

10/22/95

To Bruce:

A Balanced Budget That Puts DLC Children First

Common ground
between us



October 23, 1995

A Balanced Budget That Puts Children First

President Clinton has put forth a balanced budget that puts our children first. The President's balanced budget shows that we can balance our budget, lower the projected debt on our children, and still value our commitment to invest in their futures. While the President's balanced budget cuts overall discretionary spending by 22% in 2002 in non-priority areas, it still values our commitment to children by strengthening and protecting their health care, education, nutrition, drinking water, and the safety net for our poorest children.

The Republican balanced budget proposal, on the other hand, seeks to pay for a large tax cut and balance the budget on the backs of our children. The Republican budget slashes important investments in our children, thereby undermining our need to invest in a more productive America and our commitment to ensure that every child has a fair shot at the American dream.

Section I

Office of Management and Budget Side-By-Side
Comparison of the Impact on Children of the President's
Balanced Budget vs the Republican Balanced Budget.

Section II

Analysis of the Impact of the Republican Budget Cuts on
Children.

Section III

OMB Distributional Analysis of the Republican Spending
Proposals on Families With Children.

Section IV

Council of Economic Advisers Report on the Value of
Maintaining Investments in Children's Programs

Section I

**A BUDGET THAT HURTS CHILDREN
VS. A BALANCED BUDGET THAT PUTS CHILDREN FIRST**

HEALTH CARE	REPUBLICAN CUTS	PRESIDENT CLINTON'S BALANCED BUDGET
Medicaid	Eliminates Medicaid coverage for as many as 4.4 million children nationwide in 2002. Roughly one out of every five children - 18 million in total including one million disabled children - rely on Medicaid for medical care. Republican cuts of \$182 billion will shred this vital safety-net for children.	Preserves the Medicaid program as a guaranteed safety-net for all children.
Healthy Start	Excessively cuts the Healthy Start infant mortality program, affecting the births of 74,000 infants each year. The Healthy Start project provides vital prenatal and health care services to women of childbearing age. The House calls for a cut of 52% in 1996.	Continues initiatives to reduce infant mortality in vulnerable populations.
Vaccinations	Jeopardizes immunizations for children. The Republican budget repeals the Vaccines for Children program, putting at risk at least \$1.5 billion which would otherwise pay for vaccinations for children.	Maintains full funding for the Vaccines for Children program which immunizes the children against preventable disease.

DISABLED CHILDREN	REPUBLICAN CUTS	PRESIDENT CLINTON'S BALANCED BUDGET
Supplemental Security Income for Disabled Children	Eliminates SSI cash benefits for as many as 755,000 disabled children in 2002. The House welfare bill cuts federal cash assistance to children with disabilities by as much as \$21.7 billion. Replaces most cash benefits with grants to states worth 25% less.	Maintains cash benefits for all eligible disabled children. New, tighter definition of disability applies only to new applicants, not those already on rolls.

TAXES	REPUBLICAN CUTS	PRESIDENT CLINTON'S BALANCED BUDGET
Earned Income Tax Credit	Working families supporting 23.4 million children will have their taxes raised by an average of \$415 in 2002. The Senate cuts in the EITC raise taxes on working families by \$43 billion.	Continues the expansion of tax relief for working families, including 16 million families with 27 million children. Total tax relief amounts to \$25 billion in 1996 and \$32 billion in 2002.

EDUCATION	REPUBLICAN CUTS	PRESIDENT CLINTON'S BALANCED BUDGET
Head Start	Denies Head Start to 180,000 children nationwide in 2002.	Adds 32,000 new Head Start children next year, increasing funding by \$400 million.
Title I: Improving Basic and Advanced Skills	Denies basic and advanced skills to 1.1 million students in our poorest communities. The Republican budget reduces Title I funds by \$1.1 billion – a 17% cut in 1996.	Helps as many as 300,000 more children master basic and advanced skills next year. The President increases funding for this important program by \$302 million.
Community Schools	Eliminates an educational and anti-crime program that will serve 16,000 teens this year.	Allows 110,000 youths to participate in "alternatives to crime" and educational activities. The President's budget increases funding for after-school program by \$62.5 million.
Goals 2000	Eliminates Goals 2000, denying improved teaching and learning for as many as 5.1 million children nationwide in 1996. Under Republican cuts, 12 million children would be denied improved education by 2002, compared to the President's balanced budget.	Helps 17,000 schools and 8 million students meet higher standards and improve parental involvement. The President increases funding to \$750 million next year.
AmeriCorps: National Service	Eliminates the AmeriCorps National Service Program, denying nearly 50,000 young people the opportunity to serve their communities in 1996.	Provides nearly 50,000 community service opportunities while providing participants with a monetary education award.
Summer Jobs	Eliminates summer job opportunities for more than 4 million youths over the next seven years.	Maintains and strengthens the summer jobs program, providing over 600,000 jobs for young people next year.
Safe and Drug Free Schools	Deprives over 23 million students the benefit of the Safe and Drug Free Schools Program, which keeps crime, violence, and drugs away from children, their schools and communities.	Combats crime and violence in schools nationwide by extending the Safe and Drug Free Schools Program to 39 million children. The President's budget funds the program at \$500 million next year, providing safer, more drug-free learning environments for the nation's children.
Education Technology	Cuts President's request in half, denying hundreds of communities assistance to get technology into the classrooms for children of all ages.	Provides \$50 million next year to expand and improve the way technology is used in learning environments. President's budget increases the number of challenge grant awards, promoting technological partnerships between the public and private sectors.

HOUSING	REPUBLICAN CUTS	PRESIDENT CLINTON'S BALANCED BUDGET
Increases Rents	Forces the families of 3.4 million children to pay more rent. Raises rents by an average of \$200 in 1996 and the typical family's income is only \$6,800.	Holds the line on rental assistance for families with children.
Homeless Families with Children	16,000 homeless children will be denied assistance nationwide. The Republican budget cuts homeless assistance by 40% in 1996, a total of \$444 million in 1996.	Provides 66,000 homeless children transitional and permanent housing, as well as vital social services.
Section 8 Assistance	Denies 75,000 children the opportunity to move to adequate privately owned housing. Eliminates new Section 8 certificates and vouchers.	Provides opportunities for additional families with children to move to privately owned apartments.
Public Housing Operating Subsidy	213,000 children will go without basic housing needs. The Republican budget cuts public housing operating subsidies by \$400 million – a cut of 14% in 1996 – forcing local agencies to neglect basic housing needs, such as fixing leaky pipes or broken windows.	Meets the basic housing needs of children in public housing. The President maintains funding for the operation and maintenance of public housing facilities.
Public Housing Drug Elimination Program	Eliminates protection for one million children in public housing from drugs and drug-related crimes. The Republican budget zeroes out the Public Housing Drug Elimination Program, eliminating funds for tenant patrols, local law enforcement activities, and other security measures.	Maintains protection for children from drugs and drug-related crimes.
Public Housing Modernization	184,000 children will be forced to remain in poor and unsafe housing conditions. The Republican budget cuts public housing modernization by \$350 million in 1996, severely impeding efforts to rehabilitate run down public housing projects.	Improves safety and security of public housing projects for 1.5 million children. Preserves funding for building improvements and security measures.

Environment	REPUBLICAN CUTS	PRESIDENT CLINTON'S BALANCED BUDGET
Drinking Water	Jeopardizes the safety of the water the nation's children drink. Eliminates the state loan funds that communities use to upgrade treatment facilities and provide safe, clean drinking water to their children.	Protects the safety of the water the nation's children drink. The President invests \$725 million in loan funds to upgrade water treatment facilities and to help communities provide safer drinking water.
Clean Water	Allows sewage to flow into waters where children in America live and play. Cuts new funding to keep water clean by more than 33% compared with the President's budget.	Protects children from sewage flowing into the waters in which they play. The President invests \$1.6 billion in loans - a 28% increase over 1995 - to states for treatment of wastewater pollution. That funding helps repair outdated treatment facilities and prevent raw sewage from seeping into local waters.
Pollution from Oil Refineries	Increases pollution in the air children living near oil refineries breath. A provision in the Republican budget halts the President's efforts to protect the health and safety of children living near refineries, which emitted 78,000 tons of toxic air pollution each year.	Continues to protect the health and safety of children living near oil refineries. Toxic emissions can create serious health risks, including cancer and respiratory illness.
Toxic Waste	Increases the risk to five million children under the age of four who live within four miles of a Superfund site. The Republican budget cuts spending on hazardous waste cleanup by 36% in 1996, stopping or slowing cleanup of toxic contamination in neighborhoods around the country.	Protects the health and safety of children living near toxic waste sites. Invests \$1.6 billion for the clean up of toxic waste - a 17% increase over 1995.
Enforcement	Threatens the health of children nationwide by cutting 50% from the enforcement of existing environmental protections.	Invests in the enforcement of environmental laws that prevent polluters from endangering the health of the nation's children. The President's budget invests almost \$500 million in these efforts in 1996, an 8% increase over 1995.

FOOD AND NUTRITION	REPUBLICAN CUTS	PRESIDENT CLINTON'S BALANCED BUDGET
Food Stamps	Cuts nutrition assistance for 14 million children in 2002. The House Republican budget cuts food stamp benefits to families with children by \$28 billion over seven years and 25% in 2002.	Protects nutritional benefits for needy children, while achieving reasonable savings to balance the budget. Ensures that children receive food assistance even during times of economic recession.
Nutrition / WIC	Could force 32 million children to lose nutritional support or suffer from diminished food assistance in 2002. The House Republican budget block grants funding for school lunch and WIC programs, reducing funding by more than \$10 billion over seven years, and 11% in 2002.	Protects school lunch and WIC program. Increases funding for WIC. Program savings of \$2.5 billion will be achieved by more carefully targeting Family Day Care Homes to help vulnerable populations.

ENERGY ASSISTANCE	REPUBLICAN CUTS	PRESIDENT CLINTON'S BALANCED BUDGET
Low-Income Home Energy Assistance Program	Eliminates home energy assistance for 6 million children. The House budget eliminates this \$1 billion program that helps low-income families heat and cool their homes, forcing some families to choose between heating their home and feeding their children.	Maintains the program, helping over 3 million families with children make it through heating and cooling emergencies.
Weatherization	Denies approximately 65,000 children protection from harsh weather conditions. The Republican budget reduces weatherization assistance for families' homes by \$118 million in 1996.	Helps lower the energy bills of families with children, leaving them with more money to spend on other basic needs. These families earn less than \$15,000.

SAFETY NET FOR CHILDREN	REPUBLICAN CUTS	PRESIDENT CLINTON'S BALANCED BUDGET
<p>Child Care / AFDC</p>	<p>Denies 404,000 children child care assistance in 2002. The House welfare bill block grants and cuts funding for child care for low-income children by \$2.8 billion.</p> <p>Eliminates cash assistance for 77,000 children simply because they were born to unmarried mothers under 18.</p> <p>Cuts assistance to 3.3 million children simply because their paternity has not been established. (when the House welfare bill is fully in effect in 2005)</p>	<p>Protects child care assistance and maintains AFDC's funding level.</p>
<p>Foster Care & Adoption</p>	<p>Cuts foster care and adoption services for over 100,000 abused and neglected children.</p>	<p>Keeps the foster care system intact for vulnerable children throughout the nation.</p>

Section II

IMPACT OF REPUBLICAN BUDGET CUTS ON CHILDREN IN AMERICA

October 23, 1995

IMPACT OF HEALTH CARE CUTS ON CHILDREN IN AMERICA

Eliminates Medicaid coverage for as many as 4.4 million children nationwide in 2002. Currently, more than 20% of children rely on Medicaid for their basic health needs. Medicaid pays for immunizations, regular check-ups, and intensive care in case of emergencies for about 18 million children in America.

- **The Republican budget cuts federal Medicaid funding by \$182 billion over seven years, reducing funding to states by 30% in 2002.**
- **Even if states could absorb half of the cuts by reducing services and provider payments, they would still have to eliminate coverage for 8.8 million people, including 4.4 million children in 2002, based on analysis by the Urban Institute.**
- **Among the children who could be denied coverage, many are disabled.** Medicaid often makes the difference between whether or not a disabled child lives at home with their parents. Medicaid provides for items such as wheelchairs, communication devices, therapy at home, respite care, and home modifications. Without these services, parents may be forced to give up their jobs or seek institutional placement for their children.

Jeopardizes immunizations for children. The Republican budget repeals the Vaccines for Children program, putting at risk at least \$1.5 billion over seven years that would otherwise provide vaccinations for children.

Denies 1 million women Healthy Start infant mortality services, affecting the births of 74,000 infants each year. The Healthy Start project provides vital prenatal and health care services to women of childbearing age. The House calls for an excessive 52% cut in 1996.

IMPACT OF CUTS ON CHILDREN WITH DISABILITIES IN AMERICA

Denies as many as 755,000 disabled children SSI cash benefits in 2002. The House welfare bill eliminates federal Supplemental Security Income cash benefits for as many as 55% of the disabled children expected to receive SSI cash benefits in 2002 under current law. Federal SSI cash benefits for children with disabilities will be cut by as much as \$21.7 billion over seven years, affecting nearly 1 million disabled children nationwide.

TAX INCREASE ON WORKING FAMILIES WITH CHILDREN IN AMERICA

More than 23 million children in America live in working families that will have their taxes raised by an average of \$415 in 2002 under the Republican budget. The Senate Finance Committee has approved a \$43 billion tax increase on working families by reducing the Earned Income Tax Credit. Families with two or more children in America will face an average tax increase of \$483.

IMPACT OF EDUCATION CUTS ON CHILDREN IN AMERICA

Denies Head Start to 180,000 children nationwide in 2002. The successful Head Start program helped 750,000 preschool children in 1995.

Denies 1.1 million children basic and advanced skills in 1996. The Republican budget cuts Title I by \$1.1 billion -- a 17% cut in 1996 -- denying Title I funding for 1.1 million students in our poorest communities nationwide.

Cuts Safe and Drug Free Schools by 55%, denying more than 23 million students services that keep drugs and violence away from children, their schools, and their communities. The Republican budget walks away from the Safe and Drug Free School state grants program, the only federal program solely dedicated to combating alcohol and drug abuse, and violent behavior in our nation's schools.

Eliminates Goals 2000, denying improved teaching and learning for as many as 5.1 million school children in America in 1996. Under the Republican cuts, 12 million children would be denied improved education by 2002, compared to the President's balanced budget.

Eliminates the AmeriCorps National Service program, denying 50,000 young people the opportunity to serve their communities in 1996.

Eliminates summer job opportunities for nearly 4 million youths over the next seven years. The Republican cuts will prevent millions of youths from participating in meaningful summer job experiences that help prepare them to be active contributors in the workforce and the community. The House plan completely eliminates this program, cutting approximately 600,000 job opportunities in 1996 and nearly 4 million summer jobs by 2002.

IMPACT OF NUTRITION CUTS ON CHILDREN IN AMERICA

Cuts nutrition assistance for 14 million children in America in 2002. The House Republican budget cuts foods stamp benefits for families with children by \$28.1 billion over seven years and by 24.5% in 2002.

Could force 32 million children to lose nutritional support or suffer from diminished food assistance in 2002. The House Republican budget block grants funding for the school lunch and WIC program. Nationally, their budget reduces funding for child nutrition programs by more than \$10 billion over seven years and 11% in 2002, compared with current law.

IMPACT OF PUBLIC HEALTH AND ENVIRONMENTAL CUTS ON CHILDREN IN AMERICA

Leaves children exposed to hazardous waste. The Republican budget cuts threaten EPA's efforts to protect the health of children living near more than 200 hazardous waste sites nationwide. Spending on toxic waste cleanups will be reduced by 36% in 1996, \$560 million below the President's balanced budget in 1996.

- **Nationally, *five million children* under the age of four live within four miles of a Superfund hazardous waste site.**

Pollutes the air that children living near oil refineries breathe. These refineries emit more than 78,000 tons of toxic air pollution each year, putting children in the surrounding communities at risk of serious health problems, including cancer and respiratory illnesses such as asthma. The Republican budget halts the President's effort to protect the health and safety of children living near these refineries.

Jeopardizes the water that children drink. Republicans are cutting low-interest loans to cities and towns for drinking water treatment facilities by at least \$700 million in 1996. This cut will take away the funds needed by states to upgrade facilities to ensure that local drinking water has been treated to eliminate contaminants.

Reduces new funding to keep water clean by more than 33% compared with the President's balanced budget. The Republican cuts will eliminate protections that keep sewage away from waters where children live and play.

IMPACT OF CUTS ON SAFETY NET FOR CHILDREN IN AMERICA

Denies 404,000 children child care assistance in 2002. The House welfare bill block grants and cuts federal child care funding for low-income children by \$2.8 billion over seven years.

Cuts foster care and adoption for vulnerable children by \$6.3 billion over seven years compared with current law. The House welfare bill cuts child protection for abused and neglected children by 19% in 2002.

Eliminates cash assistance for 77,000 children in America simply because they were born to unmarried mothers under 18, when the House welfare bill is fully implemented in 2005.

Cuts assistance for 3.3 million children in America simply because their paternity has not been established, when the House welfare bill is fully implemented in 2005.

IMPACT OF ENERGY CUTS ON CHILDREN IN AMERICA

Eliminates home energy assistance for about 6 million children in America. The House Republican budget completely eliminates this \$1 billion program that helps low-income families with their home heating and cooling bills, leaving families with the tough choice of staying warm in the winter or having enough money to eat.

Denies about 65,000 children in America protection from bad weather conditions. The Republican budget cuts weatherization assistance for families' homes by \$118 million in 1996. Lower energy bills allow families to spend more money on basic needs.

IMPACT OF HOUSING CUTS ON CHILDREN IN AMERICA

Denies assistance to more than 16,000 homeless children. The Republican budget cuts homeless assistance by 40% in 1996, cutting funding for the homeless by \$444 million in 1996.

Forces the families of 3.4 million children to pay more rent. The Republican budget raises rents by an average of \$200 a year for the 1.4 million low-income families with children assisted by Section 8. The median income of these families is only \$6,800.

Denies families of 74,742 children the opportunity to move from poor living conditions to adequate privately owned apartments. The Republican budget eliminates funding for new Section 8 certificates and vouchers, denying rental assistance to low-income families and children who wish to live in privately-owned housing.

Eliminates protection for 1 million children nationwide from drugs and drug-related crimes in public housing. The Republican budget zeroes-out the Public Housing Drug Elimination program which protects more than 1 million children living in public housing nationwide from drugs and drug-related crimes. The Republican budget eliminates \$290 million for public housing tenant patrols, local law enforcement activities, security personnel, and physical improvements to improve security.

184,000 children will be forced to remain in poor and unsafe housing conditions. The Republican budget cuts public housing modernization nationwide by \$350 million, severely hindering efforts by housing agencies to rehabilitate run down public housing projects and provide much needed security and anti-crime programs.

213,000 children will have to go without basic housing needs. The Republican budget cuts public housing operating subsidies nationwide by \$400 million -- a cut of 14% in 1996 -- forcing local agencies to neglect basic housing needs, such as fixing leaking ceilings and broken windows and providing security and social services.

Methodology for Computing the Impact of the Republican Budget Cuts on Children

Health Care

Estimates of the number of children who will be denied Medicaid coverage and each state's dollar losses are from HHS based on the House Commerce Committee's Medicaid formula as of September 18, 1995, and analysis from the Urban Institute. The percent of children covered by Medicaid by state is from the March 1994 Current Population Survey. The estimate of the national loss of federal funding for vaccines under the House Republican Medicaid plan is from HHS. Cuts in Healthy Start programs are based on the House-passed appropriations bill, assuming an across-the-board reduction in each Healthy Start program.

Supplemental Security Income

Estimates of the SSI cuts and the number of disabled children that will be denied SSI cash benefits in 2002 are from the Social Security Administration, Office of the Actuary, October 18, 1995, based on the House-passed welfare bill (H.R. 4).

Earned Income Tax Credit

Estimates of the number of children in families that will have their taxes raised by the Senate Finance Committee cuts in the EITC and the average tax increase are from the Treasury Department, October 19, 1995.

Education

Estimates of the cuts in education are based on the House-passed appropriations bill. Estimates of the number of students and schools affected are from the Education Department.

Nutrition

Estimates of the cuts in Food Stamps, child nutrition, and WIC, and the number of children affected are preliminary estimates from USDA based on the House-passed welfare bill (H.R. 4). The number of children participating in the school lunch, child and adult care food program, and WIC is for 2002, when the proposals would be fully implemented.

Public Health and the Environment

Estimates are from the EPA based on the House-passed appropriations bill.

Safety Net

Estimates of the cuts in AFDC, child care, foster care and adoption are from HHS based on the House-passed welfare bill (H.R. 4).

Energy

Estimates of the number of children who would be denied aid from the Low-Income Home Energy Assistance Program (LIHEAP) under the House-passed appropriations bill are from HHS. Estimates of the number of children who would lose assistance from Energy Conservation Weatherization Grants under the House-passed appropriations bill are from the Energy Department.

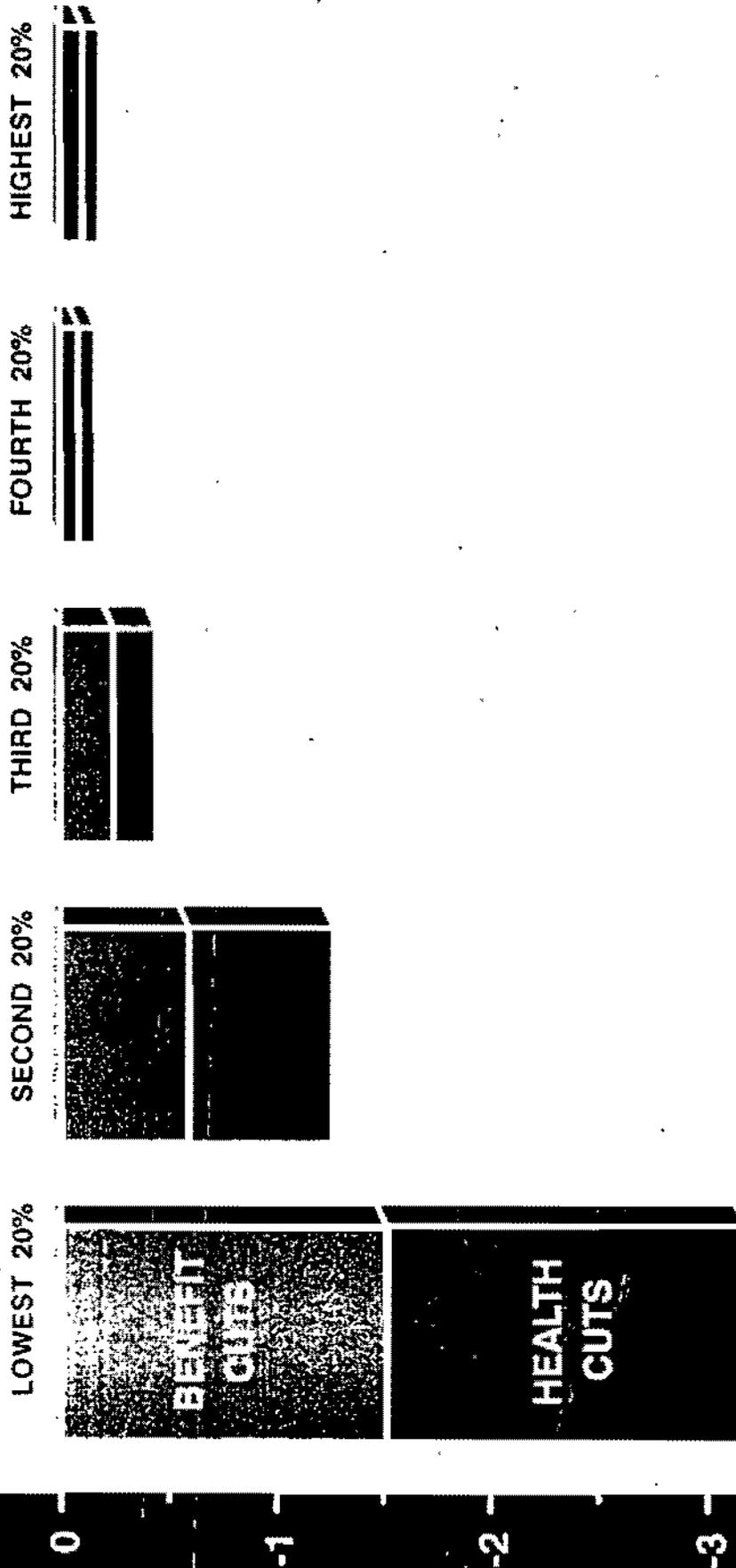
Housing

Estimates of the number of children affected by the provisions in the House-passed appropriations bill are from HUD.

Section III

FAMILIES WITH CHILDREN ARE HIT HARDEST BY THE SPENDING CUTS

CUTS IN THOUSANDS OF DOLLARS



CUTS IN ANNUAL BENEFITS AND HEALTH COVERAGE PER FAMILY BY QUINTILE (AFI)

THE CUMULATIVE IMPACT OF HOUSE COMMITTEE SPENDING PROPOSALS ON FAMILY INCOME
For Families with Children by Income Quintiles
Simulates effects of full implementation in a single year (1996 dollars)

	<u>Under Current Law</u>	<u>Under House Proposals</u>				
	Average Income Per Family	Total Change in Income (in billions)	Average Income Change Per Family	Percent Income Change Per Family	Total Change in Health Value (in billions)	Average Change in Health Value Per Family
Lowest	13,325	-11.4	-1521	-11.4	-12.5	-1662
Second	20,991	-4.6	-599	-2.9	-5.2	-678
Third	31,056	-1.9	-249	-0.8	-1.5	-200
Fourth	44,581	-0.7	-89	-0.2	-0.6	-80
Highest	77,528	-0.8	-107	-0.1	-0.6	-80
Total	37,801	-19.6	-513	-1.4	-20.4	-534

Notes: The comparison shown is between Congressional Republican proposals and current law. Simulations include the impact of the House of Representatives' welfare plan, H.R. 4, on AFDC, SSI, food stamps, and housing programs; the House of Representatives' proposals affecting LIHEAP, housing, and labor appropriations; and Reconciliation proposals concerning federal employee pension contributions. The changes in health value are the changes to the Medicaid and Medicare programs which impact beneficiaries. The loss in the value of health insurance does not include reductions in provider payments. This is a conservative approach and does not capture the full effect of Medicare changes on beneficiaries. Medicaid model does not include the institutionalized population. Model includes a labor supply and state response to the welfare and Medicaid block grants.

The definition of quintile in this analysis uses adjusted family income and sorts an equal number of persons into each quintile. Adjusted family income is derived by dividing family income (after-tax income plus food, housing, school lunch, and other near-cash assistance provided by government) by the poverty level for the appropriate family size.

Source: TRIM2 Model, based on data from the March 1994 Current Population Survey.

October 12, 1995

Section IV

TO "SAVE" ONE DOLLAR. . .

OCTOBER, 1995

My father once told me, "It's no great thing to save a dollar no matter what the cost. Don't be penny-wise and pound-simple."

When it comes to public investment in children's health and education, saving a dollar today may actually cost more than a dollar tomorrow. Much of today's public expenditure on children is actually an investment in their future productivity and health.

Listed below are the conclusions of evaluations of some government expenditure programs that target children. These studies have considered the economic returns to such expenditures, either in the form of increased productivity for the entire economy or in the form of reduced future expenditure on remediation programs. Therefore, these studies do not take into account the substantial increase in welfare that accrues to the beneficiaries of these programs simply as a result of the provision of the service or transfer.

CHILDHOOD IMMUNIZATION

- **Cuts in immunization programs will increase future health care costs.**
 - Every \$1 cut in polio immunization costs \$10 in later medical costs. Every \$1 cut in measles, mumps, rubella immunization programs costs \$14 in later medical costs.¹
 - Cuts in childhood immunization increase the future incidence of these avoidable diseases and the future cost of treating diseases.

¹House Select Committee on Children, Youth, and Families. Opportunities for Success: Cost Effective Programs for Children Update, 1990. 101 Cong. 2 sess. (GPO 1990).

SPECIAL SUPPLEMENTAL FOOD PROGRAM FOR
WOMEN, INFANTS, AND CHILDREN (WIC) PRENATAL, AND
MEDICAID PRENATAL CARE

- Cuts in WIC and Medicaid prenatal care will increase medical expenditure.
 - Every \$1 cut in the prenatal care portion of the WIC program costs between \$1.77 and \$3.90 in increased medical expenses in the first 60 days following childbirth. The USDA made this finding in a five-state study of 105,000 Medicaid births.²
 - Every \$1 cut in the prenatal care portion of the WIC program costs \$3 in short-run medical expenditure according to a study in Massachusetts.³
 - Every \$1 cut in the prenatal care portion of the WIC program costs between \$0.49 and \$0.83 in additional Medicaid expenditure within the first 30 days after childbirth according to a study in Missouri.⁴
 - Every \$1 cut in the Medicaid comprehensive prenatal care program may cost as much as \$2 dollars spent in an infant's first year of life.⁵
 - Prenatal care decreases the probability of low birthweight infants and the incidence of neonatal death according to several studies.⁶

²U.S. Department of Agriculture, Food and Nutrition Service, Office of Analysis and Evaluation, The Savings in Medicaid Costs for Newborns and Their Mothers from Prenatal Participation in the WIC Program, Vol. 1, (Washington, D.C.: Mathematica Policy Research, Inc., 1990).

³M. Kotelchuck, et al., "WIC Participation and Pregnancy Outcomes: Massachusetts Statewide Evaluation Project," American Journal of Public Health, Vol. 74, October, 1984. E.T. Kennedy, et al., "Cost/benefit and cost/effectiveness of WIC," Unpublished paper, 1983.

⁴W.F. Schramm, "WIC Prenatal Participation and Its Relationship to Newborn Medicaid Costs in Missouri: A Cost/Benefit Analysis," American Journal of Public Health, Vol. 75., No. 8, August, 1985.

⁵C. Korenbrot, "Comprehensive Prenatal Care as a Medical Benefit: Expected Costs and Savings," San Francisco, CA: University of California, 1984.

⁶I.L. Murray, "The Differential Effect of Prenatal Care on the Incidence of Low Birth Weight Among Blacks and Whites in a Prepaid Health Care Plan," The New England Journal of Medicine, Vol. 319, No. 21, November, 1988. Institute of Medicine, Preventing Low Birthweight, Washington, D.C: National Academy Press, 1985. G.W. Copeland, "Gaining Ground: The Impact of Medicaid on Infant Mortality," American Politics Quarterly, Vol. 15, No. 2, April, 1987.

HEAD START AND OTHER EARLY CHILDHOOD EDUCATION

- **Cuts in Head Start will reduce the future earnings of each child displaced from the program.**
 - One recent estimate is that the gain from Head Start participation could be as great as \$696 per year for every year of the child's career. This earnings gain far exceeds the \$5400 cost of one child's participation in the Head Start program. The evaluation of Head Start has been highly contentious, and other studies have found much smaller benefits. However, the impact of the program need not be large to justify the investment.⁷

- **Cuts in Head Start will lower academic performance and increase medical costs.**
 - Head Start increases test scores and results in fewer failed grades for white and Hispanic children, and it has been demonstrated to improve the health of African-American children as measured by the height of participants and by the age at which measles vaccination is received.⁸
 - Participants in Head Start are less likely to repeat a grade and less likely to be assigned to special education classes.⁹
 - Measles vaccinations are given to a higher fraction of Head Start enrollees to all other children, both those enrolled and those not enrolled in other preschool programs.¹⁰ The cost of missing these vaccinations is discussed above in this document. A much higher share of Head Start children receive medical screening, dental checkups, and other preventive medicine than do comparable children who do not participate.¹¹

- **Cuts in other early childhood education programs can mean enormous future costs to society.**

⁷William T. Dickens and Tom Kane, "Does the Bell Curve Ring True?" Brookings Review, 1995.

⁸Janet Currie and Duncan Thomas, "Does Head Start Make a Difference?" NBER Working Paper No. 4406, July, 1993.

⁹Department of Health and Human Services, The Impact of Head Start on Children, Families, and Communities: Head Start Synthesis Project, Final Report, 1985.

¹⁰Janet Currie and Duncan Thomas, "Does Head Start Make a Difference?" NBER Working Paper, No. 4406, July, 1993.

¹¹Department of Health and Human Services, The Impact of Head Start on Children, Families, and Communities: Head Start Synthesis Project, Final Report, 1985, p. V-9.

The Perry Preschool Experiment in the early 1960's in Ypsilanti, Michigan, is an example of a high-quality preschool program with ancillary services made available to a low-income youth.¹² A cost-benefit analysis of the program found that a \$1 expenditure on the Perry Preschool program saved \$4.75 in future expenditure on special education, public assistance, and crime.¹³ The high school graduation rate of Perry Preschool enrollees was 67 percent compared to 49 percent for the children in the control group.¹⁴

INCOME SUPPORT -- AFDC AND FOOD STAMPS AND TAX POLICY -- EITC

- Cutting the income of low-income people will reduce future output.

- Every \$1 cut from means-tested transfer programs like AFDC and Food Stamps may cost between \$0.92 and \$1.51 in lost output due to reduced educational attainment alone.¹⁵ We expect this finding to apply to every additional \$1 of taxes that low-income working people will pay if the EITC is cut.

- Each additional child who spends one more year in poverty due to these cuts will cost the economy between \$2,466 and \$6,759 in reduced output -- through the effect of childhood poverty on reduced educational attainment alone.¹⁶ When we account for the total costs of childhood poverty, we find that cutting means-tested transfer programs or increasing taxes on low-income working families will cost the economy \$12,105 in reduced output for each additional child who spends one more year in poverty.¹⁷

¹²C.T. Ramey and F.A. Campbell, "Poverty, early education, and academic competence," in Aletha C. Huston, Children in Poverty, (Cambridge: Cambridge University Press, 1991), p. 210.

¹³Sawhill, Isabel V. "Young Children and Families" in Henry J. Aaron and Charles L. Schultze, editors, Setting Domestic Priorities, 1992, p. 168.

¹⁴Charles F. Manski, "What do controlled experiments reveal about outcomes when treatments vary?" University of Wisconsin-Madison, 1993, pp. 6-7.

¹⁵Amy C. Butler. "The Effect of Welfare Guarantees on Children's Educational Attainment." Social Science Research Vol 19, pp. 175-203, 1990. Children's Defense Fund, Wasting America's Future, 1994, p. 109.

¹⁶Children's Defense Fund, Wasting America's Future, 1994, p. 104.

¹⁷Children's Defense Fund, Wasting America's Future, 1994, p. 104.

- **Cutting income support for low-income families will reduce the educational achievement of children in those families.¹⁸**

- Evidence from the Income Maintenance Experiments definitively demonstrates that educational attainment is higher in low-income families that receive income support. There is strong evidence that childhood poverty reduces educational attainment after controlling for observable family characteristics.¹⁹

- Reducing the amount of education a person will be able to receive will mean big losses to the economy when the return to education is so high. The return to education is estimated at between a 5 and 13 percent increase in earnings per each additional year of education.²⁰ Cuts in income support that cause a person to forego education during childhood can add up to big productivity losses for the economy.

- **Cutting income transfers to children and their families will reduce our social performance relative to other developed countries.**

- Compared to other developed countries, the United States already has the highest rate of post tax and transfer child poverty. Furthermore, the United States tax and transfer system already has less impact on child poverty than all but one other developed country.²¹

¹⁸Charles D. Mallar, "The educational and labor-supply responses of young adults in experimental families," in H.W. Watt and A. Rees (editors), The New Jersey Income Maintenance Experiment, Vol II, (New York: Academic Press, 1977), p. 175.

¹⁹Charles D. Mallar, "The educational and labor-supply responses of young adults in experimental families," in H.W. Watt and A. Rees (editors), The New Jersey Income Maintenance Experiment, Vol II, (New York: Academic Press, 1977), p. 175.

²⁰Orley Ashenfelter and Alan B. Krueger, "Estimates of the Return to Schooling from a New Sample of Twins," American Economic Review, December, 1994. Joshua Angrist and Alan Krueger, "Does Compulsory School Attendance Affect Schooling and Earnings?" Quarterly Journal of Economics, Vol. 61, No. 4, November, 1991. Thomas J. Kane and Cecilia Rouse, "Labor Market Returns to Two- and Four-Year Colleges: Is a credit a credit and do degrees matter?" Working Paper #311, Industrial Relations Section, Princeton University, December, 1993.

²¹Lee Rainwater and Timothy Smeedings, Doing Poorly: The real income of American children in a comparative perspective, Luxembourg Income Study, August, 1995.

TEEN EDUCATION, DROPOUT PREVENTION, AND YOUTH EMPLOYMENT

- Cutting programs that help young people finish high school may cost as much as \$7,000 per dropout per year in lost output alone.
 - In 1993, men aged 25 to 34 with high school diplomas earned \$25,632 per year on average. Men in this age range with less than high-school education earned only \$18,719 per year. A host of economic findings on the returns to education make clear the value of encouraging completion of high school.²²
 - A study of the economic performance of high-school dropouts and the cost of high-school completion in the early 1970s shows that every \$1 cut from programs that assist high-school completions may cost the economy as much as \$6 in lost output.²³
- Cutting programs that help young people finish high school may have even greater costs when the additional social burdens posed by dropouts are taken into account.
 - Perhaps the most extreme form of dropping through the cracks in the educational system is incarceration in the criminal justice system. Men aged 18 to 34 without a high school diploma had a one-in-four chance of being in prison, on probation, or on parole at any time in 1992. The equivalent probability for men aged 18 to 34 with a high-school diploma or higher education is only 4 percent. The expected lifetime cost of prison, parole, and welfare is \$69,000 for high-school dropouts, \$32,000 for high-school graduates, and \$15,000 for college graduates.²⁴
 - The Quantum Opportunities Program (QUOP), which provides intensive academic assistance and counseling and a small stipend to child AFDC recipients, achieved a 63 percent high-school graduation rate among program participants compared to only 42 percent for members of a control group. A remarkable 42 percent of QUOP participants enrolled in higher education, compared to only 16 percent of the control group. Only 24 percent of QUOP participants became parents during

²²Orley Ashenfelter and Alan B. Krueger, "Estimates of the Return to Schooling from a New Sample of Twins," *American Economic Review*, December, 1994. Joshua Angrist and Alan Krueger, "Does Compulsory School Attendance Affect Schooling and Earnings?" *Quarterly Journal of Economics*, Vol. 61, No. 4, November, 1991. Thomas J. Kane and Cecilia Rouse, "Labor Market Returns to Two- and Four-Year Colleges: Is a credit a credit and do degrees matter?" Working Paper #311, Industrial Relations Section, Princeton University, December, 1993.

²³H.M. Levin, "Cost-benefit and cost-effectiveness analysis" in Aletha C. Huston, *Children in Poverty*, (Cambridge: Cambridge University Press, 1991), p. 248.

²⁴*Economic Report of the President*, U.S. Government Printing Office, February, 1995, pp. 187-188.

the four-year program compared to 38 percent of the control group.²⁵ The QUOP program is cost-effective.

• Cutting the Summer Youth Employment Program will take minimum wage summer jobs and remedial education from hundreds of thousands of disadvantaged young people, aged 14 to 21, who would not otherwise have these opportunities. Studies show that the program does not displace private market employment but, rather, employs youth who would otherwise be unemployed.²⁶

• Programs like the Center for Employment and Training (CET) in San Jose, California, generate returns much greater than their short-run costs. CET increases youth participant earnings by \$6,000 per year in the third and fourth years following the program when compared to a control group. The cost per youth averages a one-time expenditure of \$4,200. The CET program even increases the earnings of minority, female single-parents -- an especially difficult-to-serve population -- by \$1,500 per year.²⁷

• The Job Corps increases the earnings of participants by \$1,300 per year, a 15 percent premium, compared to a demographically similar comparison group. The cost for the residential program is high, \$15,000 per participant, but the population served is highly disadvantaged: 80 percent are high school dropouts and three-quarters never worked before entering the Job Corps.

• Graduates of the Job Corps are employed 3 weeks more per year and receive 2 weeks fewer of welfare benefits and 1 week less of unemployment insurance than the comparison group in the four years following the program. Job Corps graduates are also more likely to receive high school diplomas (25 percent against 5 percent of the comparison group) and have a lower incidence of felony crime commission.²⁸ Every \$1 cut from the Job Corps means \$1.45 in lost productivity and future remedial and legal expenditure. The program evaluation

²⁵Andrew Hahn, et al., Evaluation of the Quantum Opportunities Program: Did the Program Work?, (Waltham, MA: Brandeis University, June, 1994).

²⁶Jon Crane and David Ellwood, The Summer Youth Employment Program: Private Job Supplement or Substitute, Harvard University, March, 1984.

²⁷Center for Employment and Training, 25th Anniversary Annual Report, 1993. U.S. Department of Labor, What's Working, January, 1995.

²⁸Charles Mallar, et al., Third Follow-Up report of the Evaluation of the Economic Impact of the Job Corps Program. Mathematica Policy Research, 1982.

found that the lifetime benefits of the program are 45 percent greater than program costs.²⁹

The Jobstart program costs \$5,900 per participant for a 7 month program and generates an average earnings gain of \$400 per year -- an 8 percent increase over the comparison group. If this earnings gain persists, then the return on the investment easily covers the cost of the program.³⁰

LEAD POISONING

● Cutting the programs that reduce the incidence of childhood lead poisoning can mean large increases in future medical expenditures and compensatory education.

• Cost-benefit analysis on lead poisoning reduction programs found nearly \$750 million (1994 dollars) in savings on averted medical care and compensatory education between 1986 and 1988.³¹

• Lifetime earnings are decreased by \$1,147 for each additional microgram per deciliter of lead in a child's bloodstream.³²

• An EPA analysis of lead in drinking water found that tightening the drinking water standard from 50 micrograms per liter to 20 micrograms per liter would cost about \$230 million per year and would generate benefits in reduced medical expenditure and increased cognitive ability of between \$109 million to \$296 million per year.³³

²⁹Charles Mallar, et al., Third Follow-Up report of the Evaluation of the Economic Impact of the Job Corps Program, Mathematica Policy Research, 1982.

³⁰George Cave, et al., JOBSTART: Final Report on a Program for High School Dropouts, (New York City: MDRC, October, 1993).

³¹House Select Committee on Children, Youth, and Families. Opportunities for Success: Cost Effective Programs for Children Update, 1990. 101 Cong. 2 sess. (GPO 1990).

³²Children's Defense Fund, Wasting America's Future, p. 115.

³³House Select Committee on Children, Youth, and Families. Opportunities for Success: Cost Effective Programs for Children Update, 1990. 101 Cong. 2 sess. (GPO 1990).

HOUSING ASSISTANCE

- **Cutting housing voucher programs will limit the effectiveness of a proven means to move families towards better housing and economically beneficial outcomes for youth.**

- In the Gautreaux housing voucher program initiated in Chicago in 1980, 60 families, of whom 90 percent were single-parent AFDC recipients, were given housing vouchers for middle-class suburban neighborhoods. The outcomes for this group were compared to those for 40 families given vouchers for urban neighborhoods. When the children in these families reached age 18:

- the dropout rate for the suburban youth was 5 percent, compared to 20 percent for the urban youth;
- more than half of the suburban youth were enrolled in college, compared to 20 percent of the urban youth;
- three-quarters of the suburban youth were employed, compared to 40 percent of the urban youth; and
- 21 percent of the suburban youth were earning more than \$6.50 per hour, compared to 6 percent of the urban youth.³⁴

- Cutting housing voucher programs will deny access to better school quality, increased job availability, and improved physical safety, which were the keys to success according to evaluation of the Gautreaux case.

- **Cutting subsidized permanent housing will mean that homeless families must use expensive emergency housing.**

- In Washington, D.C., a program that provides both housing subsidies and social services costs \$765 per family per month, while emergency housing for homeless families costs \$3,000 per month.³⁵

³⁴Rosenbaum, James. "Black Pioneers — Do their moves to the suburbs increase economic opportunity for mothers and children?" Housing Policy Debate, June, 1993.

³⁵Children's Defense Fund, A Vision for America's Future, p. 34.

CONCLUSION

This survey examines some studies of federal expenditure programs that invest in the future of American children. The focus is on the economic return to spending on these programs measured in future output and future remedial expenditure. While this document does not address the undoubtedly substantial reduction in immediate misery that these programs bestow upon their beneficiaries, such benefits and the repercussions of their loss should be considered before any cut is made.

Furthermore we have examined only some of the public expenditure programs for children based on the availability of reliable cost-benefit analysis. Other public expenditure programs at the federal, state, and local levels almost certainly generate economic returns but have not yet received proper evaluation.