State legislatures as well as several Members of Congress who are proteges of Jim Farmer. His restless spirit led him into the Federal Government to promote a massive literacy and adult education program. Beyond his monumental courage and overwhelming dedication, James Farmer had an extraordinary vision which decades ago allowed him to see the great challenges of economic development and education which still command our attention today.

He was a man of action and a man of thought, a man with a booming voice and a penetrating vision, a man of great humility who was bold and audacious with his courage. He sounded the trumpet that inspired the downtrodden, and it inspired the youth to rise up and march for themselves. He was a rare world-class leader and a great American spirit, James L. Farmer.

Mr. Speaker, I enter this portion of my speech in its entirety in the RECORD:

JAMES FARMER—A GREAT AMERICAN SPIRIT

As early as 1942, James Farmer pioneered the techniques of non-violent action against racial discrimination. As the civil rights movement reached its climax in the sixties, he became its major sparkplug and a gyroscope for the struggle. Because of Jim Farmer, the civil rights battle, which was being pursued successfully but slowly in the courts marched into the streets where the crusade made a great leap forward. He was the role model for the youth and for the masses who found that through direct action every individual had the opportunity to bear witness in the fight for freedom.

My last contact with Jim Farmer was at the White House when President Clinton conferred on him the Presidential Medal of Freedom. He greeted me then as he always has over the years. He had the same deep voice and hearty manner of a self-confident and reassuring fatherly counselor. Despite the fact that the ravages of disease had rendered him blind and limbs were amputated, Jim Farmer's great indomitable spirit was still in no way disabled.

Jim Farmer was probably the most potent role model of the civil rights movement. The youth of the sixties were inspired repeatedly by Farmer's steadfast dedication, shining integrity and overwhelming personal courage. His willingness to constantly place himself in danger on the front lines made his young troops stand up and cheer. From the segregated swimming pools in northern cities to the burning buses in Alabama, Jim Farmer never retreated from the billy clubs and torches of racist terror. He was our superhero in the best sense of the concept of heroism.

Jim Farmer inspired ordinary people to take on extraordinary challenges. Unfortu-

nately, the names of thousands who made a difference will never appear in the history books. But the memory of my formative years is electrified by the portraits of Brooklyn CORE members like Oliver and Marge Leeds, Mary Phifer, Elaine and Jerry Bibuld, and Arnold Goldwag. These CORE warriors still stand out as the bravest and most unselfish people that I have ever known.

As the confused and anemic present day movement for economic and human rights struggles to re-establish momentum, it is vitally necessary that we properly interpret and assimilate the great and unique legacy of Jim Farmer. To achieve and sustain peace with justice, the alloy of political leverage and legal maneuvering must also include the steady pressure of individuals bearing witness throughout direct action.

It is for us the living to absorb the James Farmer legacy; the challenge is for us the living to utilize that legacy to move humanity forward. In the great complex fabric of our American democracy, the strategies, tactics and instruments for gaining and preserving the fullest measure of our freedom must also be complex, intricate, and dynamically diverse. The power of non-violent direct action must again be accorded its rightful place in the arsenal for the advancement of the struggle. The court rooms are appropriate beachheads in the fight for justice. The halls of city councils, State legislatures, and the United States Congress will always be vital battlegrounds. But the picket lines and the sit-ins and the marches; the non-violent personal confrontations with injustice are the initiatives that have been too long neglected. The movement for universal justice and for the opportunity for all to pursue happiness has become bogged down, mired in trivia and ineptness. Those who suffer most have retreated into suicidal apathy. They won't even exercise their right to vote. Great masses huddle and wait for someone else to deliver them.

In tribute to the pioneering spirit of James Farmer, it is imperative that we reexamine our present strategy, tactics and styles. The fortresses of mega-greed, corporate totalitarianism, and systemic racism must be assaulted with new vigor and with the old diversity of weapons, which includes non-violent direct action.

Farmer's approach guided the sit-ins and the voter registration marches. Few civil rights leaders were beaten, gassed, and arrested as many times, or stayed in jail as many days as Jim Farmer. But this bold fighter was not a wild and reckless radical. The freedom rides, the Mississippi freedom summer, and all other CORE actions were planned with great concern for the lives of the participants, and with a clear focus on a specific segregation or human rights violation target. As part of the five point procedure, Farmer mandated that every action must be preceded by a clear statement of the grievance and an opportunity to negotiate must be provided. Jim Farmer also reflected deeply on the fate of the African American community after the walls of segregation had been torn down. Under Farmer's tutelage and inspiration, CORE chapters all over the Nation launched initiatives against slum landlords and inadequate government services.

The CORE strategy and tactics extended into community action and economic development projects. And finally, Farmer also encouraged youthful CORE members to enter the political arena where more than a few of his proteges have carried the action into city councils, State legislatures, and the Halls of

Congress. His restless spirit led him into the Federal Government to promote a massive literacy and adult education program. Beyond his monumental courage and overwhelming dedication, James Farmer had an extraordinary vision which decades ago allowed him to see the great challenges of economic development and education which still command our attention today. He was a man of action and a man of thought; a man with a booming voice and a penetrating vision; a man of great humility who was bold and audacious with his courage. He sounded the trumpet that inspired the downtrodden and the youth to rise up and march for themselves. He was a rare world class leader and a great American spirit—James L. Farmer.

There were other Members of Congress who were at the tribute for Jim Farmer. The gentleman from Georgia (Mr. LEWIS) considers Jim Farmer to be a great mentor of his, and the gentleman from Georgia was with Jim Farmer on the ride, the well-known bus ride through the South to end segregation in interstate transportation. The gentleman from Georgia (Mr. LEWIS) was there when the bus was burned. The gentleman from Georgia (Mr. LEWIS) was beaten badly on several occasions. The gentleman from Georgia (Mr. LEWIS) was in jail in Mississippi with Jim Farmer.

The gentleman from South Carolina (Mr. CLYBURN), the chairman of the Congressional Black Caucus, was another person who considers Jim Farmer as his mentor, and I think that it is very interesting that, and there are other people who are Members of Congress who were touched, whose lives were touched by Jim Farmer. I hope that those disciples and the people who joined with me on September 10 in the tribute to Jim Farmer at the John F. Kennedy Center will understand my plea tonight, and that plea is that we must change our tactics and our strategy and our style in order to deal with the problems confronting us in education.

Mr. Speaker, to bring these pieces together, let me just quickly repeat what I am trying to do tonight is to make a linkage between the memorial service for James Farmer which highlighted his contribution to our great American civilization and the relevance of Jim Farmer's legacy to current problems that we face; and no problem is more important in the African American community than the problem of education.

As my colleagues know, I cannot repeat too often the fact that survival of the African American community is dependent on a number of factors, but if we do not have a great improvement in the systems which educate our children all over the country, we are not going to survive; we are not going to be able to deal with the complexities of a modern cyber-civilization. We cannot keep falling behind at the rate that we are falling behind, and I can document that we are falling behind at a rapid rate.

It may not be as bad in some of the schools and smaller cities across the Nation. In fact, I am a native of Memphis, Tennessee, and I often tell people that when I went to school in Memphis, Tennessee, in the 1950s and the 1940s, we had a school system at that time which was segregated, but the segregated school system that I went to was superior to the New York City school system right now, and that is not an exaggeration.

The New York City school system is steadily declining, steadily getting worse; and you can document this easily. The reading scores, the math scores, they document it in one respect, but you can look at the fabric of the system where every year more and more children enter the system which has 1.2 million children, 1.2 million children in the system.

□ 2030

We have 1,200 schools. We have more than 60,000 teachers. It is a huge system and in that system the majority of those schools are overcrowded. At least a fourth of those schools have twice as many students as the school was built for.

Large numbers of those schools are forcing children to eat lunch at 10:00 in the morning because they have to have a cycle. They have to cycle the kids through the cafeteria. There are so many youngsters, in order to cycle them through the cafeteria some of them have to eat as early as 10:00 in the morning. Some have to eat lunch as late as 1:30. It is ridiculous and it is child abuse but it is systematic. It is going on in so many schools that they do not think of it as child abuse anymore.

The New York City school system, in order to save money, 10 years ago they started forcing out the most experienced people, the most experienced supervisors and principals, superintendents, not so much superintendents but principals and assistant principals and teachers. They were given buy-out incentives. They were encouraged to leave the system. They could get more money and they would doctor it so they would get an upfront amount. It was so lucrative until thousands of teachers left the system; supervisors, principals left the system.

An operation cannot be run with inexperienced people. I do not care how brilliant they are. It may be that our schools of education, our business management schools, wherever we get principals and assistant principals from, they are doing a great job. I do not see that from my individual experiences with these principals and assistant principals, but maybe. No matter how well educated they are, anybody who has ever been in an administrative position knows that there are some things we learn from experience that we can only learn from experience. If a

system is robbed of the experienced people, the damages can be calculated that are going to be done.

So 10 years ago, we started this raiding of the system. Even now it goes on because of some notion that the mayor of the city and the chancellor of the school system, we have a chancellor who is over all this, and then we have superintendents of 32 districts, it is a big bureaucracy, the chancellor and the mayor have decided they want to beat the principals into submission.

They want to take away tenure. I think that is a good idea, that principals should not have lifetime tenure, that as managers and executives they ought to measure up and be able to deal with their performance and if their performance is not up to par, they lose their jobs like anybody else. So tenure ought to be taken away.

The way the system works, the legislature would have to act to force the principals to do this. The legislature refuses to do this. The principals in the bargaining process will not give up their tenure. So we have been in a stalemate for almost 2 years. For 2 years we have had a situation where the principals are frozen into a situation where they cannot get raises. The contract is such that they cannot get raises for the principals. The people under them, the people under them who are teachers, have gotten raises. There are some experienced teachers in schools who now earn more than the principal because of the fact that they have been frozen.

With all of these principals frozen in place, many of them have decided to retire. The process of taking away the experienced people is accelerated.

The New York Times had an editorial last week which said it is time for the chancellor and the mayor to accept a compromise. There ought to be some kind of compromise because if the principals are frozen, and they are more and more disgruntled and see that their position is being eroded not only in terms of their pay relevant to the pay of the teachers under them but also their authority, they are resigning and moving to the suburbs where there is a great demand for experienced educators. They are not losing. We are losing.

There are schools all around New York City. There are schools across the river in New Jersey. There is a demand for experienced educators, good or bad. Maybe they are not so good. Maybe they are holding on to tenure because they believe that a performance review system would jeopardize them in some way, but they are not having problems getting jobs. So we are further eroding the leadership, the management of the system, by holding on to this negotiation position that the city, through the mayor and the chancellor, have.

The New York Times is right. It is time to compromise. We compromise

everywhere. In Detroit, the automobile companies would not hold out forever. If they are missing sales of cars and if the competition is getting ahead of them for various reasons, strikes and collective bargaining procedures are always subject to some kinds of compromise. So we need to compromise on that issue.

The parents who sit and watch this chaos are getting more and more disheartened. When a survey is taken, they say we would like vouchers. If a parent is asked do they think the public school system has any future, is it really going to be able to improve, does their child have a chance of really learning enough to qualify to go to college, the parents have decided with all of this chaos going on, 52 percent of them right across the country in the urban centers say we would prefer vouchers to the public school system.

I do not doubt that survey. I do not doubt the fact that that is an honest survey. The people who say that is happening, I know why. They have given up. The parents have given up. They have been sold a bill of goods about what the solution is because if we were to try to transfer large numbers of children into the private school system if vouchers were available, if there were publicly financed vouchers, the private system is not able in any way to take the public school students.

We have 53 million children in America who go to public schools. The private school system has been steadily about 10 percent of that for years. There is no way we can solve the problems of education for the parents in the inner city communities or anywhere in America by just shifting the children from the public school system to the private school system. So they are being sold a bill of goods. They are being told that they can raise part of the money themselves. Scholarships and vouchers, private scholarships, have been made available to a large number, but people who are in gross poverty cannot take \$1,500 as a scholarship, and given the fact that they are struggling to put food on the table be able to pay the rest of the tuition on an ongoing basis.

I know. I have met many of the parents who already are saying, I struggle. I raised the first tuition payment, but we are falling further and further behind. We are going to have to take our kid out of the private school and put him back in public school. Large numbers are shifting back to public schools because of the fact that they cannot go the extra mile.

Poverty is not understood by the leadership. I was born poor, and I know what it is all about. The extra money is not available for \$1,500 in tuition a year; and anybody who has ever had a child in a private school knows it is far greater than that. My children were in private schools in pre-school. They

were in public schools all their elementary and secondary school life, but as pre-schoolers they went to a private school.

We had to pay the tuition and raise money all year long. There are various ways in which the private schools are asking parents to contribute more money and to help raise money and usually the contribution, a large part of the contribution, is not raised in selling tickets and stuff. It comes out of your pocket, and the pressure to put more and more in is there.

So the private schools, with all due respect to the people who want to advocate vouchers, it would take 30 or 40 years to replace the present system with a private school system, even if there was full support from the government and full support from the private sector.

The experiments that are going on now are totally inadequate in terms of the amount of money that the private sector is willing to make available to parents and we are going to see a collapse of most of those efforts because the poverty is too great to help the people who need the help the most.

Why am I dwelling on this? The message has to go to the African-American leaders. The people who were at the Congressional Black Caucus weekend are the leaders. People come from all over the country. I do not know how many thousands we had there. I think we had 5,000 people at one dinner. So these are teachers and these are lawyers and these are doctors. These are the people who provide leadership in our communities, and ministers, and they were not focused on this problem. They have not gotten the message that underneath them our communities are crumbling because of the poor education system. New opportunities are being created at the level of higher education.

I welcome and I congratulate Bill Gates who announced less than 10 days ago that he is going to provide a billion dollars for scholarships not to poor but minorities, African-Americans, Hispanic-Americans, Native Americans, a billion dollars over a 20-year period. They estimate they will be able to supply 1,000 scholarships per year for 20 years. These are extraordinary scholarships that they are offering. They are going to pay for the whole 4 years all expenses of the student for 4 years, minus any scholarships that the student was able to get otherwise.

Basically, there cannot be a better deal than that; all expenses paid for 4 years and a thousand students are going to be able to benefit from that each year.

In my district, the first question that came to my mind, how many of the youngsters here will be able to qualify for those scholarships? There is a simple process for selecting. Part of it is the recommendation of the principal of

a high school. Part of it is a grade average and part of it is the score on the test. When it comes to the scores on the test, there is going to be a real problem because the kids in my district are consistently scoring low in reading and low on math. When they get to high schools and the SATs they also score very low.

Why do they score low? Because the system is crumbling. A survey was done 2 years ago which shows that most of the junior high schools in my district and districts like mine, where the bulk of the African-Americans and Hispanic children go to school, that is two-thirds of New York, in two-thirds of New York districts there are no teachers in junior high schools teaching math and science who majored in math and science in college. There are no teachers in junior high school. The high school teachers complain greatly about the lack of preparedness of students when they get to high school, and in high schools most of the high schools have trouble keeping physics teachers.

In many of the high schools, there are some high schools who have not seen a physics teacher in a long time who majored in physics in college. That is the kind of emergency situation we are in. Physics teachers, science teachers are in shortage all over the country but we have a situation in New York where we have high schools that are the best in the world, there are three or four high schools that consistently score high on any national exams, they win the Westinghouse contest and all the national science contests, there are four or five schools that do that, high schools, but the majority of our students do not go to those schools. They do not have access to that kind of education with respect to science.

So no matter what Bill Gates does or a number of other corporate benefactors do, and more and more they are entering the arena and trying to encourage more and better education by minorities, they see this pool of people who have to fill the gap and fill these vacancies in information technology, a number of other places where vacancies are more and more evident, probably no more so than information technology. The world of the computer and the world of cyber civilization we are going into will come to a halt if we do not have more people coming out of our higher education institutions that are competent to fill those jobs.

What we have now is that large numbers of the white middle class youngsters have computers in the home. They are exposed to computer education in school but those are not the youngsters who are going to become the information technology experts. Those are the young people who are going to become doctors and lawyers, professionals. They are going to move

on and the large gap is going to still be there for the information technology professionals who make less than doctors and lawyers but they will be able to make a good living.

We have to have a pool, a vast pool, to draw from in order to fill the positions that are constantly being made available and will be more and more available as time goes on.

In order to do that, the public schools are the only place we can turn to, unless we seek temporary solutions that are very dangerous. We have voted in this Congress for one of those temporary solutions. We voted to lift the immigration quota for professionals. I think it is 90,000 people now and they are coming back to ask for more legislation to increase the quota to bring in more information technology specialists from India, from other foreign countries, English-speaking countries in particular but others. There is going to be a vast number coming in from outside who will not stay to contribute to our economy for very long. They will not pay into Social Security and keep Social Security healthy in the future.

It is a dangerous way to operate, to ignore the natural working population and not develop that population, that workforce, and call on foreign reserves and foreign resources. That is very dangerous. So I am very upset and would like to have African American leaders look to the spirit and the example of Jim Farmer. Let us get involved. Let us tell the people out there they have to get involved. The parent-teachers associations, the churches, they have to get involved specifically to deal with the problems of their own school.

□ 2045

If one is an inexperienced principal, there is probably chaos there that somebody needs to watch, somebody needs to highlight, in order for the people in charge, the superintendents, the mayors to step in and end the chaos. There are no books, no supplies, which is the case in many cases; we should deal with that.

Most of all the problem of the physical decay of the schools poses a direct danger. Large numbers of schools that have coal burning furnaces in New York City pose a direct danger. We have a large asthma problem, an asthma epidemic. Part of that epidemic is contributed to by the schools that need to change the furnaces. We need money for that in the construction and modernization fund.

At the Congressional Black Caucus, we did have some efforts to try to make a breakthrough on this. One of those events I held on September 17, and it was designed to send a message to the parents out there in the various neighborhoods, all the parents in the inner city communities. The message

is: Do not give up hope. Do not abandon the public school system or contribute to the abandonment of the public school system by seeking solutions that are not real solutions. Vouchers are not a solution. We would like for them to know that they have help.

I had a press conference which I call a ground-breaking press conference. I was attempting to bring together and did bring together people from the labor movement and people from the private sector, corporate sector. We had contractors as well as unions who appeared at this ground-breaking press conference to proclaim their unity with us and let the vulnerable and discouraged black parents out there know that we have powerful allies in an attempt to get school construction on the agenda here.

We have an announcement that the surplus is bigger this year than it was contemplated, which means that the projections for the surplus over the next 10 years are probably going to be pretty close to what has been stated.

I have a bill which talks about a 5-year commitment of \$110 billion for school construction. I am going to amend that bill to change it to make it a 10-year commitment of \$110 billion because we are talking about 10-year scenarios. We have a tax bill which is a 10-year scenario for \$792 billion. I think we ought to put on the table a 10-year scenario for school construction for \$110 billion. This will be money that is directly appropriated to every State in accordance with the number of school-aged children in the State, a fair distribution formula to deal with the modernization, wiring. Sometimes schools are in pretty good shape, but they need security measures. Whatever the infrastructure, the physical infrastructure needs, this funding of \$110 billion over a 10-year period would provide.

Many people say, well, that is too much. It is outrageous. Well, I think we have got a scenario where a trillion dollars is on the table for the next 10 years, and we are going to take \$792 billion of that and propose that for taxes. The President agrees there should be some tax cuts. It will not be \$792 billion. It may be \$300 billion. There is going to be a tax cut of some magnitude. Let us have, at the same time, on the same table, in the same package a rational, reasonable, adequate package for school construction.

So at this press conference, commitments were made by the labor community, by the contractors. We have the Nat LaCour of the American Federation of Teachers; Joel Parker of the National Educational Association; Vincent Panvini of the Sheet Metal Workers, Director of Governmental Affairs of Sheet Metal Workers; Paul Parker, the Executive Director of the Sheet Metal and Air Conditioning Contractors; Bill Bonaparte. Bill Bonaparte is

the National Electrical Contractors Association. The private sector people who want to be involved are enormous: Starla Jewell, the Executive Director of the National Community Education Association; Michelle Kavatelle, the director of the America Online Foundation; David Keane, the Associate Director for Government and Labor Relations of the Mechanical Contractors Association of America; and Mary Filardo, the Executive Director of the 21st Century School Fund.

At this press conference, they all pledged to join me in sending this message to the African-American parents that they have friends, they have allies who are powerful. They are not alone. Do not give up. Do not abandon the public school system.

At this press conference, we have pledges of help that will come from these people in various ways. We agreed to launch, on November 16, the date for the national education funding support date a campaign which will go for a year. Our motto is simple: "Build schools." The motto of "Build Schools" will be the motto for a whole year, starting national education funding day; instead of funding support day, we want to make it a funding support year.

So we are going to launch a campaign in November that will go right through to next November; and the motto is: "Build schools."

The year 2000 is the year we want to make a breakthrough. Why the year 2000? Because it is apparent that in the next few weeks here we are not going to see a what I call an in-game negotiation. The President and the Congress will not negotiate that projected 10-year surplus. That will be negotiated as we approach the election of the year 2000.

It is going to happen next year. We can plan and strategize, and we have the advantage. The message should go out that the parents, not only the parents in the African-American community, but the communities out there in general believe that the Federal Government should do more in aid to education. They believe that the Federal Government should provide help in the area of school construction.

The polls are on our side. We need to remember that. We need to mobilize and crystallize the sentiment and focus it so that they will understand that it is not enough to appropriate pennies for school construction.

Right now we have zero in Federal involvement. We need to move to a significant Federal involvement. There is time to do that starting now.

The commitment was made to have a campaign that will go all the way to the spring of 2000. In the spring of 2000, we have pledged to have a "Build Schools" conference where all of the same partners who came together on September 17 at the ground-breaking

press conference, all those same partners will act in solidarity to promote and to sort of increase the momentum for school construction.

We define victory as any breakthrough that gets Federal dollars into the school building pipeline. That means that H.R. 1660, the bill that comes out of the Committee on Ways and Means is certainly a breakthrough. It is a tax credit provision sponsored by the gentleman from New York (Mr. RANGEL). It has received the endorsement of the full Democratic Caucus which launched the motion to discharge. I am a cosponsor on that bill.

But it also means H.R. 1820, the bill that I have sponsored which calls for \$110 billion over a 5-year period. We are going to change that now to a 10-year period.

Most of the initiatives that we are going to undertake relate to activities which are designed to mobilize the African-American community. I held this press conference. I called in these leaders of labor and the private sector at the beginning of the Congressional Black Caucus legislative weekend, because I wanted to send the message not only to the people out there in the communities, the parents and the community leaders, but I wanted to send a message to my fellow caucus members. We are not doing enough.

In the spirit of James Farmer, we should seize the initiative and come to grips with the problem of school improvement, education improvement. At the heart of that is a physical facility. If one has a religion, and the temple, the church, the physical facility is allowed to crumble and decay and obviously be neglected, then it sends a message to all that the people who are advocates of that religion, the heritage of that religion are not serious.

Ethnic cleansing in Yugoslavia became a bloody, burning, nasty set of atrocious activities that made the whole world want to vomit. Thousands have been confirmed as murdered and the estimates continue to climb. The Serbs attempted to drive out the Albanians in obvious and crude ways. African-America cleansing in America is moving forward to a far less alarming but more subtle and certain manner. It is moving forward in a far less alarming, but more subtle and certain manner.

Listen. African-American cleansing. One can destroy the education for the children of a group, and one can destroy the group without firing a single shot. In a complex world today, people can be destroyed by the act of refusing to provide a relevant education for their children.

The present movement toward the abandonment of the public school system greatly endangers the survival of the African-American community. We are going to be reauthorizing Title I of the Elementary Secondary Education

Assistance act this week. This Wednesday it is scheduled for the calendar. It is one more series of attempts to abandon the public school system that has to be fought.

Education is critical for survival. The oppressed South African blacks clearly understood this truth when they rebelled against Bantu Education. The famed uprising at Soweto was led by school children who understood that they were being systematically crippled in their classrooms. In America, there is no official conspiracy to intellectually deform African-American children. But benign neglect, bureaucratic bungling and the savage inequalities like the one described by Jonathan Kozol, accidentally accomplish the same devastating results.

The current emphasis on privatization and vouchers, coupled with education budget cuts and the refusal of both Republicans and Democrats to support meaningful school modernization and construction appropriations by the Federal Government will produce a massive Soweto-like impact in the large cities where the majority of African-American youth live.

In too many local education agencies, the schooling process is already merely a ceremony. Routinely assumptions are made that black students cannot emerge from the standard 12-year education regiment with a level of accomplishment which enables them to cope with present-day occupational and personal management challenges.

School systems go through enough motions to justify the economic activity which finances teachers salaries, custodial personnel, supplies, equipment, and administrative bureaucracy. But in too many instances, they are content not to focus on the end product and what they are achieving there.

The current acceleration of this minimal, of fraudulent education process as a result of less resources and highly visible decaying infrastructure has produced an unrecognized crisis for African-Americans. In full view, the commitment to meaningful public education is steadily being withdrawn by elected officials.

New York City had a \$2 billion surplus, and not a penny was spent on trying to refurbish, renovate, or build any new schools. New York State had a \$2 billion surplus, and they refused, and the Governor vetoed a \$500 million proposal for school repair.

So at the local level, we have a steady withdrawal of support for public schools. The clearest reflection of this danger is this brick and mortar disaster. Crumbling school buildings send a loud message stating that pedagogical and administrative infrastructure is also collapsing. If the buildings are collapsing, then do not expect much to be happening inside them. There is no commitment in there either.

A total abandonment of public education in America is a possibility. While private alternatives are shuffled around, a generation of students could be lost. More than African-American children of course would be placed at risk by this public policy blunder. The education of all children of working families who cannot afford private schools is at stake.

But I appeal, especially to the African-American leadership to get moving. In the spirit of James Farmer, come to grips with the problem, focus on it as being the number one survival problem in our municipalities.

In the spirit of James Farmer, the leadership has to shun or understand that there are no headlines out there for people who work in the vineyard trying to improve schools and trying to get funds for school construction. They have to understand that right out from under them, while they think that they are leaders, right out from under them, the people who matter most, our constituents, are discouraged. They feel vulnerable. They feel abandoned.

I want to end with a few quotes from Jim Farmer, and I do this in the spirit of urging that the leadership of the African-American community, starting with my colleagues in Congress, remember Jim Farmer as a man of action and a man who provided the opportunity to act for the people who were suffering.

Jim Farmer, after the attacks on the Freedom Riders said, "When dogs bite in Birmingham, we bleed everywhere." Evil societies always kill their consciences. The NAACP is the justice department, the Urban League is the state department, and Corps members are the nonviolent marines.

□ 2100

"The time is not for jail-going and bleeding heads, but for long-range planning and sophisticated strategizing. There will be fewer demonstrations and more celebration. Our Nation deceives itself with the fiction that the task is complete and racism is dead and all is well. The myth surrounds us that America has suddenly become color blind and that all that remains is our economic problem. No greater lie has ever been told, and the tellers of it, if they have eyes to see and minds to think, must know it."

That comes from the epilogue of the James Farmer book, which I mentioned before, *Lay Bare The Heart*. "Our Nation deceives itself with the fiction that the task is complete and racism is dead and all is well. The myth surrounds us that America suddenly has become color blind and that all that remains is our economic problem. No greater lie has ever been told, and the tellers of it, if they have eyes to see and minds to think, must know it."

African-American leaders are the people who ought to know it, and we

urge them very much to open their eyes.

RECESS

The SPEAKER pro tempore (Mr. WAMP). Pursuant to clause 12 of rule I, the Chair declares the House in recess subject to the call of the Chair.

Accordingly (at 9 o'clock and 1 minute p.m.), the House stood in recess subject to the call of the Chair.

□ 2149

AFTER RECESS

The recess having expired, the House was called to order by the Speaker pro tempore (Mr. DREIER) at 9 o'clock and 49 minutes p.m.

REPORT ON RESOLUTION PROVIDING FOR CONSIDERATION OF H.J. RES. 68, CONTINUING APPROPRIATIONS FOR FISCAL YEAR 2000

Mr. GOSS, from the Committee on Rules, submitted a privileged report (Rept. No. 106-342) on the resolution (H. Res. 305) providing for consideration of the joint resolution (H.J. Res. 68) making continuing appropriations for fiscal year 2000, and for other purposes, which was referred to the House Calendar and ordered to be printed.

LEAVE OF ABSENCE

By unanimous consent, leave of absence was granted to:

Mr. MASCARA (at the request of Mr. GEPHARDT) for today on account of family business.

Mr. REYES (at the request of Mr. GEPHARDT) for today and September 28 on account of a funeral.

Mr. WU (at the request of Mr. GEPHARDT) for today and the balance of the week on account of the birth of Sarah Elizabeth Wu.

Mrs. JOHNSON of Connecticut (at the request of Mr. ARMEY) for today and September 28 on account of a death in the family.

SPECIAL ORDERS GRANTED

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

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

Mr. LIPINSKI, for 5 minutes, today.

Mr. FILNER, for 5 minutes, today.

Mr. PALLONE, for 5 minutes, today.

Mrs. CLAYTON, for 5 minutes, today.

Ms. MILLENDER-McDONALD, for 5 minutes, today.

Mr. SHOWS, for 5 minutes, today.