

**American Hospital Association
50 F St., NW, Ste. 1100
Washington, DC 20001
(202) 638-1100**

"FAX" COVER SHEET

To: Carol Rasco

From: Herb Kuhn

Date: 7-26-93

Pages: 3

Comments: _____

July 23, 1993

President Bill Clinton
The White House
Washington, DC 20500

Dear Mr. President:

As you and your administration work with the conferees on the Omnibus Budget Reconciliation Act of 1993, an overriding question for the American public is whether the conference agreement meets your own standard of shared sacrifice in its goal of deficit reduction. Reducing the deficit is always a painful process, but older Americans, hospitals and physicians are willing to do their share if the pain is equitably distributed. In this regard, the proposed Medicare reductions are of central concern to our organizations.

Unfortunately, much of the debate around this deficit reduction package has focused on the ratio of direct spending cuts to tax increases, rather than on meeting a standard of shared sacrifice for all Americans. In fact, many Americans receive benefits through direct spending programs while others benefit from indirect spending through a myriad of tax preferences designed to promote certain economic and/or social outcomes. Regardless of which type of spending, the burden of paying for these benefits is borne by all of us as taxpayers. Ultimately, Americans will judge this package based not on whether some arbitrary ratio has been achieved but rather on whether the burden of deficit reduction is fairly distributed.

Earlier this year, you proposed \$46 billion in Medicare cuts — an unprecedented proposal. In making this proposal, you urged all Americans to share in the sacrifice needed to reduce the deficit. As you know, our organizations demonstrated that we — and our memberships — were willing to do our part. The Medicare provisions included in the House-passed bill, comparable to your proposal, would cut \$45 billion from Medicare over five years — the largest single reduction in the program's history. Unfortunately, the Senate increased the cut to \$58 billion. Reductions of this magnitude: 1) threaten beneficiary access to needed care; 2) promote increased cost-shifting to the private sector; and 3) pose barriers to the reform of our health care system. The added Medicare cuts in the Senate did not occur in order to reduce the deficit but rather to offset the loss of revenue due to the efforts by energy interests to exempt themselves from the shared sacrifice which you called for in your proposal. We are disappointed by remarks attributed to you and those of your administration supporting the higher Senate Medicare cuts.

President Bill Clinton

July 23, 1993

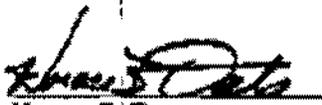
Page 2

You have frequently noted that we cannot achieve real, long-term deficit reduction by simply continuing what we have been doing for over a decade: cutting Medicare and shifting costs to beneficiaries and the private sector. While Medicare and Medicaid costs may be driving much of the growth in our deficit in recent years, we will not make real progress against those increases until we take on the underlying system-wide problems which drive up health care costs. As you know, comprehensive reform of our health care system can accomplish this task.

Because of these concerns, our organizations strongly recommend that you urge the conferees to be guided by the House provision in establishing the level of Medicare cuts, not the Senate's.

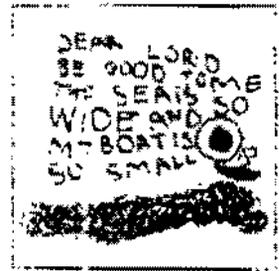
Like most Americans, older Americans, hospitals and physicians are willing to do their part to reduce the deficit. They ask only that the burden of deficit reduction be fairly shared.

Sincerely,


Horace B. Deets
American Association
of Retired Persons


Richard Davidson
American Hospital Association


James S. Todd, M.D.
American Medical Association



Children's Disease Fund

FAX: 202-662-3580

*Fife
Reconciliation*

FACSIMILE TRANSMITTAL SHEET

TO: CAROL RASCO

FIRM: _____

CITY/STATE: WDC

FAX NUMBER: 456 2878

FROM: Marian Wright Edelman
OFFICE OF THE PRESIDENT

IF YOU HAVE A PROBLEM RECEIVING THIS FAX, PLEASE CONTACT ME AT 202-662-3514

DATE: 7/8/93 TIME: 10:30am

NUMBER OF PAGES SENT (INCLUDING COVER SHEET): 5

COMMENTS: _____

Bruce

These are the docs. Carol mentioned in relation to reconciliation. Meeting is @ 1:00 today in the Roosevelt Room. Roy

2515 Ave. NW
 Washington, DC 20037
 Telephone 202 628 5787
 Fax 202 662 3510

M E M O R A N D U M

TO: Carol Rasco

FROM: Marian Wright Edelman

DATE: July 7, 1993

RE: Four Steps Needed for Enactment of a Clinton Administration's Initiative for Children

1. The White House should take steps to strongly defend the President's immunization proposal as adopted by the House in conference. It will also be necessary to secure the cooperation of Senator Bumpers for a satisfactory conference agreement on immunization. Senator Bumpers single handedly convinced the Senate to gut the Finance Committee provision, itself a scaled back version of the President's proposal for the federal government to pay for bulk purchase and distribution of vaccines for all pre-schoolers. The Senate passed Bumpers plan saves on the cost of Medicaid-purchased vaccines, but it would not provide funding to immunize even one additional child. See enclosed chart describing House, Senate Finance, and Senate Immunization provisions.

SENATORS MITCHELL, MOYNIHAN, BUMPERS AND REPRESENTATIVES FOLEY AND ROSTENKOWSKI SHOULD BE TOLD THAT THE HOUSE PASSED IMMUNIZATION PROVISION IS A BOTTOM LINE ADMINISTRATION PRIORITY.

2. The White House should secure senate approval for increased appropriations for Head Start and immunizations in FY94. The President's proposed \$1.4 billion increase for Head Start and \$300 million for immunization could not be accommodated within the bounds of the Labor HHS appropriation (without significant cuts in current spending levels for other worthy programs).

Mr. Natcher provided only an additional \$500 million for Head Start and \$108 million for immunization. As the action moves to the Senate it is essential to get a Head Start increase of at least \$850 million to have any hope of securing \$700 million in conference. It would be embarrassing for the President to secure an increase of no more -- or even less -- than was achieved in the Congress under Bush last year.

It is crucial that the Head Start increase not come at the expense of the funding necessary for the other parts of the President's immunization strategy: increased appropriations of \$300 million to keep immunization clinics open longer hours; to reach out to parents with information on where and why to immunize their children; and to set up tracking systems to remind parents when immunizations are due.

3. Strong White House intervention is necessary to ensure that the conferees do not drop the Administration's Family Preservation and Support provisions adopted by the House but not the Senate, not because of the substantive objections, but because of potential "Byrd Rule" difficulties. (The President's proposal would authorize new spending not offset elsewhere in the Reconciliation bill by spending cuts). The \$1.5 billion cost would make a major contribution to reducing abuse and neglect and unnecessary foster placements and is much smaller than similar provisions passed twice before. Chairmen Rostenkowski and McNihan need to hear that these provisions are near the top of the Administration's priorities.
4. The President should frame the following four issues as included in the House bill as "a Children and Families Initiative:"
- o immunization
 - o family preservation and support
 - o Leland anti-hunger provisions
 - o Earned income credit

This would enable child and family advocates to rally around the full agenda; provide political cover for some members who would vote to help children although uncomfortable about the mix of budget cuts and tax increases; and lend coherence to a diverse set of investments. A significant Clinton investment program for children and families could be accomplished with the following outcome in conference:

\$ 1.2 billion for purchasing and distributing vaccines
 \$ 1.5 billion for family preservation and support
 \$ 5.0 billion for food assistance to families with high housing costs.
 \$18.0 billion for expansion of the earned income credit for working families and
 \$25.7 billion bottom line

=====

Some combination of taxes and other spending cuts are needed to make room for these investments.

Enclosure: Chart on House, Senate Finance, and
 Bumpers Amendment/Sheet on Family
 Preservation Provisions

Immunization Provisions in the Budget

	House-Passed Version	Senate Finance and Labor Committee Provisions	Senate Passed Version (Bumpers Amendments)
Vaccine Assurance	Yes - Vaccines for all children without insurance coverage for immunizations.	Yes - Vaccines for uninsured and underinsured children with incomes below 75 percent of their state's median income.	No - States only required to bulk purchase vaccines for Medicaid programs.
No. of Additional Children Eligible for Immunization	11.1 million	7.9 million	None
Parent Education and Outreach for Medicaid-covered Children	Yes - Medicaid required to inform parents and establish immunization agreements with WIC and Title V Maternal and Child Health Programs.	Yes - Same as House.	No. The Medicaid improvements were deleted by the Bumpers Amendments.
Improved Medicaid Reimbursement	Yes - Sufficient fees for immunization services required so Medicaid children can get immunized by private physicians.	Yes - Same as House.	No - The Medicaid improvements were deleted by the Bumpers Amendments.
Improved Medicaid Coverage of Immunizations	Yes - Medicaid must cover all recommended vaccines, and managed care plans must provide immunization services.	Yes - Same as House.	No - The Medicaid improvements were deleted by the Bumpers Amendments.
State Vaccine Purchase at Centers for Disease Control (CDC) - Negotiated Prices for Non-Medicaid Children.	Yes - HHS must negotiate on behalf of the states for vaccines at the same prices and terms as under the CDC contracts.	Yes - Same as House.	No - Manufacturers may refuse to sell vaccines at CDC negotiated prices to states for non-Medicaid children.
Protection on Grant Reductions	Yes - There are no provisions for punitive sanctions against AFDC parents.	Yes (Partial) - Allow demonstrations in 5 states if services are available and other protections are in place.	No - States may impose sanction on AFDC families even if services are unavailable or if the parent has religious objections.
Immunization Registries	Yes - Authorizes \$50 million in FY 1994 and \$152 million in FY 1995 to establish immunization registries.	Yes - Authorizes \$152 million in FY 1994 for immunization registries.	Yes - Leaves Labor Committee provisions intact.
Immunization Service Delivery, Education, and Outreach	Yes - Authorizes \$680 million in FY 1994 and such sums in following years.	Yes - Authorizes \$250 million in addition to current CDC grants for FY 1994.	Yes - Leaves Labor Committee provisions intact.
Vaccine Injury Compensation Program	Yes - Permanently extends vaccine excise tax and simplifies requirements of the compensation program.	Yes - Similar to House.	Yes - Similar to House.

**MAINTAIN THE PRESIDENT'S FAMILY PRESERVATION AND SUPPORT PROVISIONS
PASSED BY THE HOUSE IN THE OMNIBUS BUDGET RECONCILIATION BILL**

HOUSE: The President's Family Preservation and Support Provisions (\$1.5 billion over five years) are in the House-passed Budget Reconciliation Bill.

SENATE: No Family Preservation and Support Provisions are in the Senate Budget Reconciliation Bill due to procedural problems, although the Rockefeller-Bond Family Preservation and Child Protection Reform Bill (S. 596) is pending in the Senate.

WHAT THE FAMILY PRESERVATION AND SUPPORT PROVISIONS DO:

1. Prevent child abuse and neglect by providing funds for family support programs, like Arkansas' HIPPY program, Parents as Teachers, and Family Focus, all of which teach parents early how to protect, nurture and support their children;
2. Help states develop and expand programs for families in crisis which keep children safe and families together and prevent the unnecessary use of costly out-of-home care;
3. Improve the quality of foster care and adoption assistance for children who cannot be protected at home; and
4. Enhance accountability for the provision of effective services for vulnerable children and families.

WHY THE FAMILY PRESERVATION AND SUPPORT PROVISIONS MUST BE ENACTED:

1. The crisis facing families and child protection agencies continues to escalate. Just last year, 2.9 million children, an average of about 8,000 a day, were reported abused and neglected, almost a tripling since 1980. More than three children a day died of maltreatment. Child protection agencies and courts are both overloaded.
2. These are the most significant federal reforms for abused and neglected children in over a decade. Congress passed more generous reforms last year, which were vetoed as part of the Urban Aid/Tax bill by President Bush.

**FUNDING FOR FAMILY PRESERVATION AND SUPPORT CANNOT BE FURTHER
REDUCED**

o The \$1.5 billion Family Preservation and Support package in the House Budget Reconciliation Bill already is less than one-quarter of the size of the package originally introduced in 1990 by Representative Downey, less than one-half of that passed last August by the House of Representatives as part of the Downey-Panetta Children's Initiative, and \$.7 billion less than the final Bentsen-Downey provisions passed last October as part of the Urban Aid/Tax bill and re-introduced this year by Senators Rockefeller and Bond.

URGENT NEXT STEPS

o Urge Chairman Rostenkowski and Moynihan and the House and Senate leadership to include the Family Preservation and Support provisions in the final Budget agreement.

CENTER ON BUDGET AND POLICY PRIORITIES

*Pg 9 is
very
important*

SOME COMMENTS ON SPENDING ISSUES IN THE RECONCILIATION CONFERENCE

Clearly, the single most important task in conference is striking an agreement that can pass on both the Senate and House floors. On the Senate side, the principal danger is that Senator David Boren and several others may jump ship if too much spending is added to the Senate package. On the House side, the chief danger appears to be that a significant part of the Black and Hispanic Caucuses may defect if their key priorities are not met.

This leads to two conclusions: the amount of spending that can be added to the Senate package will necessarily be limited; and a reasonable portion of the funds that can be added, need to be targeted on restoring key elements of the Clinton budget that also are Black and Hispanic Caucus priorities.

Spending Reductions in the House and Senate Bills

The Senate bill contains \$256.1 billion in spending cuts. Under a comparable way of measuring the cuts, the House bill has \$227.4 billion.¹ The difference is \$28.7 billion.

Given the concerns of Senator Boren and several other Senators, it seems likely that at least half of the additional spending cuts contained in the Senate package will need to be preserved in conference. This memo outlines an approach in which more than half of the additional spending cuts in the Senate bill are retained; under this approach, the spending reductions in the Senate bill would be lowered by about \$12.5 billion. The memo asks the question: how might \$12.5 billion best be used to support Administration priorities, achieve desirable policy outcomes, and retain Black and Hispanic Caucus support?

The memo recommends fitting within this spending target by splitting the difference between the House and Senate on the EITC, providing \$5 billion for the Mickey Leland Child Hunger Prevention Act, retaining the full House family preservation provision, supporting immunizations at closer to the House than the Senate level, and retaining a portion of the House extended unemployment benefits

¹ The House and Senate "score" their spending cuts differently. The House counts all of the expansion in the earned income credit as a revenue reduction. The Senate counts only about one-tenth of the EITC expansion — the amount that reduces taxes owed — as a revenue reduction. It counts the "refundable" part of the EITC as a spending increase. If the House scoring method is used, the House bill has \$253 billion in net spending reductions, while the Senate bill has \$273 billion.

year-round, the family should not be poor. In addition, the Senate provisions make more than three million low-income working families with children worse off — cutting their EITC by \$55 per year while subjecting them to the transportation tax. Finally, and especially serious, the Senate provisions omit the modest EITC the Administration proposed for very poor workers without children. Congressional Budget Office data show that no group of households at any income level have had their federal taxes raised as much since 1980 as these households have. The effective federal tax rate paid by the poorest fifth of households without children — that is, the percentage of income they pay in federal taxes — *has risen 38 percent* since 1980. On average, the poorest fifth of households without children pay 15 percent of their meager incomes in federal taxes. By contrast, the poorest fifth of families with children pays 7.5 percent, while the poorest fifth of elderly households pays 2.8 percent.

Eliminating the proposed EITC for poor workers without children while raising energy taxes would boost their taxes further and effectively tax them deeper into poverty. Black Caucus Chairman Kweisi Mfume has said that eliminating the EITC for poor workers without children, as the Senate has done, is unacceptable. Rep. Charles Rangel also opposes dropping the credit for poor workers without children.

Food stamps

The Administration's food stamp provisions are very important. From the standpoint of poor children, I would argue that retaining a healthy chunk of these proposals is perhaps the highest priority in conference.

It is well understood that low-income offsets are needed to prevent the energy tax from pushing poor households deeper into poverty. Less widely understood is the fact that the EITC only performs part of the job. The current EITC (which does not include workers without children) covers *fewer than one-fourth* of all households below the poverty line. Other offsets are needed to reach poor families without earnings and poor elderly and disabled people.

The Administration has recognized this; its budget included proposed increases in low-income energy assistance and food stamps as part of the offset package. But the energy assistance increase appears moribund, a victim of the reductions made in the budget resolution in the total amounts that can be spent for discretionary programs. The Administration has not included energy assistance on the list of investment priorities it has given to the Appropriations Committees.

That leaves food stamps as the only potential offset for the energy tax borne by households without earnings. Food stamps also are needed as an offset for some

work pay; their inclusion in the food stamp legislation is another reason the legislation is needed.

Still another problem that the food stamp provision would address involves the interaction between food stamps and the EITC. Under current food stamp law, a family's EITC payment is counted against the food stamp assets limit starting 30 to 60 days after the EITC payment is received. If the Clinton EITC proposal passes, the EITC benefits received by many working poor families will exceed the food stamp assets limit, which is just \$2,000. As a result, *families that don't spend their EITC very rapidly will lose all of their food stamps*. Yet without food stamps, they will remain several thousand dollars below the poverty line, and the President's goal of "making work pay" will not be met. Moreover, perverse incentives will be created for families to spend their EITC benefits fast. The Administration's food stamp legislation remedies this problem, too.

- Third, the Administration's food stamp bill strengthens child support enforcement (and thus helps pave the way for an important component of welfare reform). The current food stamp benefit structure contains disincentives for custodial parents on AFDC to help track down absent parents and collect child support from them. It also contains disincentives for absent parents to pay child support. The Administration's food stamp legislation fixes both of these problems.

The food stamp proposals also should be a high priority for another reason. If not included in the reconciliation bill, they will be dead for at least the next four years. There will be no way to finance them under the pay-as-you-go rules; the financing mechanisms are in the Ways and Means Committee and the Finance Committee, and those committees will not reduce their own programs or raise revenues to finance expansions in an Agriculture Committee program. Initiatives under the jurisdiction of the Ways and Means Committee and the Finance Committee may have other opportunities for passage; the food stamp initiative will not.

Sorting out priorities on the spending side

Given the limited funding that will be available on the spending side, tough choices must be made. The strong recommendation here is to concentrate more on EITC and food stamps — issues of critical importance both to poor children and to the Black and Hispanic Caucuses — and less on Medicare. The cuts in Medicare were reduced on the Senate floor to a more reasonable level that would not appear to jeopardize health care reform or injure Medicare beneficiaries. The Senate's additional Medicare savings provisions are targeted entirely on providers.

These savings could be achieved by phasing in some provisions and dropping others. Provisions that should be retained include those that assist poor families with very high housing costs, the provisions needed to achieve the President's goal of rewarding work and "making work pay," the provision that provides a broad offset to the energy tax, and provisions that promote child support enforcement and collections.

3. *Family preservation:* The family preservation and child welfare provisions of the House bill, which cost \$1.5 billion, have already been pared back from earlier family preservation bills. They should be retained to the fullest extent possible.
4. *Immunization:* A compromise may be possible that places the cost somewhere between the House and Senate versions, although closer to the House level. HHS staff tell me a solid package can be developed for about or modestly less than \$1 billion.

One possible area for savings may involve a recovery of state Medicaid windfalls that would result from the new immunization initiative. If feasible, recovering these windfalls so that more funds are available for initiatives such as family preservation, EITC, and food stamps seems wiser than allowing the windfalls to remain at the state level.

5. *Unemployment insurance:* This is a very important issue for the White House to consider. The current emergency unemployment compensation program ends September 30. The national unemployment rate remains close to seven percent. In 18 states, including some of the most populous, it exceeds seven percent. In California, it was 8.7 percent in May.

Many states with high unemployment rates will qualify after September 30 to pay extended unemployment benefits to the long-term unemployed. For these benefits to be paid, however, states have to put up 50 percent matching funds. *Hardly any states have enacted legislation to provide the matching funds under the revised extended benefits program enacted last year.* Furthermore, the very states where the benefits are needed most, such as California, are the states that can least afford to pay these matching amounts at the present time. It is expected that many states which will qualify for extended benefits will not provide the matching funds.

As a result, the availability of unemployment benefits is likely to diminish sharply in a number of hard-hit states. In addition to causing

As noted, the empowerment zone proposal is a tax reduction, not a spending increase. Some increased revenues achieved in conference, relative to the Senate bill, could be used to restore empowerment zones in part or in full without diminishing the level of spending reductions in the package.

Entitlement Control Mechanisms

A final, but critically important, issue concerns the entitlement control mechanism. The provision proposed on the Senate floor by Senator Sasser, with the support of the Senate Democratic leadership, is very similar to the provision approved by the House. The Sasser provision does, however, contain two very important improvements. It adjusts the entitlement targets if inflation proves higher or lower than forecast. It also provides a one percent margin of error — that is, it triggers action if the entitlement target is exceeded by at least one percent. The House version triggers action if the target is exceeded by one-half of one percent.

The Sasser proposal was supported on the Senate floor by every Senate Democrat present except Richard Shelby. (Patty Murray was sick and did not vote.) This provision is not in the Senate bill because 60 votes were required for its inclusion; it received 54 votes. The Senate proposal is expected to be "on the table" in conference.

It should be. The differences on inflation adjustments and the margin of error may sound technical, but they have profound implications for the White House. They could even affect the President's reelection prospects.

Under the House version, it is very likely that the entitlement target will be breached, perhaps several times over the next three years. When this occurs, Republicans can be expected to seize on the breach of the entitlement targets as evidence the Administration is mismanaging government spending. Furthermore, when the target is breached, the President may find himself in the difficult situation of either having to propose new cuts in popular entitlements, possibly in an election year, or trying to explain why he isn't taking action to offset a breach and thereby inviting sharp attack from both Ross Perot and the Republicans.

Why is a breach of the targets so likely under the House version? Because the House provision locks in the CBO economic assumptions reflected in the budget resolution, including the assumption that inflation will be *only 2.7 percent per year* for each of the next four years. This is one of the lowest, if not the lowest, multi-year inflation forecasts CBO has ever issued. CBO itself apparently no longer believes this forecast; it plans to raise the inflation forecast when it revises its economic forecast this summer. (See attached article from *Congress Daily*.)

probably not wish to cut Social Security. But if he proposes to cut other entitlement benefits to make up for the amount that Social Security has contributed to the breach, constituencies of the other programs will howl. If the President proposes not to take action to offset the breach, the Republicans and Ross Perot will pounce.

The President doesn't need this. It is especially unjustifiable since higher-than-expected inflation has little impact on the deficit.

A related issue is whether the requirement to act should be triggered if the entitlement target is breached by one percent (as in the Senate leadership proposal) or by one-half percent (as in the House bill). The one-half percent margin of error is too small. It amounts to about \$4 billion. The margin of error in the original Gramm-Rudman-Hollings bill was \$10 billion, and the Budget Enforcement Act of 1990 raised this to \$15 billion.

The President is likely to be placed in a politically difficult situation any time that action is required because of a breach of the target. He may have to propose cuts he does not favor. Or, he may be forced to accept a slowdown, just before the election, in the phase-in of universal access to health care. A one percent margin of error lessens the chances such events will occur.

A one percent margin of error is highly defensible; with it, an overage of as little as one percent triggers action. An overage that equals just a fraction of one percent can be portrayed as *de minimis*.

Both the inflation adjustment and the one percent margin of error were considered during the House negotiations on this issue conducted just prior to consideration of the reconciliation bill on the House floor. These proposals were opposed by Rep. Stenholm. Rep. Stenholm's principal objection to the House package, however, was that the overall package had a substantial energy tax and, in his view, insufficient spending cuts. If the final package has a smaller energy tax and more entitlement cuts than the House version, as it inevitably will, it ought to be possible to secure these modest and crucial modifications in the entitlement cap proposal. These modifications also will help with the Black Caucus and with liberals such as Henry Waxman, who may be unhappy over the additional Medicare reductions.

July 1, 1993

José E. Serrano (D-NY)
Chairman

Lucille Koshah-Allard (D-CA)
Vice Chair

Ed Pastor (D-AZ)
Secretary-Treasurer



Congress of the United States
Congressional Hispanic Caucus
103rd Congress

June 24, 1993

The Honorable William Jefferson Clinton
President of the United States
The White House
Washington, D.C. 20500

E (Kikel) de la Garza (D-TX)
Ron de Lugo (D-VT)
Solomon P. Ortiz (D-TX)
Bill Richardson (D-NM)
Eschbari E. Torres (D-CA)
Ileana Ros-Lehtinen (R-FL)
Nancy Bezerra (D-CA)
Henry Bonilla (R-TX)
Lincoln Diaz-Balart (R-FL)
Luis Guterres (D-IL)
Robert Menendez (D-NJ)
Carlos Romero-Barceló (D-PR)
Frank Tejeda (D-TX)
Nydia Velázquez (D-NY)
Robert Underwood (D-GA)

Richard V. López
Executive Director

Dear Mr. President:

We, the undersigned Members of the Congressional Hispanic Caucus, voted for the House Reconciliation bill based on the principles reflected in the bill: that it reduced the deficit substantially, that the deficit reductions were equitable, and that it included important initiatives for America's low- and moderate-income families and communities. We are concerned that the Senate bill moves away from these principles and excludes critical components of the House-passed bill.

In our view, the final conference agreement on the Reconciliation bill must include the following provisions:

- **Equitable distribution of the burden of Medicare cuts.** The Senate bill achieves an additional \$19 billion in Medicare cuts over the 2-year freeze passed by the House. Unlike the House cuts, The Senate cuts are unevenly borne by Hispanic and other low-income communities. While the Senate cuts would reduce Medicare expenditures by an additional 20.2 percent nationwide over the House cuts, Medicare expenditures in poor, Hispanic communities represented by Members of the Congressional Hispanic Caucus would be additionally cut by 44.1 percent. Medicare cuts should not be borne by the most disadvantaged populations.
- **Earned Income Tax Credit Increase (EITC).** The House bill adopts your proposal to expand the EITC by \$28 billion to help offset the energy tax and to ensure that full-time, year-round working families of four are no longer poor. The Senate bill reduces your proposal by \$10 billion by providing a smaller increase for families with children and by eliminating the expansion of the credit to poor workers without children. As a result, the Senate bill pushes these poor workers further into poverty, and even reduces somewhat current benefit levels for some families with children. This is a dramatic and unacceptable departure from your original EITC proposal adopted with our strong support in the House.

The Honorable William Jefferson Clinton
June 24, 1993
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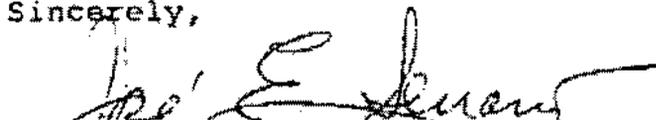
- Mickey Leland Childhood Hunger Act. This measure, which has passed the full House in the past, provides additional food assistance to very low-income households including families with children and elderly individuals. The bill helps promote self-sufficiency and work, and also helps offset the regressive effects of the final energy tax. The most significant provision targets assistance to families with children that are forced to choose currently between paying the rent and feeding their families.
- Empowerment Zones. These tax incentives will ensure that impoverished communities will receive badly needed assistance to create jobs and improve the local economy. Given the disappearance of most of the stimulus package and the entitlement cuts likely to be enacted as part of the Reconciliation bill, these incentives are critical if these communities are to receive any assistance in this package.

The final conference agreement should include the House-passed EITC increase, the Mickey Leland and empowerment zones provisions, and assure that cuts made to Medicare be equitable.

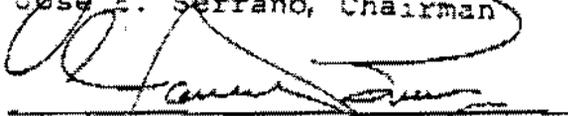
Further, we would note our strong opposition to any entitlement cap or control mechanism that goes beyond the agreement reached in the House. In fact, we believe that a few important issues should be revisited during the conference's consideration of this issue to ensure the best and most reasonable mechanism is adopted.

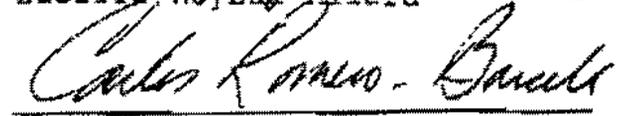
Our support for the House bill was partly shaped by the inclusion of the aforementioned provisions. The Caucus will carefully scrutinize the aforementioned programs prior to a vote in the House.

Sincerely,


Jose E. Serrano, Chairman


Lucille Roybal-Allard


Xavier Becerra

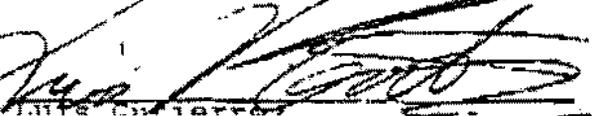

Carlos Romero-Barcelo

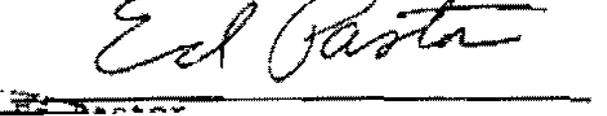

Nydia Velazquez


Frank Tejeda


Ron de Lugo


Bill Richardson

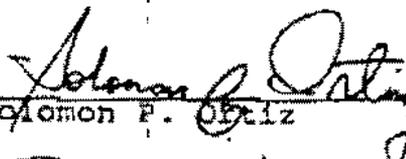

Luis Llorca


Ed Pastor

The Honorable William Jefferson Clinton

June 24, 1993

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Solomon P. Ortiz


Robert A. Underwood


Robert Menendez


Esteban E. Torres

Congress of the United States
House of Representatives
Washington, DC 20515

June 22, 1993

The Honorable Dan Rostenkowski
Chairman
Committee on Ways and Means
House of Representatives
Washington, D.C. 20515

The Honorable Martin Sabo
Chairman
Committee on the Budget
House of Representatives
Washington, D.C. 20515

Dear Chairmen:

As new Members of Congress, many of us faced difficult choices in voting for Reconciliation package. In the end, we supported the package because it reduced the deficit substantially and in a progressive manner and included some critical provisions proposed by President Clinton for disadvantaged children and their families.

The Reconciliation package is important for its contribution in reducing three deficits: a budget deficit, an investment deficit, and a social deficit. To reduce the two latter deficits and make needed investments for the future, it is imperative that the final reconciliation bill address the serious problems affecting poor children and their families. The two major provisions proposed in this area by President Clinton -- the increase in the Earned Income Tax Credit, and the Mickey Leland childhood Hunger Initiative to enhance food assistance for poor children and their families -- are both in the House bill. We appreciate your leadership in including both of these in the bill.

The EITC expansion is essential to reward work and pave the way for welfare reform. It reaches a key goal set forth by President Clinton -- if parents work full-time year-round, their children should not grow up in poverty.

The Mickey Leland initiative, developed over recent years on a bi-partisan basis, would reduce hunger and combat homelessness among poor children and their families. It also would strengthen the incentives for collection of child support payments and boost incentives to work.

These two provisions are essential for another reason: both the EITC and the Leland initiatives are necessary to ensure that the energy tax, whatever its final size, does not tax poor households deeper into poverty.

The Senate bill treats two provisions in troubling ways. It does not contain the funds included in the budget resolution for the

Leland initiative. Further, it reduces the proposed EITC expansion by \$10 billion through the elimination of the expansion of proposed credit to poor childless workers and by cutting back on the proposed increase for families with children.

Under the Senate bill, families of four with a full-time minimum wage worker would not be lifted to the poverty line. And more than three million families with children would receive lower EITC benefits than under current law, even as their taxes are rising due to the transportation fuels tax.

Moreover, by eliminating the childless worker component of the EITC and the Leland initiative, the Senate bill would tax the large majority of poor Americans further into poverty, an unacceptable outcome.

We strongly believe that the final Reconciliation bill should retain the full increase in the Earned Income Tax Credit and the Mickey Leland initiative as proposed in the President's budget.

We appreciate your consideration of our views on these important matters.

Sincerely,

Ann M. Clayton
Earl F. Hilliard
Tom Wilton
John L. West
James P. Clyburn
Frank Rosten
Lucille Roybal Allard
Lynn Woolsey
Stewart Brown

Ripley Velazquez
Mike Waller
Jerrold Zeller
Alfred H. Hartsog
Bob Filner
Leslie Byrne
Ed Pastor
Caroline Jones
MA G. Shoo

~~Mark W. ...~~

Cyril McKinney

Frank ...

John ...

Karen Shepherd

~~...~~

T. M. ...

Carin P. Meek

Albert B. ...

Neil Reynolds

Eric Fingerhut
Vern ...

Walter ...

Eddie ...

T. M. ...

FOOD STAMPS AND THE RECONCILIATION CONFERENCE

It is well understood that low-income offsets are needed to prevent the energy tax from pushing poor households deeper into poverty. But the EITC only performs part of the job. The current EITC (which does not include workers without children) covers *fewer than one-fourth* of all households below the poverty line. Other offsets are needed to reach poor families without earnings and poor elderly and disabled people.

The Administration has recognized this; its budget includes increases in low-income energy assistance and food stamps as part of the offset package. But the energy assistance increase appears moribund, a victim of the reductions made in the budget resolution in the total amounts that can be spent for discretionary programs.

That leaves food stamps as the only potential offset for the energy tax borne by households without earnings. Food stamps also are needed as an offset for those EITC families, of whom there are more than three million, who either will get no EITC increase under the Clinton plan or will get a small EITC decrease.

Serving as an offset to the energy tax is not, however, the only or even the primary reason the food stamp provisions are important. These provisions, which are known as the Mickey Leland Child Hunger Prevention Act, are needed to reduce hunger among poor children and to help bring working families out of poverty.

- The food stamp provisions are highly targeted on very poor children and their families and are carefully crafted to avert homelessness among these families — or at a minimum, to prevent these families from having to choose between eating adequately throughout the month and paying their rent and utilities bills. In this vein, the legislation is designed to eliminate a glaring inequity in the food stamp program under which those families with children whose housing costs consume more than half of their incomes are treated more harshly than elderly households who pay over half of their incomes for housing. A provision in the Administration's food stamp legislation would address this problem. It would treat families with children that bear very high housing cost burdens the same as elderly households in this situation are treated, thereby boosting the food stamp assistance provided to families with children that have these very high housing cost burdens. This provision is the centerpiece of the bill. It has been hailed — and included in legislation introduced in recent years — by Pete Domenici and a number of other leading Members of both parties.
- The food stamp provisions also are necessary if the President's "making work pay" goal — that families with a parent working full-time should be raised to the poverty line — is to be met. Under the

Administration's formula for getting these families to the poverty line, the proposed food stamp increase was presumed to cancel out the energy tax, while the EITC increase lifted the family to the poverty line. If there is no food stamp increase, however, part of the EITC increase must be used to offset the energy tax hike. This will leave these families short of the poverty line.

Equally serious, under current food stamp law, a family's EITC payment is counted against the food stamp assets limit starting 30 to 60 days after the EITC payment is received. This is a serious problem. If the Clinton EITC proposal passes, EITC benefits will exceed the food stamp assets limit, which is just \$2,000. Families that don't spend their EITC very rapidly will lose all of their food stamps. Yet without food stamps, they will remain several thousand dollars below the poverty line, and the goal of "making work pay" will not be met. In addition, perverse incentives will be created for families to spend their EITC benefits fast. The Administration's food stamp legislation remedies this problem; this is another reason it is needed.

Also, the Administration's plan to raise families with a full-time worker to the poverty line assumes these families get food stamps. A combination of full-time minimum wage earnings, the EITC, and food stamps are supposed to raise these families to the poverty line. In fact, only one-third of the working poor do get stamps. The Administration's food stamp proposal contains provisions to enable more of the working poor to receive food stamps. This, too, furthers the President's goal of making work pay.

- Third, the Administration's food stamp bill is important to improving child support enforcement (and thus helping to pave the way for an important component of welfare reform). The current food stamp benefit structure contains disincentives for custodial parents on AFDC to help track down absent parents and collect child support from them. It also contains disincentives for absent parents to pay child support. The Administration's food stamp legislation fixes both of these problems.



CENTER ON BUDGET AND POLICY PRIORITIES

THE EARNED INCOME TAX CREDIT AND BLACK WORKERS

I. Families With Children

- ◆ Approximately 40 percent of all black families with children would be eligible for the earned income credit under the Clinton proposal and the House bill.
- ◆ More than half of all black *working* families with children — about 53 percent — would be eligible for the earned income credit under the proposal.
- ◆ On average, EITC eligible black families with children earn about \$11,540, work about 41 weeks per year, and are employed 37 hours during these weeks.

Families With Two or More Children

- ◆ Approximately 60 percent of the black families eligible for the earned income credit under the proposal are families with two or more children. These families would see the largest increase in their EITC benefits.
- ◆ Under current law, those black families with two or more children who are eligible for the EITC receive an average credit of about \$1,115. These families would see their EITC benefits increase to an average of \$1,945 under the Clinton proposal; they would receive an average benefit increase of more than \$800 per family.
- ◆ Under the EITC provisions passed by the Senate, the average benefit for eligible black families with two or more children would be \$80 lower than under the Clinton proposal.
- ◆ The Clinton proposal extends the EITC to an additional 135,000 black families, nearly all of whom have two or more children. The Senate proposal extends the EITC to a smaller number of black families.

Families With One Child

- ◆ Approximately 48 percent of eligible black families with one child would receive a *lower benefit under the Senate version of the EITC proposal than under current law.* (The average benefit for black families would still be higher than under current law.)

- ◆ The average credit for black families with one child would be about \$1,210 under the Clinton proposal, \$1,190 under the Senate bill, and \$1,050 under current law.

II. Childless Workers

Under the Clinton proposal, an earned income credit is extended to childless workers who earn less than \$9,000. The maximum credit is \$306. *This proposal is deleted in the Senate version of the Reconciliation bill, but included in the House version.*

- ◆ Approximately 22 percent of all non-elderly black childless workers — almost 1.4 million people — would be eligible for the credit under the proposal.
- ◆ The average credit for these workers would be about \$175.



CENTER ON BUDGET AND POLICY PRIORITIES

THE EARNED INCOME TAX CREDIT AND HISPANIC WORKERS

I. Families With Children

- ◆ Approximately 45 percent of all Hispanic families with children would be eligible of the earned income credit under the Clinton proposal.
- ◆ Almost 60 percent of all Hispanic *working* families would be eligible for the earned income credit under the proposal.
- ◆ On average, EITC eligible Hispanic families earn \$13,175, work about 44 weeks per year, and are employed about 40 hours during these weeks.

Families With Two or More Children

- ◆ Approximately 67 percent of Hispanic families eligible for the credit under the Clinton proposal have two or more children. These families would see the largest increase in their credit under the Clinton proposal.
- ◆ Under current law, those Hispanic families with two or more children who are eligible for the EITC receive an average credit of about \$1,250. These families would see their EITC benefits increase to an average of \$2,200 under the Clinton proposal; they would receive an average benefit increase of about \$950 per family.
- ◆ Under the EITC provisions passed by the Senate, the average benefit for eligible Hispanic families with two or more children would be about \$94 lower than under the Clinton proposal.
- ◆ The Clinton proposal extends the EITC to an additional 155,000 Hispanic families, nearly all of whom have two or more children. The Senate proposal extends the EITC to a smaller number of Hispanic families.

Families with One Child

- ◆ Approximately 49 percent of eligible Hispanic families with one child would receive a *lower benefit under the Senate version of the EITC proposal than under current law.* (The average benefit for these families would still be higher than under current law.)

- ◆ The average credit for Hispanic families with one child would be about \$1,340 under the Clinton proposal, \$1,320 under the Senate bill, and \$1,190 under current law.

II. Childless Workers

Under the Clinton proposal, an earned income credit is extended to childless workers who earn less than \$9,000. The maximum credit is \$306. *This proposal is deleted in the Senate version of the Reconciliation bill, but included in the House version.*

- ◆ Approximately 20 percent of all Hispanic childless workers — about 780,000 people — would be eligible for the credit under the proposal.
- ◆ The average credit for these workers would be about \$175.



CENTER ON BUDGET AND POLICY PRIORITIES

June 29, 1993

THE SENATE FINANCE COMMITTEE'S ACTIONS IN REMOVING \$10 BILLION FROM THE CLINTON EITC EXPANSION

In action on the budget reconciliation bill last week, the Senate Finance Committee scaled back the Earned Income Tax Credit expansion proposed by the Clinton Administration by \$10.1 billion over five years, shrinking it from \$28.3 billion to \$18.2 billion. The full Senate is expected to approve the Finance Committee EITC provisions without change. The House approved the original Clinton EITC provisions as part of its reconciliation bill last month.

The Finance Committee dropped entirely the Clinton proposal to provide a modest EITC to poor workers without children, cutting about \$5 billion. The Committee also reduced the proposed expansion for families with children by about \$5 billion. All families with children that qualify for the EITC, including those at very low income levels, would receive a smaller EITC benefit under the Finance Committee package than under the Clinton proposal. More than three million families would receive a modestly smaller EITC benefit than under current law.

As part of the actions it took on the reconciliation package, the Finance Committee replaced the Administration's energy tax with a substantially smaller transportation fuels tax. Serving as an offset to the energy tax was not, however, the sole purpose of the President's EITC proposal. Equally if not more important was fulfilling the pledge that if a parent in a family of four worked full-time year-round, the family should not have to live in poverty. Due to the reductions the Finance Committee made in the EITC proposal, this goal would not be met.

Moreover, millions of poor households would receive no offset to the transportation tax. The administration's proposal to offset the effects of the energy tax on low-income households included three components — the EITC changes, an increase in food stamp benefits, and an enlargement of the low-income energy assistance program. Not only did the Senate Finance Committee scale back the EITC improvements, but the Senate reconciliation bill includes none of the proposed \$7.5 billion food stamp increase. In addition, the proposed energy assistance increase is moribund, a victim of the need to squeeze non-entitlement spending within the tight budget ceilings established by the 1990 budget agreement. The combined effect of these developments is that millions of low-income workers would receive no EITC increase — and would have no offset to prevent the increased levy on gasoline and other fuels from taxing them deeper into poverty. The large numbers of poor who have no earnings and are not eligible for the EITC, including the elderly and disabled

poor and the low-income unemployed, also would receive no offset and would slip farther into poverty.

The EITC proposal adopted by the Finance Committee thus has three major shortcomings:

- It fails to offset the transportation tax for millions of working poor households. This is due in large part to the Committee's rejection of the proposed EITC for poor workers without children.
- It makes several million working families with children worse off than they would be under current law, cutting their EITC by up to \$77 in tax year 1994 — and up to \$55 in subsequent years — while simultaneously subjecting them to the transportation tax.
- It fails to achieve the President's goal of lifting a family of four with a full-time year-round minimum wage worker to the poverty line, even if the family receives food stamps and the minimum wage is indexed to inflation, as President Clinton proposed during the campaign.

The Finance Committee and Workers Without Children

The Clinton Administration proposed that a very modest EITC be established for childless workers with incomes of less than \$9,000 per year. The credit would equal 7.65 percent of their first \$4,000 in earnings, providing a maximum credit of \$306. The credit would phase down once income passed \$5,000 and phase out entirely when income reached \$9,000. The average benefit would be about \$175.

This proposal has substantial merit, and not only because it would offset the effects of the energy tax on these households. The poorest fifth of households without children is the single group in the U.S. population whose federal tax burdens have increased most since 1980. A Congressional Budget Office analysis shows that their overall federal tax burden has risen 38 percent during this period (that is, the proportion of income consumed by federal taxes rose by 38 percent among these households). This is much larger than the increase in tax burdens borne by any other group of households in any income category. (See Table 1.)

This sharp tax increase occurred in large part because of a series of increases in Social Security, gasoline, alcohol, and tobacco taxes. For low-income families with children, these regressive tax increases were generally offset through EITC expansions. For poor workers without children, no offsetting actions were taken. The resulting tax increases these workers bore were substantially larger than the

Table 1

Changes in Federal Tax Burdens, 1980-1993	
<u>Household Category</u>	<u>Change in the Percentage of Income Consumed by Federal Taxes</u>
Non-elderly households without children	
poorest fifth	+38%
middle fifth	5
top fifth	-3
Families with children	
poorest fifth	-19%
middle fifth	1
top fifth	1
Aged	
poorest fifth	-22%
middle fifth	-14
top fifth	-11
All households	
poorest fifth	4%
middle fifth	-2
top fifth	-3

Source: Congressional Budget Office data published in House Committee on Ways and Means, 1992 *Green Book*, pp. 1526-7.

modest income tax reductions they received as a consequence of the 1986 Tax Reform Act.

Moreover, although the 1986 Tax Reform Act sought to establish a principle that those who work but are poor should not be subject to federal income tax and thereby taxed deeper into poverty, the Act failed to achieve this goal for single workers. They are the one group of workers who continue to pay income tax despite their poverty. They begin owing income tax when their earnings reach \$6,050, nearly \$1,500 below the poverty line for single individuals.

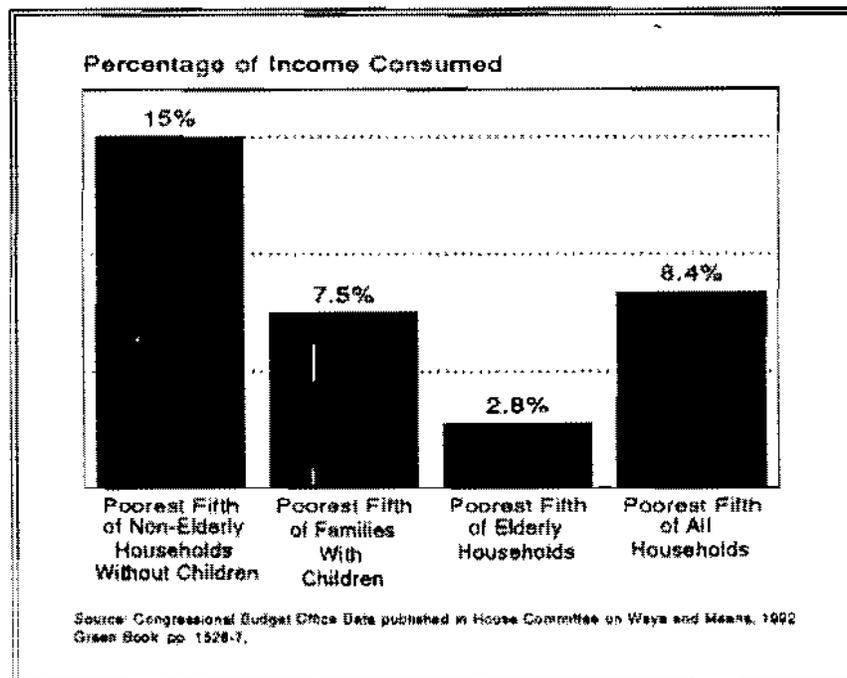
The new EITC for childless workers proposed by the Clinton Administration would remedy this problem, bringing the point at which single workers begin to owe income tax about to the poverty line. The Finance Committee's decision to eliminate

this new credit puts that goal out of reach. Thus, under the Finance Committee package, a regressive tax would once again be levied with no offset provided to poor workers without children. Once more, these workers would be taxed deeper into poverty. As Figure 1 shows, these workers already bear unusually high tax burdens, much higher than those born by other low-income groups.

Some have sought to dismiss the importance of the EITC for childless workers, arguing that most of those who would benefit are individuals in their twenties, including a substantial number of graduate students. These assertions have been made with no supporting data. Extensive data on the characteristics of the childless workers who would be eligible for the Clinton EITC have recently become available. The data show these assertions to be groundless.

- Census data show that no more than two percent of the childless workers who would be eligible for the credit are students mixing work with graduate studies.
- More than half of the childless workers who would qualify have no more than a high school education.
- Finally, a new Congressional Research Service study shows that three-fifths of these childless workers are age 30 or over.

Figure 1
Percentage of Income Consumed by Federal Taxes
for Different Low-Income Groups, 1993



The Census data also indicate that these workers are employed an average of 33 weeks during the year and work more than 32 hours a week on average during these weeks. They work nearly 1,100 hours per year on average but earn wages that average only \$5.67 an hour. They are not typically individuals who work for only a few hours per week or a few weeks per year.

Families With Children

The Finance Committee also scaled back the Clinton Administration proposal to expand the EITC for families with children. The Committee did so in three ways:

- The Finance Committee shaved the size of the EITC increase. When phased in fully, the maximum EITC benefit for families with two or more children would be \$56 smaller than under the Clinton plan. The maximum benefit for families with one child would be \$22 smaller.¹
- The Finance Committee package also would phase down the EITC more quickly for families that have two or more children and incomes of more than \$11,000.² When combined with the reduction in the size of the maximum benefit, the overall effect would be to set EITC benefits for families that have two or more children and incomes in the \$11,000 to \$27,000 range from \$56 to \$200 lower than under the Clinton plan. In addition, the EITC income limit for families with two or more children would be set at \$27,000, rather than at \$28,000 as under the Clinton plan.³
- Finally, the Committee phased in the EITC increase more slowly than the Administration had proposed, particularly for families with two or more children. Under the Clinton proposal, the increase would take full effect in tax year 1995. Under the Finance Committee plan, the increase for families with two or more children would take full effect in tax year 1996, meaning that most families would not see the full EITC increase until the spring of 1997 when they filed their 1996 tax returns.

¹This would be the result of: setting the credit for families with two or more children at 39.0 percent of the first \$8,500 in earnings rather than at 39.66 percent as proposed by the Clinton Administration; and setting the credit for families with one child at 34.0 percent of the first \$6,000 in earnings rather than at 34.4 percent as proposed by the Administration.

²Under the Clinton plan, the benefits these families receive would drop \$19.83 for each additional \$100 of income. Under the Finance Committee package, their benefits would fall \$20.72 for each additional \$100 in income.

³All dollar figures in this paper are expressed in 1994 dollars. Under current law, the EITC income limit is \$23,760.

There would still be significant EITC increases under the Finance Committee plan. The maximum EITC benefit would rise from \$1,836 to \$2,040 for families with one child and from \$1,998 to \$3,315 for families with two or more children. But a substantial number of families with one child would have their EITC benefits reduced rather than increased. And families of four with a full-time worker would be left short of the poverty line.

Families Made Worse Off

More than three million working families with one child would be made worse off. In tax year 1994, all families with one child and incomes between \$12,110 and \$23,760 would get a smaller EITC than they would receive under current law. A family with \$12,600 of income would receive a \$77 smaller EITC. A family at \$20,000 would get a \$56 smaller EITC. In tax years after 1994, families in the \$12,000 to \$23,760 income range would lose \$55 compared to current law. These families also would face a tax increase due to the transportation fuels tax.

The Finance Committee proposal — like the Clinton plan — would wisely terminate two supplemental EITC credits now in the law that unnecessarily complicate the EITC. These are an extra credit for families with a child under one and an additional credit for families that pay part or all of the cost of health insurance premiums that cover a child. But this means that families with one child that now receive either of these credits — and have income in the \$12,000 to \$23,760 range — would have their EITC reduced by significantly more than \$55 when compared to current law, while also having to pay the fuels tax.⁴

Falling Short of the Poverty Line

Finally, the changes made in the Senate reconciliation bill will leave families of four with a full-time minimum wage worker short of the poverty line, thereby failing to meet one of the President's key goals. The Clinton proposal was designed to bring families of four with a full-time worker to the poverty line if the family also received food stamps. This plan was based on calculations showing that net minimum wage

⁴Families in this income range would have suffered an EITC benefit loss under the Clinton plan as well, but the loss would have been smaller. Moreover, the proposed food stamp and low-income energy assistance increases in the Clinton budget would have enabled some of these families to offset both their EITC loss and their energy tax increase. As noted, the Senate reconciliation bill does not include the Administration's proposed increase in food stamp benefits, and the increase requested for low income energy assistance appears to be virtually dead.

earnings for 40 hours of work for 52 weeks,⁵ plus the EITC benefits proposed by the Administration and current food stamp benefit levels, would lift a family of four just about exactly to the poverty line. The plan also assumed that the Administration's proposed increase in food stamp benefits would about equal the energy taxes these families would pay, thereby preventing those taxes from pushing these families back into poverty.

Under the Senate reconciliation bill, the EITC benefits for such families are scaled back by \$56 compared to the Clinton plan. And while the transportation fuels tax is substantially smaller than the Clinton energy tax, the offsetting food stamp increase has disappeared entirely. As a result, these families would be left about \$150 to \$200 short of the poverty line if they received food stamps (and if legislation to index the minimum wage is approved). For those not receiving food stamps, the shortfall would be much greater. It would also be greater if legislation to index the minimum wage ultimately is not enacted.

Conclusion

The Senate reconciliation bill achieves major progress in reducing the deficit and does so in a progressive manner. The overwhelming bulk of its revenue increases would come from those at high income levels. In addition, the bill still includes a sizable EITC expansion.

But the low-income portions of the bill have significant weaknesses, especially when compared to the House bill and the Clinton budget. By deleting the EITC expansion for poor workers without children, the bill nudges these workers deeper into poverty. By scaling back the EITC expansion for families with children and failing to include the Administration's food stamp proposals, the bill makes millions of working families with one child worse off than under current law. It also fails to bring families of four with a full-time minimum wage worker to the poverty line. Major improvements are needed in the conference committee.

⁵Net minimum wage earnings equal earnings after payroll taxes are deducted. The Clinton plan assumes the minimum wage is indexed.

MAINTAIN THE PRESIDENT'S FAMILY PRESERVATION AND SUPPORT PROVISIONS PASSED BY THE HOUSE IN THE OMNIBUS BUDGET RECONCILIATION BILL

HOUSE: The President's Family Preservation and Support Provisions (\$1.5 billion over five years) are in the House-passed Budget Reconciliation Bill.

SENATE: No Family Preservation and Support Provisions are in the Senate Budget Reconciliation Bill due to procedural problems, although the Rockefeller-Bond Family Preservation and Child Protection Reform Bill (S. 596) is pending in the Senate.

WHAT THE FAMILY PRESERVATION AND SUPPORT PROVISIONS DO:

1. Prevent child abuse and neglect by providing funds for family support programs, like Arkansas' HIPPIE program, Parents as Teachers, and Family Focus, all of which teach parents early how to protect, nurture and support their children;
2. Help states develop and expand programs for families in crisis which keep children safe and families together and prevent the unnecessary use of costly out-of-home care;
3. Improve the quality of foster care and adoption assistance for children who cannot be protected at home; and
4. Enhance accountability for the provision of effective services for vulnerable children and families.

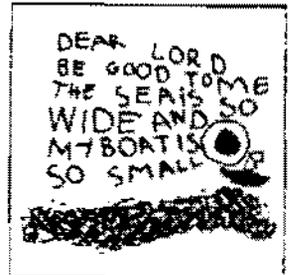
WHY THE FAMILY PRESERVATION AND SUPPORT PROVISIONS MUST BE ENACTED:

1. The crisis facing families and child protection agencies continues to escalate. Just last year, 2.9 million children, an average of about 8,000 a day, were reported abused and neglected, almost a tripling since 1980. More than three children a day died of maltreatment. Child protection agencies and courts are both overloaded.
2. These are the most significant federal reforms for abused and neglected children in over a decade. Congress passed more generous reforms last year, which were vetoed as part of the Urban Aid/Tax bill by President Bush.

FUNDING FOR FAMILY PRESERVATION AND SUPPORT CANNOT BE FURTHER REDUCED

- o The \$1.5 billion Family Preservation and Support package in the House Budget Reconciliation Bill already is less than one-quarter of the size of the package originally introduced in 1990 by Representative Downey, less than one-half of that passed last August by the House of Representatives as part of the Downey-Panetta Children's Initiative, and \$.7 billion less than the final Bentsen-Downey provisions passed last October as part of the Urban Aid/Tax bill and re-introduced this year by Senators Rockefeller and Bond.

June 28, 1993



Children's Defense Fund

**TEN REASONS TO MAINTAIN
THE FAMILY PRESERVATION AND SUPPORT PROVISIONS
IN THE OMNIBUS BUDGET RECONCILIATION BILL**

1. They represent the most significant federal reforms for abused and neglected children in over a decade. These reforms address the escalating crises facing families and child protection agencies across the country. They offer opportunities for early support to families to prevent abuse and neglect, as well as more intensive services for families in crisis; improvements in the quality of foster care and adoption assistance for children who cannot be protected at home; and enhancements in service delivery. They reflect a consensus about the directions that such reforms must take.

2. Without help this year, the needs of abused and neglected children will continue to grow, seriously jeopardizing their future health and safety, and cost significantly more in the future. Just this last year alone, 2.9 million children -- an average of about 8,000 a day -- were reported abused and neglected, a number that has almost tripled since 1980. More than three children a day died of maltreatment. Without help, more children will be harmed and the needs of others will intensify. Congress passed very similar reforms last year, but they were vetoed as part of the larger Urban Aid/Tax bill. The fiscal and human costs of continuing delay are enormous.

3. They keep children safe by preventing abuse and neglect. New funds are provided for family support programs, both family resource centers and home visiting programs, which get help to families early before problems develop and assist them to better protect, nurture and support their children. By increasing parents' knowledge of child development and the supports young children need, they enhance healthy development and school readiness and prevent child abuse and neglect.

4. Urgently needed crisis assistance is provided for abused and neglected children who can be protected at home. New funds can be used to protect children and strengthen and preserve families. Intensive home-based crisis intervention services help keep children safe and families together and can prevent the unnecessary use of costly out-of-home placements. States that have implemented intensive family preservation services on a statewide basis always put safety of the children first and reach about one-third of the children at risk of entering care.

5. Improvements are made in the quality of foster care and adoption assistance for children who cannot be protected at home. Increased funding is provided for respite care for foster and

June 30, 1993

DEAR LORD
BE GOOD TO ME
THE SEAS ARE
WIDE AND SO
MY BOAT IS
SO SMALL

**FAMILY PRESERVATION AND SUPPORT ACT
IN HOUSE OFFERS HELP TO ABUSED AND NEGLECTED
CHILDREN AND THEIR FAMILIES**

Children's Defense Fund.

Enhances services to protect children, strengthen and support families, and prevent the unnecessary placement of children in out-of-home care:

- ◆ \$1.4 billion over five years is provided to states and Indian tribal organizations for a range of family support, family preservation, aftercare, and respite care services to protect children and strengthen and preserve families. (This initiative must be reviewed at the end of FY 1998 before it is made permanent, although funding for the initiative would be included in the budget baseline even after FY 1998).
- ◆ Annual planning and goal setting is required regarding the statewide provision of family support and family preservation services, and a description of the services to be delivered must be provided to the Secretary and the public each year.
- ◆ The Department of Health and Human Services (HHS) is required to study, make recommendations, and report to Congress concerning implementation of the "reasonable efforts" requirements in the federal child welfare programs.

Improves the quality of out-of-home care and adoption assistance for children who cannot be protected at home:

- ◆ 75 percent federal matching funds are permanently authorized for the training of foster and adoptive parents, and the higher match rate is retroactive to October 1, 1992.

*The Family Preservation and Support Act, proposed by President Clinton, is included in the Omnibus Budget Reconciliation Act (Sections 13211-13234) approved by the House of Representatives on May 27. In the Senate, the Family Preservation and Child Protection Reform Act (S.596), which includes many similar reforms, has been introduced by Senators John D. Rockefeller (D-WV) and Christopher S. Bond (R-MO). The Senate did not include S.596 in its Budget Reconciliation Bill because of procedural problems, but it is hoped that the Conference Committee on the Budget will maintain the Family Preservation and Support Act in the final Omnibus Budget Reconciliation Bill.

-- Requires students who are recipients of child welfare traineeships to participate in training at a child welfare agency and to be employed by such agency to repay the stipend.

-- Funds are authorized for demonstration grants designed to train and support staff to deliver culturally sensitive and bilingual child welfare services in the border region.

◆ **Improves data collection**

-- Provides 90 percent federal matching funds to states for three years for the planning, design, development and/or installation of a federal mandated national foster care and adoption assistance data system and 50 percent matching funds for the operation of the system.

◆ **Enhances research and evaluation**

-- One percent of the new innovative services funds are reserved for the Secretary of HHS for evaluation, research, training, and technical assistance.

-- The Secretary of HHS must evaluate family support and family preservation programs and report to Congress on their effectiveness.

◆ **Increases and restores accountability**

-- Report language requires HHS to assess citizen involvement in periodic case reviews, dispositional hearings and other child welfare activities, and to recommend ways to expand such involvement.

-- Establishes new systems for federal review of state child welfare programs under Title IV-E and IV-B and while those are being developed, places a one year moratorium on the collection of disallowances for non-compliance with the Title IV-E program requirements and the Title IV-B/Section 427 requirements.

-- Requires states to describe measures taken to comply with the Indian Child Welfare Act.

-- Restores the ability of beneficiaries of the Social Security Act programs to sue to enforce the provisions of the Social Security Act state plan requirements, as they could prior to the Supreme Court decision in Suter v. Artist M.

◆ **Improves administration**

-- Establishes in legislation an existing regulatory timetable for action on state claims for foster care and adoption assistance payments under Title IV-E.

Robert Greenstein

Clinton's Plan: The Facts

There are ample grounds to debate the Clinton economic program, including elements designed to promote work among the poor and ease child poverty. But the debate cannot proceed if basic facts about the Clinton proposals are misunderstood and mischaracterized. Jodie Allen's recent Outlook article ["Rhodes to Ruin: Clinton's Too-Clever Plan," May 30] is a case in point.

The article attacks "the administration's plan to allow families with unusually high housing costs to qualify for food stamps even though their incomes exceed the program's normal limits." But hold up a minute—there is no such Clinton proposal.

Under current law, the amount of a household's food stamp benefits depends partly on how high its housing costs are in relation to its income. After all, a family whose housing costs consume 60 percent of its income has less to spend on food than a family in public housing that spends 30 percent of income on housing. But there is a problem. The food stamp benefits provided to elderly and disabled households reflect the full amount by which housing costs consume more than half of their incomes. For poor families with children, in contrast, food stamp benefits reflect these costs only in part. This is a reason some poor families with high housing costs run low on food toward the end of the month.

Since 1990, a bipartisan group—including at various times former representative and now Budget Director Leon Panetta, Rep. Bill Emerson and Sens. Patrick Leahy, Jim Sasser and Pete Domenici—has called for ending this inequity. The group's proposal would take the high housing costs of poor families into account as is already done for the elderly and disabled. The proposal is fashioned so *no* family exceeding the program's income limits would be made eligible for stamps.

Taking Exception

The Clinton budget simply adopts this proposal without change. Allen's article errs in presenting it as some newfangled Clinton idea to let people at higher income levels into the food stamp program, undo past reforms and make the program more susceptible to error. In fact, state food stamp administrators, who are subject to fiscal penalties for high error rates, support the change.

Equally off-base is the article's treatment of the earned income credit for the working poor. The article contends that in 1990 Congress expanded the EITC despite an IRS study showing about a 40 percent error rate. It then criticizes Clinton for proposing to expand the credit further.

The old adage that a little knowledge can be a dangerous thing is sadly relevant here. The IRS audit showing a high error rate was based on 1985 tax returns. It showed the principal reason for the high error rate was a series of arcane IRS rules on household filing status that few low-income families could understand and the IRS could not enforce.

When the audit was unveiled in 1990, the IRS, the Treasury Department and congressional committees responded. They designed legislation that eliminated these complex rules, replacing them with much simpler, more enforceable ones. The legislation, enacted in 1990, also required families to file a separate tax schedule to receive the earned income credit. The IRS has now testified that these reforms have reduced the error rate substantially.

Jodie Allen's article is on target in criticizing one action Congress took in 1990—adding a complicated health insurance component to the earned income credit. The article notes this has generated insurance scams.

I know a little about this, since our center uncovered the scams. We also argued unsuccessfully in 1990 against creation of the health insurance credit.

But her article makes another unfortunate omission here. It fails to note that the Clinton administration it so heavily criticizes has proposed abolishing the insurance credit. It credits a "Ways and Means Committee panel" for recommending this, without noting the panel was adopting a Clinton proposal.

Perhaps the most serious omission is the article's failure to explain what the proposed earned income credit expansion would accomplish—raising millions of families with full-time working parents closer to or above the poverty line, while also blunting the impact of the energy tax on the poor. If achieved, this would be a historic accomplishment.

So let the shoot-out over the Clinton budget continue. But let participants on all sides check their facts before coming out with their guns blazing.

The writer is executive director of the Center on Budget and Policy Priorities.

Mark/cc

(hope we can keep these changes in conference)