To: DPC Staff

DAILY POINTS

PRESIDENT CLINTON STANDS FIRM FOR A BALANCED BUDGET THAT REFLECTS AMERICA'S VALUES

November 20, 1995

A Good Agreement To Get The Government Back To Work And Balance The Budget According To America's Values. The agreement reached last night will allow the government to once again serve the American people, while broader discussions about how best to balance the budget take place.

- It gets the government back to work. They never should have been out in the first place.
- It gets us to where we ought to be, into negotiations on how we should balance the budget.
- For the first time, the Republicans have agreed to meet the President's principles as to how we balance the budget.

For The First Time -- In This Agreement -- Republicans In Congress Agreed To Balance The Budget According To The President's Principles.

- Balancing the Budget to lift the burden of debt off our children.
- Honoring our Commitment to America's Elderly, helping them live with the health and economic security they deserve.
- Investing in Education and Training, so America's families can thrive in the new economy.
- Protecting the Environment and Public Health, so our children grow up in a clean and safe world.
- Rewarding Work: tax relief for working families without new tax increase on millions of hard-pressed working families.

> "This agreement reflects my principles. And for the first time, the Republican leaders in Congress have acknowledged the importance of those principles. As I have said throughout this debate, I could only agree to move forward if that occurred. [This agreement] represents the first sign of their willingness to move forward without forcing unacceptable cuts in health care, education and the environment on the American people. The Republican budget, which was passed just yesterday, clearly does not come close to meeting that test. As I have said repeatedly, therefore, I will veto that budget."
>
> \- President Clinton
> November 19, 1995

President Clinton Made Clear That Any Balanced Budget Must Protect His Principles. As The President Said, "The Key Is That Nothing Will Be Agreed To Unless All Elements Are Agreed To." This agreement makes clear that nothing is agreed to in terms of time periods, unless the President agrees that it is a balanced budget plan that is good for our economy and maintains our values. We have to do it without devastating cuts in Medicare and Medicaid, in education and the environment, and without raising taxes on working families. If the President's principles can be met in seven years, that's fine. If not, we must go back to the drawing board to find a balanced budget that meets those principles.

Prior To This Agreement, Republicans Wanted The President To Give Up Those Principles As The Price Of Getting The Government Back To Work. The President Simply Would Not Do That.

We hope that Republican leaders will never again shut down the government or threaten default unless they get their way on their budget priorities.

THE WHITE HOUSE

Office of the Press Secretary

For Immediate Release November 11, 1995

RADIO ADDRESS BY THE PRESIDENT
TO THE NATION

The Oval Office

10:06 A.M. EST

THE PRESIDENT: Good morning. At midnight this Monday night, unless Congress passes legislation to keep the government running, the federal government will be required by law to begin shutting down. For months, the congressional Republicans have made a consistent threat, if I don't sign legislation cutting Medicare, education and the environment, they'll plunge the government into default and force it to close its doors.

I don't want to shut down basic government services for the American people, but I can't allow that to be used to force us to accept extreme budget measures that would violate our basic values as a nation and undermine the long-term welfare of the American people.

A very great deal is at stake in this debate. This budget debate is not about whether we will balance the budget. Both parties support that. It's about whether we will balance our budget in a way that is consistent with our fundamental values -- our responsibility to our parents and to our children; our determination to provide opportunity for all Americans to make the most of their own lives through good jobs and education and technology; our obligation to protect the environment and to keep America the world's strongest force for peace and freedom, democracy, and prosperity.

This budget debate is about two very different futures for America; about whether we'll continue to go forward under our motto, e pluribus unum -- out of many one; whether we will continue to unite and grow together, or whether we will become a more divided winner-take-all society.

Today as I speak with you, the congressional Republicans are on the verge of carrying out their threat. I want to explain how we have come to this juncture and why it is so important that we stand firm against measures that would endanger our future. The congressional Republicans propose to balance the budget in seven years, but they would get there with deep cuts in Medicare, education, protection for the environment, and by raising taxes on working people.

Five full months ago, I proposed an alternative plan to balance the budget in 10 years while protecting Medicare and Medicaid, increasing our investment in education and technology, protecting the environment without raising taxes on working families.

Since then, the Republican Congress has dismissed my proposal at every turn and has not met the deadlines established by law for setting this year's budget. The new federal fiscal year started back on October 1st. Now it's November 11th, Veterans Day, and still they haven't sent me a budget, even though the Republicans control both Houses of Congress. This is very unusual.

In my first two years, we passed budgets to reduce the deficit in a timely fashion. Also this year, the Republicans have not come close to resolving their own internal differences in their overall budget plan between measures passed in the House and the Senate. Back in 1993, we passed our deficit reduction plan three months earlier than this, in August. That plan has now given us three years of deficit reduction in a row for the first time since Mr. Truman was President. And the United States now has the lowest deficit as a percentage of our income of any industrial nation in the world except one. Let me say that again. We now have the lowest deficit as a percentage of our income of any industrial nation in the world except one.

Now, there have been times in our history when our budget process has run late before. I want to acknowledge that. But when that happens, the differing sides, regardless of party, usually agree to find a fair and unbiased way to keep the government going and to enable the United States to pay its bills, while the broader debate about budget priorities goes on.

That is what I worked out with Congress in September. They passed and I signed a simple, straightforward bill to keep the government running and to prevent America from going into default. That was the serious and responsible thing to do and I applauded them for doing it at the time. Last week, I met with the Republican congressional leadership to try to find a way, again, to keep our government open and to keep it from falling into default. As I told them then, we should balance the budget. But we cannot do it under a threat of government shutdown and default.

Instead of following the path of reconciliation, however, they have, once again, gone their own way. This week, they voted on an unprecedented measure. On Thursday night, as a part of their bill to keep the government going, both Houses voted a 25 percent increase in Medicare premiums for every single senior citizen on Medicare. That is an extraordinary act. No Congress in our history has ever demanded an increase in Medicare premiums as a condition of keeping the government open. That is wrong and I will not accept it.

And on this Veterans Day, they have a strange way of honoring all of those men and women who have sacrificed for our country. Eight million of the senior citizens and disabled Americans whose Medicare premiums would be raised by Congress are veterans; and they, too, deserve better.

The Republicans in Congress are also demanding deep cuts in education and the environment and a profound weakening of environmental laws as a condition of keeping the government open and our bills paid. And they have added conditions to the debt limit legislation that amount to a shortcut to default on the full faith and credit of the United States.

Think of it this way, my fellow Americans: Imagine the Republican Congress as a banker and the United States as a family that has to go to the bank for a short-term loan for a family emergency. The banker says to the family, "I'll give you the loan, but only if you'll throw the grandparents and the kids out of the house first."

Well, speaking on behalf of the family, I say, no thanks. I believe we can find a good-faith way to keep the government open and make good on its obligations. So I've asked my Chief of Staff, Leon Panetta, to meet with the Republican and the Democratic leaders of Congress this afternoon. I've instructed him to present them with the straightforward ideas to keep the government open, just like we did in September, and just as Congress has done dozens of times before. But I will not allow them to impose new, immediate cuts in Medicare, education and the environment as a condition of keep the government open.

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I believe we can resolve these differences without hurting the American people or our future. All around us we see evidence that America is on the move. Our economy is the envy of the world. The unemployment and inflation rates together are at a 25-year low, new businesses and exports of American products at an all-time high.

As I said, our deficit already is the smallest of any major economy in the world but one. Our government as a percentage of the work force is the smallest it's been since 1933. We're making a serious assault on our social problems, like crime. Now, our challenge is to balance our budget in a way that is consistent with our fundamental values, and to do it without threats and without partisan rancor. We can do that, so let's get it done.

Thank you for listening.

END 10:11 A.M. EST

THE WHITE HOUSE

Office of the Press Secretary

For Immediate Release November 13, 1995

REMARKS BY THE PRESIDENT IN SIGNING VETO LEGISLATION

The Oval Office

8:26 A.M. EST

THE PRESIDENT: Good morning. Today I am vetoing HR 2586, which the congressional leadership sent to me last night. It would allow the United States to pay its debts for another month, but only at a price too high for the American people to pay. Here are the reasons why.

First, the bill actually increases the likelihood of a default on America's obligations for the first time in our history by taking away from the Secretary of the Treasury the tools he now has to avoid default under extraordinary circumstances.

Second, the bill obligates the government -- Congress and the President -- to pass the Republican congressional budget plan with its huge cuts in Medicare and Medicaid, education and technology, the environment, and its tax increases on working families.

Third, the bill implements the Republican congressional proposal to reverse a 30-year bipartisan commitment to environmental protection and public health. It would increase pollution and decrease the purity and safety of our air, water and food.

This legislation is part of an overall back-door effort by the congressional Republicans to impose their priorities on our nation. Here is what is really going on.

Last spring Speaker Gingrich said he and his new Republican congressional majority would force me, the congressional Democrats and the American people to accept their budget and their Contract by bringing about a crisis in the fall, by shutting down the government and pushing America into default, unless I accepted their extreme proposals. In this way, the congressional Republicans sought to get around the United States Constitution which gives the President the power to veto measures not in the public interest.

They are now implementing the strategy Speaker Gingrich told us about last spring. And because I refuse to go along with it they say I am refusing with them to solve these short-term problems.

When the time came for the Republicans to announce their balanced budget plan, I said I supported a balanced budget. I said I agreed with balancing the budget, but I did not agree with the way they proposed to do it. So I offered an alternative plan, and I offered then to work with them. I offered it repeatedly, beginning five months ago. They dismissed my offer, and said at every turn that I would simply have to accept their budget conditions. That is what this legislation says again today.

When the time came for them to pass their own budget, however, they did not do their work. It is now six full weeks into the new budget year, and they have passed only three of the required 13 budget bills. Furthermore, they have not yet resolved the differences between the Republican House and Senate versions of the balanced budget. Instead, they propose to attach element of a budget plan and their Contract to essential bills to raise the debt ceiling so that America can meet its obligations and to keep the government running until they do finish their budget work and a proper budget is passed. Their goal is to force me to sign legislation which I know to be harmful to our nation and to its future, or to veto the legislation, also with harmful consequences.

This is a critical moment of decision for our country. But the issue is not whether we will balance the budget, and not whether I will work with them to solve this short-term problem. I do want to balance the budget. Remember that in 1993 when I took office, we had a huge deficit that was growing larger. Congress passed my economic plan, and since then we have reduced our deficit three years in a row for the first time in nearly 50 years. Today, only one industrialized nation has a lower deficit than the United States. We have also reduced the size of the federal government dramatically, so that, today, as a percentage of the civilian work force, our federal government is the smallest it has been since 1933. The American economy has done well since 1993, since this budget plan was passed, as everyone knows.

The balanced budget plan that I have proposed would finish the job. It would eliminate the deficit in a way that strengthens our economy, and most important, reinforces our most important values -- our responsibility to our parents and to our children, to provide opportunity to all Americans to make the most of their own lives through education and technology, to strengthen our families, to preserve our environment, to keep America the world's strongest force for freedom and democracy, for peace and prosperity.

So that is the issue here. I believe we must pass a budget that is consistent with our values and our interests. I have said for months that I will not sign a budget that violates these values and undermines our economic interests.

This bill I veto today is a big down payment on that Republican congressional budget. It is not good for America.

Our country has to choose between two very different options, two very different visions and paths to the 21st century. Throughout our history, our nation has been able to reach important decisions on matters like this about national priorities through proper channels of deliberation and debate as set out in our Constitution. This year the Republican Congress has failed to pass most of its spending bills, has not yet passed its overall budget plan, but instead has sought to impose some of its most objectionable proposals on the American people by attaching them to bills to raise the debt limit and to keep the government running.

Now, the appropriate step for Congress to take would be to authorize America to meet its obligations and to pass temporary legislation to keep the government running while this overall budget battle is taking place. This has been the course of action taken at other moments in history when Congress failed to meet its budget deadlines. That is exactly what we did just last September when the Congress did pass and I signed legislation to keep the government running.

Our agreement in September was fair. It was unbiased. It kept the government going, able to pay its bills and meet its obligations. That agreement was an honorable compromise. In recent days, Congress has chosen the path of confrontation. It is not in the national interest, but it is exactly what they said they would do last April.

They have attached these controversial long-range proposals to emergency legislation not only to meet our financial obligations, but just to keep the government running. In the bill to keep the government running they voted to raise Medicare premiums by 25 percent for every single senior citizen who uses Medicare -- $264 a year for the typical couple, beginning the first of January. They voted to roll back three decades of environmental laws. Now they voted to put the United States in the path to default.

This is an unacceptable choice. Congress has said it will pass emergency legislation to keep the government going and paying its bills only if we increase Medicare, cut education, cut the environment, take other unacceptable steps.

I know the American people want us to balance the budget, with common sense and without bitterness; to drop the extreme proposals and get to work. Congress should take the sensible step of passing the legislation necessary to keep the government and to have America meet its financial obligations. Therefore, today, I am transmitting legislation to Congress that would enable the government to pay its bills without forcing the acceptance of extreme cuts in Medicare, education and the environment. This legislation would enable us to have a fair debate on our country's direction without rancor or threats. Congress should pass it without delay. This is not the time or the place for them to back-door their budget proposals. It is not the right thing to do. I cannot, and I will not, accept it.

Q What happens now? Is the government going to shut down? Will we default on our bills?

THE PRESIDENT: That's up to the Congress. That is entirely up to them. I am certainly willing to work with the bipartisan leadership of the

Congress to resolve this problem, but it is important that the American people have a forthright debate over this budget in the ordinary constitutional way. That is important. It is critically important that the President not permit this budget to be passed in a back-door way, because we have to keep the government running, because we have to meet our financial obligations.

This budget is a dramatic, even a radical, departure from the deliberate, disciplined, and I might add, highly successful plan that this administration has pursued over the last two years. It is also an dramatic and unacceptable departure from the appropriate way of doing business in this government. America does not react well to this kind of pressure.

Q Mr. President, Speaker Gingrich yesterday appeared to offer what may be an olive branch when he said that everything was on the table if you would just agree to sit down and talk and agree in principle to a balanced budget in seven years. Is that possible? Could you do that? And why not?

THE PRESIDENT: I cannot agree in principle -- we had a discussion in here the other day, I did with the Speaker and Senator Dole, I would remind you, about the budget and other things. We can have any discussion we want on the budget. But I will not agree as a matter of principle to any discussion in which they say, we want to raise Medicare premiums by 25 percent in a bill designed to keep the government running, or that we want to do it in a bill designed to enable America to meet its financial obligations.

I have asked them to do only one thing. I have asked them to say forthrightly that they're willing to meet with me and the bipartisan congressional leadership in an atmosphere in which they can pass whatever bills they want to pass in the budget process, but they will not attempt to raise Medicare premiums just as the price of letting the government run for two more weeks or another month. I just don't -- I don't think that is right. I don't think the American people think that is right.

There is a procedure for passing budgets and for passing the budget plan. That is a procedure they have chosen not to follow. I don't know how many years, how many decades it's been since the Congress got six years into a new budget plan, having voted on only three of the 13 budget bills for the year. They have still not even met and resolved the differences between the House and the Senate balanced budget plans.

There is a procedure for dealing with this. Now, they have to resolve those differences. And it is time to get on the timetable. But avoiding that, they seek to tack on to measures necessary to simply go through the ordinary business of the government their budget, including a dramatic increase in Medicare premiums. All I have asked them to do is to say that they will not seek to increase Medicare premiums on this interim legislation to keep the government running, and

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that we will have this bipartisan meeting of the congressional leadership. And we will talk about everything if they do that. That is all I have asked them to do.

But America has never liked -- ordinary Americans don't like pressure tactics. And I would be wrong to permit these kind of pressure tactics to dramatically change the course of American life. I cannot do it and I will not do it.

Q Mr. President, what do you know about Riyadh?

THE PRESIDENT: At this moment, I know very little more than you do. I know that Americans were killed in an explosion. We have expressed our condolences and deep regret to the families of those who were killed, and we have already begun the process of determining what happened and who, if anyone, was responsible if it was not an accident. And we will devote an enormous effort to that.

Q Were they all Americans? Were they all Americans?

Q Secretary Rubin, what are you going to do to prevent default now?

SECRETARY RUBIN: We'll talk about that later.

THE PRESS: Thank you.

END 8:39 A.M. EST

SEVEN-YEAR BALANCED-BUDGET PROPOSAL

(Seven-year budget savings in billions; negative numbers indicate deficit increase)

	Comparison of Balanced-Budget Proposals			
	Administration Balance In Nine Years	Administration Balance In Seven Years	Coalition	Conference
Net Savings Target	324	465	812	812
Policies				
Discretionary	186	250	361	440
Medicare and Health Reform _/	98	98	168	270
Medicaid	54	54	85	163
Welfare Reform	38	46	47	107
Student Loan	6	3	---	5
Agriculture	4	5	5	12
Civilian Retirement	---	2	11	10
Veterans	9	4	5	7
Spectrum Auction	14	28	21	15
Other Mandatory	(14)	9	15	0
Corporate Subsidies, Loopholes & Compliance	25	28	29	26
Tax Cut and Other Revenue Provisions	(98)	(98)	0	(253)
BLS Methodology Improvements	0	32	0	0
CPI	0	0	103	0
Budget Deficit in 2002	N.A.	(2)	(1)	(4)

_/ Administration includes 129 Medicare savings, 5 Medicare enhancements, and 26 other health reform initiatives.

Overview

The President's plan to balance the budget over 7 years, like his other economic policies, is designed to address the key economic question facing the nation: how to raise average living standards for the future. The plan builds on the President's earlier success in cutting the deficit, invests in education and training and other priorities, protects such vital programs as Medicare, Medicaid, and cuts taxes for middle-income Americans.

- The plan cuts discretionary spending by $250 billion, but still invests more in education and training, the environment, science and technology, and other priorities that will help raise living standards and the quality of life for average Americans.

- The plan makes $98 billion in net savings in Medicare and $54 billion in Medicaid, but finds resources to reform the group health benefits market in order to preserve and protect coverage for working Americans. For Medicare, the plan ensures the solvency of the Part A trust fund for 10 years while expanding choice for beneficiaries. For Medicaid, it continues the guarantee of coverage for low-income families, children, the elderly, and individuals with disabilities.

- While saving $46 billion in low-income entitlement programs, the plan targets support to the neediest, maintains the national nutritional safety net, and protects poor children. It also includes incentives to move people from welfare to work, such as by continuing the expansion of the Earned Income Tax Credit (EITC)

- For student loans, the plan gives schools "free choice" to participate in either of the two Federal student loan programs, while saving $3 billion by cutting payments and subsidies to lenders, guaranty agencies, secondary markets and postsecondary institutions, and cutting federal administrative funds.

- For agriculture, the plan saves $5 billion while preserving the essential safety net of farm programs. It also includes key reforms to ensure that farmers can adapt to rapidly changing markets.

- The plan cuts taxes by a net $98 billion for middle-income Americans, giving them the tools they need to help them raise their children, save for the future, and pay for postsecondary education.

- The plan calls for raising the minimum wage, one of several important steps to improve the living standards of low-skilled, low-income workers, and a necessary one to make work pay -- if we are to truly reform the welfare system.

Among its other provisions, the plan calls for raising $28 billion by auctioning off spectrum; protecting pensions for poor veterans, compensation for service-connected disabled veterans, and other veterans' entitlements; making small changes in federal employee compensation; and accounts for a change that the Bureau of Labor Statistics is expected to make in the consumer price index (CPI) in January 1997.

Discretionary Spending: Investing in Our Future

The President's plan cuts discretionary spending by $250 billion over 7 years, while still finding the funds to invest more in education and training, the environment, science and technology, and other priorities to help raise average living standards and the quality of American life.

For non-investment programs, too, the President's plan makes choices. It limits cuts in the most important non-investment programs by eliminating others and applying recommendations of the National Performance Review on cutting red tape and bureaucracy. By contrast, Republicans are cutting discretionary spending across-the-board, even programs in which we should be investing more, not less.

Nothing is more important to future living standards than education and training. The workers of today and tomorrow will need the best education and skills they can get to acquire high-wage jobs in the new global economy. The President proposes a broad agenda of life-long learning. Over the next 7 years, the plan calls for $66 billion more than the Republican budget for education and training.

The President's plan boosts funding for Head Start enough to reach another 50,000 children by 2002 -- for a total of 800,000 per year -- and improve quality. The plan expands AmeriCorps, his national service program, enabling 325,000 young Americans to serve their communities and earn scholarships for higher education by 2002. It increases funds for Goals 2000 to help all States and school systems extend high academic standards, better teaching, and better learning to 44 million children in over 85,000 schools. It also increases funding for Pell Grants to cover more recipients and increase the maximum scholarship from $2,340 to $3,128 in 2002.

The plan protects the environment. It consolidates the Clean Water and Safe Drinking Water State Revolving Funds, giving States more flexibility to meet local priorities. It also increases funding for the operating program of the Environmental Protection Agency -- the backbone of our efforts to protect the environment; these funds address global climate change, promote the development and export of environmental technology, and protect sensitive ecosystems.

The plan also invests in science and technology, through a balanced mix of basic research, applied research, and technology development, much of it through cooperative projects with private industry. It adds funds for biomedical and behavioral research at the National Institutes of Health, for basic research and education at the National Science Foundation, for basic research at NASA (including Mission to Planet Earth), and for such important initiatives as the Advanced Technology Program and the Technology Reinvestment Project.

Medicare: Expanding Choice, Improving Quality

Medicare provides health care benefits to 37 million elderly and Americans with disabilities. The President's balanced budget plan maintains the 30-year national commitment to this program and makes it more efficient. It saves $124 billion in Medicare over the next 7 years, and would assure the fiscal integrity of the Part A Trust Fund through fiscal 2011. In addition, the President's health care initiative includes about $25 billion in new initiatives, such as grants to states for health insurance for the unemployed. Thus, combined with this new spending, the net savings are $98 billion.

The President's proposal provides:

- **Continued Expansion of Choice of Plans Under Medicare:** The President's plan increases choices of alternative health plans and delivery systems for beneficiaries. It provides beneficiaries with information about the providers and health plan choices available in their area, and improves the process of enrolling in health plans. The plan also improves Medicare's method for paying health plans and delivery systems, and fosters improved quality of care by health plans. Finally, the plan will enhance choice and portability through Medigap reforms.

- **A More Cost-Effective Medicare Program:** The $124 billion in savings is based on sound, responsible reforms. They would make the program more efficient, protect the Part A Trust Fund, and keep the Part B premium at the traditional 25 percent of program costs, as extended by Congress several times since 1982. The plan provides for payment reductions to hospitals, physicians, and other providers in a way that ensures that high quality health care providers will continue to serve Medicare beneficiaries.

- **An Improved Medicare Program:** The President's plan improves the program by investing a moderate increase in resources to expand cost-effective preventive programs (e.g., by waiving cost-sharing for mammography services) and establishing a respite care benefit for families of victims of Alzheimer's Disease. The President's plan also redirects funding to academic health centers and increases funding for rural hospitals.

- **Increased Protections Against Fraud and Abuse:** The President's plan would protect Medicare from fraudulent activities by giving law enforcement officials additional authorities and resources to investigate, prosecute, and sanction those who defraud the program; ensuring an adequate and dependable source of funds to support program integrity activities; and changing reimbursement policies that inadvertently contribute to abuse and fraud.

Health Reform: Protecting Working Americans

Most working Americans get their health care insurance coverage through their employer, but the security of that coverage often depends on economic conditions and insurance rules that can exclude coverage for some people. There is strong, bipartisan support for reform of the group health benefits market to preserve and protect the coverage of working Americans.

The President's plan includes insurance reforms, along with measures to protect workers when they move from job to job or from work to unemployment and back to work.

The following are highlights:

- Increased portability of coverage;

- A limit on coverage exclusions for pre-existing medical conditions;

- Assistance to States to establish purchasing cooperatives to make insurance affordable for small businesses (including access to plans in the Federal Employees' Health Benefits Program);

- Expansion of the tax deduction for the self-employed; and

- Assistance to States to cover temporarily uninsured workers and their families.

Administrative Simplification, Privacy of Medical Records

The nation's health care system includes a huge amount of red tape and paperwork that often interferes with providing care to patients. The President remains committed to reducing these burdens. The plan adopts standards to simplify the use of electronic health information transactions and shared data systems. It also develops new, strong federal standards to ensure the privacy of individual medical records.

Long-Term Care

Frail elderly Americans and younger persons with disabilities frequently need home and community-based long-term care to help them carry out the routine activities of daily life. The plan improves access to such services in the following ways:

- **Home and Community-Based Care:** The plan establishes a new grant program to states, providing funding for home and community-based care and personal assistance services for individuals of all ages with disabilities.

- **Respite Care:** The plan makes family members of persons with Alzheimer's disease eligible for up to 32 hours of respite care each year under a new Medicare benefit.

Medicaid: Preserving Coverage

Medicaid provides acute and long-term health care services to 36 million low-income women, children, families, older Americans, and individuals with disabilities. Nearly half of Medicaid beneficiaries are children, but about two-thirds of Medicaid expenditures are for care for the elderly and individuals with disabilities.

The President's proposal maintains the 30-year collaboration with the States to provide health services to low-income families, children, the elderly, and individuals with disabilities, while making Medicaid more effective and efficient. It would reduce Federal Medicaid spending by $54 billion over seven years.

Key elements of the President's Medicaid proposal are:

• **Guarantee of Coverage is Preserved:** People now eligible for Medicaid services retain their federal guarantee of health care coverage.

• **Cost Effectiveness:** To limit the growth in federal Medicaid spending, the plan establishes a per capita limit to constrain the rate of increase in federal matching payments per beneficiary. The limits maintain the federal financial commitment to states in the event of an economic downturn that requires states to add beneficiaries. The plan gradually tightens federal payments for disproportionate share hospitals and gives states the flexibility to target these payments to a broader range of providers, including Federally Qualified Health Centers (FQHCs) and Rural Health Centers (RHCs). Also, the plan gives additional federal funds to the 10 states with institutions that provide a disproportionate amount of uncompensated care, and the 15 states with a disproportionate number of undocumented immigrants.

• **Increased State Flexibility:** The plan gives states greater flexibility to change how they deliver and pay for Medicaid services, so they can reduce costs, not coverage. For example, it repeals the Boren Amendment. It also permits states to require enrollment in a choice of certain types of managed care plans or provide home and community-based care at their option, without a federal waiver.

• **Quality Protection:** The plan maintains existing Federal standards for nursing homes and institutions for people with mental retardation and developmental disabilities.

• **Financial Protection:** The plan retains protections against impoverishment for spouses of nursing home residents, and retains the guarantee that Medicaid pays for the Medicare premiums and cost-sharing for the poor elderly.

Welfare Reform: Encouraging Work and Responsibility

For low-income entitlement programs, the President targets support to the neediest, maintains the national nutrition safety net, and protects poor children. His proposals save $46 billion over 7 years. The Republicans cut $107 billion over 7 years, shredding the social safety net, underfunding child care, and putting millions of children at risk.

• For cash assistance and social services programs, the President's plan saves $9 billion over 7 years by continuing State-by-State reforms to encourage recipients to move from welfare to work, tightening eligibility for Supplemental Security Income (SSI) for disabled children coming on the rolls, and ending SSI eligibility due to drug addiction or alcoholism.

By contrast, Republicans in Congress cut funding for cash assistance by $20 billion over 7 years, weaken State contribution requirements, and impose work mandates on States without adequately funding child care and work requirements. Republicans also eliminate SSI benefits for at least 160,000 disabled children on the rolls and cut benefits by 25 percent for most of the severely disabled children coming on the rolls in the future. In 2002, as many as 750,000 children would face cuts in their benefits.

• For food assistance, the President maintains the national nutrition safety net programs while cutting mandatory spending by $23 billion over 7 years.

Republicans eliminate the national nutrition safety net, slashing spending $35 billion over 7 years by capping and cutting Food Stamps and cutting child nutrition programs. An optional Food Stamps block grant ends the federal commitment to minimal nutrition support. In child nutrition, Republicans mandate new administrative burdens for States and threaten national standards.

• The President continues the expansion of the Earned Income Tax Credit (EITC) for the working poor, saves $3 billion over 7 years by improving error and fraud control, and ensures that illegal aliens not authorized to work in the U.S. do not receive the EITC.

Republicans cut the EITC by about $32 billion, raising taxes on 12.6 million families by an average of $332 per family in 1996.

• For benefits to immigrants, the President's plan saves $11 billion over 7 years by tightening sponsorship and eligibility rules for non-citizens, especially for SSI, thus forcing sponsors of legal immigrants to bear greater responsibility for those they encourage to come to the U.S. The plan preserves eligibility for Medicaid.

Republicans cut $21 billion over 7 years (plus as much as $4 billion for Medicaid) by denying assistance to immigrants, including those who become disabled after entering the country. Over 1 million legal immigrants now in the U.S. would lose SSI, Food Stamps, Aid to Families with Dependent Children (AFDC) or Medicaid benefits under the Republican plan.

Student Loans: Expanding Access to Education

The President's plan gives schools "free choice" to participate in either of the Federal student loan programs that best meets the needs of their students. Any school can elect direct lending or guaranteed lending.

Also, the President's plan saves $3 billion through cuts in payments and subsidies to lenders, guaranty agencies, secondary markets and post-secondary institutions, and cuts in Federal administrative funds. It establishes a competitive framework that requires all program participants to operate with greater efficiency.

The Republican plan virtually eliminates direct lending, in favor of the more costly, inefficient guaranteed loan program, by "capping" direct lending at 10 percent of total loan volume, terminating participation of 1,300 institutions of higher education, and denying access to direct loans to 2.5 million students in 1996 alone. The Republican plan makes it difficult for students to adjust loan repayment based on their ability to pay and to take community service jobs without fear of default.

In addition, the Republican plan cuts spending by $5 billion by reducing some subsidies to lenders, but also by reducing the Secretary's authority and resources to manage the loan programs. In addition, tax provisions in the Republican plan permit non-profit secondary markets to move the benefits of non-profit status into for-profit entities, generating a substantial windfall for them.

Lastly, to help banks and other intermediaries, the Republican Budget Resolution directs CBO to change scoring for this loan program only, raising the deficit by $5.9 billion. The President's plan deletes this directed scoring, eliminating the increase in the deficit.

Agriculture: Preserving the Farm Safety Net

The President's plan preserves the essential safety net of farm programs, and includes key reforms to ensure that farmers can adapt to rapidly changing markets. The plan gives producers much more planting flexibility, enabling them to plant for the market, not for government programs. It maintains spending for agricultural export programs to ensure that U.S. agriculture remains competitive in crucial export markets when facing subsidized competition. The plan enhances the Administration's commitment to a strong Conservation Reserve Program (CRP) by continuing to extend contracts of existing acres, authorizing new CRP enrollments, and targeting new enrollments to acres with higher environmental quality.

The President's plan cuts spending by $5 billion over 7 years by:

- providing planting flexibility and increasing the portion of farm acres ineligible for income-support from 15 to 21 percent;

- targeting payments to producers that earn less than $100,000 in off-farm income;

- terminating the honey program, and reforming the peanut and tobacco programs to operate at no net-cost to taxpayers; and

- eliminating payments under the Emergency Livestock Feeding program where crop insurance is available.

By contrast, the Republican plan eliminates the farm safety net by decoupling most payments from market conditions, providing windfall payments to producers when prices are high and no increase in payments to family farms when prices are low. Republicans reduce farm income and environmental benefits by blocking new CRP enrollments, permitting any acres to exit the CRP on short notice, and preventing permanent easements from being offered to farmers under the Wetlands Reserve Program. In addition, they reduce funds for export programs, potentially undermining recent record gains in U.S. agricultural exports -- the most promising market for future increases in U.S. farm income.

Federal Employees

The President's plan continues the delay, to April of each year through 2002, in paying federal retiree cost-of-living adjustments. The Omnibus Budget Reconciliation Act of 1993 had delayed the effective date for cost-of-living adjustments in Federal employee retirement benefits from January until April for fiscal 1994, 1995 and 1996. Republicans also proposed extending this policy in their reconciliation bill.

The President's plan modifies the pensions of Members of Congress and congressional staff to conform their contribution rates and benefit formulas to those of other federal employees. Under this provision -- identical to one in the Republican reconciliation bill -- the new rules apply to all service performed on or after January 1, 1996.

The President's plan ends the federal reimbursement to the U.S. Postal Service for workers' compensation costs associated with employees who were injured while employees of the Post Office Department. This provision, too, is identical to one in the Republican reconciliation bill.

The President's plan does not include the Republican reconciliation provisions that increase employee retirement contributions or agency contributions for employees under the Civil Service Retirement System (CSRS). Federal employees are already being asked to accept less than full pay raises in January; the Administration does not believe it would be fair to require employees to pay more for their retirement. In addition, the Administration does not believe agencies should have to divert much-needed resources from discretionary programs to pay more for the retirement costs of employees under CSRS.

Veterans: Honoring Our Commitment

The President's plan protects pensions for poor veterans, compensation for service-connected disabled veterans, and other veterans' entitlements, such as education and home loans. At the same time, the plan maintains responsible program management by extending policies to improve efficiency and ensure payment integrity that have already proved successful, and would otherwise expire.

The plan ensures that only veterans who are eligible for benefits receive them. It extends VA's authority to verify income eligibility data with the Internal Revenue Service and Social Security Administration. It mitigates the effects of a recent Supreme Court decision that dramatically increased the VA's liability to pay compensation for damages incurred in VA hospitals, even if the VA is not found to be at fault.

The President's plan also:

- allows VA to continue to collect modest fees from certain beneficiaries. For example, it extends VA's authority to collect a $2 prescription co-payment from veterans being treated for medical conditions unrelated to their military service.

- expedites the collection of money owed to the government. It improves the VA's ability to collect reimbursements for health care owed by third-party insurance companies. Further, it allows the government to collect delinquent loan debt more effectively.

- ensures consistency across federal benefit programs. Specifically, it provides annual cost-of-living adjustments for veterans' compensation that are in step with veterans' pensions and other federal entitlements, such as civilian and military retirement.

The President's plan saves $4.3 billion from veterans' programs over seven years. Republicans, by contrast, cut $6.7 billion. The Republican plan increases out-of-pocket expenses for certain beneficiaries and decreases benefit payments to others.

Spectrum: Protecting Taxypayers

The President's plan and the Republican reconciliation bill both propose the auction of non-broadcast spectrum by the Federal Communications Commission (FCC), generating $15.3 billion over seven years. The President also proposes an FCC auction of broadcast spectrum, raising another $13 billion in 2000-02.

This proposal codifies FCC plans to reclaim unneeded "analog" broadcast spectrum after broadcasters have migrated to a new digital channel that the FCC is giving them for free. The FCC has set aside this "digital" spectrum for the broadcasters to use in providing advanced TV services.

Broadcasters will get the new "digital" spectrum for free, allowing them to modernize their systems while retaining the ability to use this public resource for private use. We should not double their windfall, with no taxpayer benefit, by allowing broadcasters to retain the "analog" spectrum while getting the "digital" for free.

Auctions have been an extremely effective and profitable mechanism to allocate spectrum. To date, the FCC has raised $9 billion, and it estimates that the "analog" auction could raise up to $132 billion. Accordingly, the Administration's estimate of "analog" receipts is highly conservative.

Auctioning the "analog" spectrum will provide incentives to high-tech companies across the nation to begin developing new ways to utilize this spectrum resource and market new communications services. These new industries, in turn, will add thousands of good, high-tech jobs to the economy and enhance the U.S.'s competitive advantage in telecommunications technology over the rest of the world.

Corporate Subsidies: Eliminating Unwarranted Benefits

The President's plan saves $28 billion by eliminating unwarranted benefits received by corporations and other taxpayers through accounting manipulation or over-generous tax provisions. Examples include:

• **Accounting Manipulation**: Corporations lose the ability to borrow at tax-deductible cost against their own life insurance policies on their employees. They lose the ability to deduct the proceeds of redemptions of shares in other corporations. The plan reduces the corporate deduction for dividends received for firms owning under 20 percent of another firm's stock, and strengthens the minimum holding period for the deduction.

Corporations adjust the cost basis in stock acquired as the result of an involuntary conversion. Corporations can no longer avoid taxes in reorganizations by distributing preferred stock. Corporations that convert into "S" corporation status lose the ability to defer or avoid tax on gains on their assets.

In addition, all corporations lose deductions of interest incurred to hold tax-exempt bonds. Taxpayers lose their ability to choose inventory-accounting methods in a manner that cuts taxes unjustifiably. Corporations cannot construe securities they issue as debt rather than equity to deduct payments of dividends. The plan restricts the use of carry-backs of net operating losses of corporation, and tax-free exchanges of "like-kind" personal property.

• **Corporate Tax Shelters**: The plan broadens registration requirements for corporate tax shelters.

• **Foreign Tax Manipulation and Compliance**: The plan strengthens taxation of income from foreign securities transactions. It restricts manipulation of controlled foreign corporations that provide insurance-like arrangements for U.S. affiliates. It reforms the tax credit for corporations operating in U.S. possessions, and redirects the savings to more efficient uses for the U.S. possessions.

• **Specific Industry Loopholes and Compliance**: The plan imposes a diesel fuel excise tax on kerosene used as diesel fuel. It extends the oil spill liability trust fund excise tax through September 30, 2002. And it repeals the preferential percentage depletion tax benefit for non-fuel minerals mined on Federal lands.

The plan requires thrift institutions to account for bad debts in the same manner as banks. A "look-back" requirement will prevent unwarranted acceleration of deductions (and, thus, postponement of taxes) under the income forecast method used for motion picture films and similar property. Certain large corporate farms would lose the ability to defer paying tax on income put into a "suspense account" at the time of incorporation.

• **Tax Compliance**: Federal agencies will report payments for services of $600 or more made to corporations, to aid in tax compliance. For such reports already required of the private sector, the plan strengthens penalties for failure to report.

Taxes: Helping Middle-Income Americans

The President's plan cuts taxes for middle-income Americans, giving them the tools they need to help raise their living standards in the future. It helps them raise their children, save for the future, and pay for postsecondary education.

By contrast, the Republican reconciliation bill provides a huge tax cut whose benefits flow disproportionately to those who are already the most well-off, and offers new tax breaks to special interests. At the same time, it raises taxes on millions of working families by slashing the Earned Income Tax Credit (EITC). The plan also creates new fiscal pressures, with revenue losses exploding after 2002 for provisions that primarily benefit upper-income taxpayers.

The President's plan includes the following elements:

- To help families raising children, the President proposes a tax credit of up to $500 for each child under age 13. The credit starts at $300 per child through 1998, and increases to $500 in 1999. It is phased out between incomes of $65,000 and $75,000 per year.

- To help families meet the costs of education beyond high school, the President proposes a deduction for post-secondary tuition and fees of up to $10,000 per year. The deduction begins at $5,000 in 1996, rising to $10,000 in 1999. It is phased out at incomes between $100,000 and $120,000 per year for married couples ($70,000 and $90,000 for other taxpayers).

- To help families save, the President proposes to expand Individual Retirement Accounts. Income limits would double; couples with incomes up to $80,000 (and single persons with incomes of $50,000) could make fully deductible contributions. The President would allow penalty-free withdrawals for catastrophic medical expenses (including for parents and grandparents), higher education costs, the purchase of a first home, and unemployment. The President proposes a new back-loaded IRA; contributions are not tax deductible, but withdrawals after five years are tax free.

The Republican plan gives over 47 percent of its benefits to families with incomes over $100,000 -- the top 12 percent. By making capital gains cuts retroactive to January 1, 1995, it gives a $13 billion windfall in about the first 9 months of 1995 alone to taxpayers who already have sold their assets. It cuts the corporate alternative minimum tax (AMT), so that it no longer adequately ensure that profitable corporations pay at least some federal tax. And it encourages businesses to avoid taxes by stockpiling foreign earnings in tax havens. The plan also lacks an important provision in the President's plan to close a loophole that allows wealthy Americans to avoid taxes by giving up their U.S. citizenship.

The Minimum Wage: Providing a Living Wage

The President's plan to raise the minimum wage is among several important steps to improve the living standards of low-skilled, low-income workers, and a necessary one to make work pay -- if we are to truly reform the welfare system. As everyone agrees, work is better than welfare. The President's plan gives Americans the opportunity to lift themselves and their families out of poverty.

The plan raises the minimum wage from the current $4.25 in two 45-cent steps -- to $4.70 next July 1 and to $5.15 on July 1, 1997. This is the same plan that the President sent Congress last February, except for a change in effective dates, and is modeled on the last increase to the minimum wage, which passed Congress with broad bipartisan majorities and was signed by President Bush in 1989.

If Congress does not act now, the minimum wage will fall, in real terms, to its lowest level in 40 years. Such a result would dishonor one of the great promises of American life -- that everyone who works hard can earn a living wage. Under the President's plan, over 11 million workers benefit, with a full-time, year-round worker getting a $1,800 raise -- the equivalent of 7 months of groceries for the average family.

A rise in the minimum wage helps families that are working hard but struggling to make ends meet. Most workers who earn the minimum wage are adults, and the average minimum wage worker brought home over half of his or her family's earnings. A minimum wage increase of the magnitude of the President's proposal would not reduce employment levels, according to numerous studies. What it would do is ensure that those who work hard and play by the rules can live with the dignity they have earned.

Other Proposals

Continuing Resolution

The President proposes a simple extension of the current Continuing Resolution until January 26, 1996.

Debt Limit

The President's plan includes an increase in the debt ceiling to $5.5 trillion, which will provide sufficient authority for the Treasury Department to meet government obligations through the end of fiscal 1997.

Budget Process

The President's seven-year balanced budget path is based on OMB economic and technical assumptions. These assumptions reflect our best information and judgment about how the economy will perform over the next seven years, and are somewhat more conservative than those of private forecasters. The Administration expects that this agreement to balance the budget over seven years, as have recent deficit-reduction agreements, will include appropriate enforcement mechanisms to ensure that we reach balance in 7 years.

In addition, the President's plan proposes that the President be given line-item veto authority. As budgets grow tighter, it is increasingly important that the President have the power to eliminate wasteful spending and tax provisions -- and critical that this power apply to all years of an agreement, including fiscal 1996 spending and tax legislation. The Administration wants to work with Congress to resolve any remaining details and concerns pertaining to this important matter.

TALKING POINTS ON TIME FRAME FOR BALANCING THE BUDGET

October 23, 1995

BACKGROUND

The President has continually reached out his hand to Republicans to work together on a common ground balanced budget.

Last week, the President did not say he would simply move to a seven-year time period. He did say that if the Republicans leadership moves to common ground on the fundamental issues of health care, education and children, the environment, and tax fairness, he would then be willing to work with them on balancing the budget over seven years.

The President has also made clear that unless the Republicans move closer to mainstream economic forecasters, it will not be possible to balance the budget in seven years. Below are suggested talking points.

TALKING POINTS

- **Policy Should Dictate The Time Frame, And Not Vice-versa.** We have always said that policy should drive the date and not the other way around. We are not shifting by saying that we could agree to seven years, but we are saying that this is an area of math not policy principle, and that only if they can meet our policy principles can we start talking about the time frame.

- **President Stands Firm On His Principles.** The President is not willing to compromise on his basic policy principles -- health care for the elderly, disabled and children; education, the environment and tax fairness -- he is willing to negotiate on time if and only if Republican leadership is willing to satisfy those policy goals.

Budget

TALKING POINTS ON 1993 DEFICIT REDUCTION PLAN

October 23, 1995

The President Has Consistently Made Clear That He Is Proud Of His 1993 Budget And That He And Democrats In The Congress Did The Right Thing In Passing It. The President Is Proud Of The Democrats That Stood By Him.

The President's plan helped cut the deficit nearly in half, while leading to better job growth (7.5 million new jobs) than any Republican Administration since the 1920's.

- **Tax Fairness.** The President's 1993 plan cut taxes for 15 million working families while raising income tax rates on only the top 1.2%. Now, the Republicans are calling for $148 billion in "hidden taxes" on working families -- including a $43 billion tax on 17 million working families, new Medicare premium increases, and a new student loan tax -- while giving a huge tax cut that favors the well-off.

- **Republican Plan Increases Taxes For Millions Of Working Families.** The *Wall Street Journal* has reported that the revised Joint Tax Committee report shows that the bottom 51% of taxpayers would, as a group, pay higher taxes.

- **Republicans Could Not Balance The Budget Without The 1993 Clinton Budget**. Prior to the 1993 deficit reduction plan -- which every Republican opposed -- the deficit was projected to be over $300 billion in FY1995. Because of the Clinton deficit reduction plan, the deficit is now down to $160 billion.

- **If The Republican Majority Still Opposes The 1993 Deficit Reduction Plan, They Could Seek to Repeal It.** Instead, they have built their plan to balance the budget on top of the 1993 Clinton plan. Without the Clinton 1993 deficit reduction plan, the Republican balanced budget plan would have a hole the size of the Grand Canyon.

REPUBLICANS BREAK CONTRACT: MEDICARE CUTS FOR SENIORS AND TAX HIKES FOR WORKING FAMILIES TO PAY FOR TAX CUTS FOR THE WEALTHY

Republicans have repeatedly promised that they could provide a huge tax cut targeted at the wealthy, balance the budget by 2002--and not hurt the elderly or raise taxes on working families. Their budgets show that these were false promises. Republicans have broken their contract with historically severe cuts in Medicare and tax hikes for working families in order to finance their tax break for the wealthy.

REPUBLICANS ARE MAKING THE LARGEST MEDICARE CUT IN HISTORY TO PAY FOR THEIR TAX CUT AND CAMPAIGN PROMISES. On April 28, Speaker Gingrich said that Medicare would not be a part of the Republican budget cuts. He could not have been more wrong. Medicare takes **the largest single cut** in the Republican budget. By their accounting, nearly **25** cents out of every dollar that Republicans cut is from Medicare. The cut is **three times larger** than the largest previous Medicare cut in history.

THEIR MEDICARE CUT IS ABOUT PAYING FOR TAX CUTS AND HITTING ARBITRARY DEFICIT TARGETS--NOT ABOUT THE ECONOMY OR HEALTH CARE REFORM. The proposed Medicare cuts of $250 billion to $300 billion are needed to make room for most--but not all--of a $345 billion tax cut that provides a tax break of over $20,000 for the wealthiest 1 percent. Speaker Gingrich and Majority Leader Dole have rejected the White House's call to renounce tax breaks for the wealthy; instead, Speaker Gingrich calls the Contract tax cuts his "crown jewel," while Senate Majority Leader Dole and Senator Gramm have insisted they will make room for the tax cut. However the tax cuts are officially paid for, the fact remains that the **entire Medicare cut would be totally unnecessary if Republicans did not need to pay for their tax cuts.**

WHEN IT COMES TO HEALTH CARE, REPUBLICANS SINGLE OUT SENIORS FOR PAIN CUTTING GROWTH PER PERSON IN THEIR MEDICARE BELOW GROWTH IN PRIVATE HEALTH CARE. Republicans claim that they are just slowing the "exploding" rate of growth in Medicare. In fact, the cost *per person* in Medicare is about the same as the private sector, even though Medicare deals with a population more prone to have health problems. The Republican approach ignores health care costs generally, and simply cuts the average growth rate for a Medicare recipient far below that for other Americans not on Medicare. *Medicare was designed to provide health insurance for senior citizens, not get turned into a second-class citizen program in order to meet arbitrary campaign promises.*

BY 2002, REPUBLICAN CUTS WOULD INCREASE OUT-OF-POCKET COSTS BY ABOUT $900 A YEAR AND DEVASTATE RURAL HOSPITALS. If cuts are distributed evenly between providers and beneficiaries, they represent about a $900 increase in out-of-pocket costs per beneficiary per year. That is equivalent to eliminating 40%-50% of the Social Security cost-of-living allowances for each Medicare beneficiary between now and 2002. As reimbursement rates decline, many rural hospitals that rely on Medicare would have to close down.

REPUBLICAN MEDICAID CUTS WOULD DRASTICALLY RAISE LONG-TERM CARE COSTS FOR WORKING FAMILIES. If the Republican cuts were divided evenly among eliminating eligibility for elderly and disabled beneficiaries, eliminating eligibility for children, cutting services, and cutting provider payments, **they would force states to cut off coverage for 5 to 7 million children and 800,000 to 1 million elderly and disabled Americans.** The House and Senate budgets include a $160 billion cut in Medicaid. They would limit growth to 4% per year--even though Medicaid's beneficiary growth alone is nearly that high. As a result, millions of Americans will be cut off while the costs of long-term care drastically increase. Two-thirds of Medicaid funds are spent on services for elderly and disabled Americans; without Medicaid, working families with a parent or spouse who needs long-term care would face nursing home bills averaging $38,000 per year.

REPUBLICAN MANAGED CARE PROPOSALS WILL NOT LEAD TO SIGNIFICANT SAVINGS UNLESS THEY CUT BENEFITS AND COERCE SENIORS. There is no evidence that simply shifting to managed care can achieve significant savings among the populations that Medicare and Medicaid overwhelmingly serve--the elderly and disabled. Republican voucher proposals would overspend on younger, healthier seniors, while achieving limited savings only by dramatically raising costs, cutting benefits, and limiting choice for the seniors who need Medicare and Medicaid most.

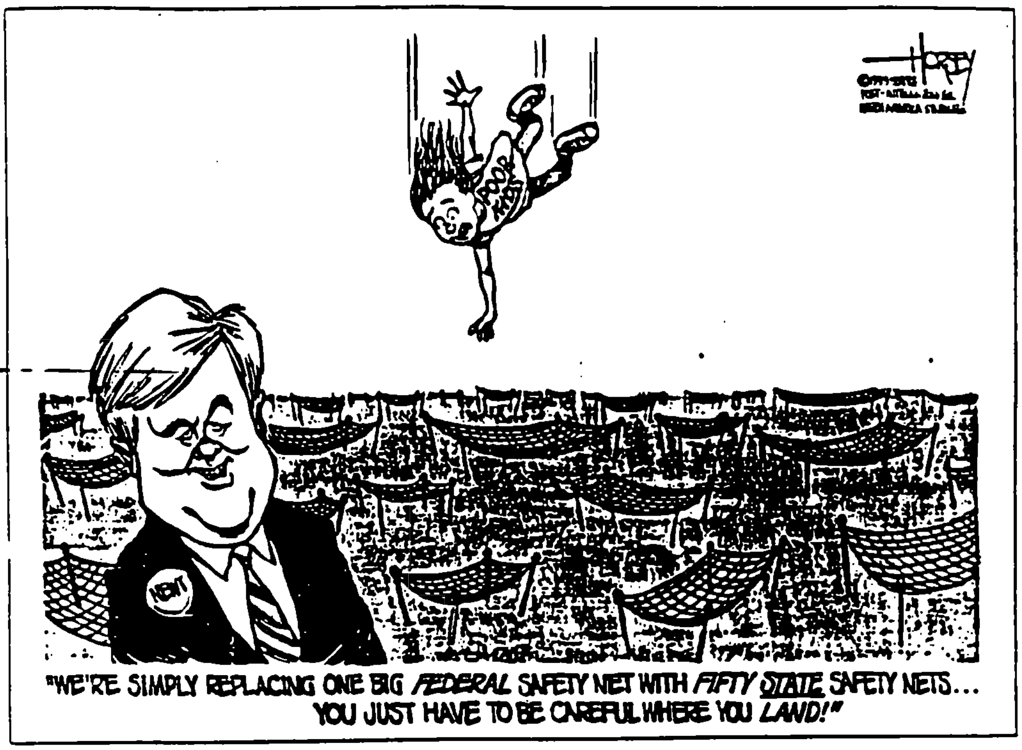
WHILE CUTTING TAXES FOR THE WEALTHY, REPUBLICANS ALSO RAISE TAXES FOR 12 MILLION LOW-INCOME WORKERS AND THEIR FAMILIES BY SLASHING THE EARNED INCOME TAX CREDIT. The EITC helps families move from welfare to work and makes work pay for hard-working, lower-income Americans, providing a tax cut averaging nearly $1,400 per year for over 21 million workers and their families earning up to $28,500. Senate Republicans have proposed a major cut in the EITC that will raise taxes by an average of $235 for 12 million of these workers and their families. Thus, 12 million low-income working families will pay $235 more under the Republican budget, while the top 1% will pay $20,000 less under the Contract's tax cuts.

HOUSE BLOCK GRANTS = PERMANENT & IMMORAL NATIONAL CHILD NEGLECT

Shredding of Federal Safety Net for Poor, Neglected, Abused and Disabled Children is a Nation Defining Moral and Political Choice

EMBARGOED

3/28, 9:00 a.m.



A Brief Entitlement Primer

THE BLACK COMMUNITY CRUSADE FOR CHILDREN

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

Children's Defense Fund

25 E Street, NW
Washington, DC 20001
Telephone 202 628 8787

301-608-2401

There appears to be no moral line House leaders will not cross in their reckless rush to reinvent American social policy and values.

Under the guise of welfare reform, House Republican leaders would permanently tear up the 60-year old federal safety net for poor, disabled, abused, and hungry children and replace it with a policy of national child neglect. If they succeed, millions more children will be left behind and be denied a Healthy Start, a Head Start, a Fair Start, and a Safe Start in order to pay for tax breaks for rich corporations and individuals.

Whether our nation will affirm caring and fairness or callousness and neglect for all American children is a nation defining political and moral choice. While we abhor the fact that 67% of the $17 billion in budget rescissions House leaders have passed fall on children and that a massive $46 billion in budget cuts to finance tax breaks for the rich fall on children, these unfair assaults pale in comparison to the proposed **permanent dismantlement** of children's entitlement to AFDC if they are poor, school lunches and other nutritional programs if they are hungry; child care if their parents need to work and get off welfare; and assured foster care and adoption subsidies if they are abused or neglected.

H.R.4, the Personal Responsibility Act passed by the House of Representatives, would destroy the national foundation of guaranteed support for children and leave millions more children poor, hungry, and unsafe.

When a child is being abused or neglected, she needs to be helped now -- not placed on a city or state waiting list.

When a child is hungry, he needs to be fed -- in Mississippi as well as Massachusetts -- now. He doesn't need to be told there is no money left for school lunches or summer meals because the Congress decided he was no longer entitled to food.

When a parent loses a job and has to go on welfare to keep the family from being put out on the street, the last thing they want to hear is we can't help you because there is no money left.

When a disabled child is born into a poor or middle class family who want to keep him at home rather than place him in an institution, they should not be told their nation has taken away and will not ensure cash assistance to help them do that.

When a recession or natural disaster hits and you find you have lost everything, you do not want your chance to get immediate relief to depend on the wealth and willingness of your local and state government to provide it. You want it assured, regardless of where you live.

2 yrs. AFDC — What happens to these children? / How will it affect the children

When a child is sick and poor and has no health insurance, immediate access to health care is crucial and ought to be available for every child wherever they live.

What is an entitlement?

An entitlement is assured help -- an unbreakable promise the federal government makes to its poor and disabled children, its elderly, and its citizens wherever they live in times of need if they meet certain eligibility requirements. Entitlement programs ensure that eligible children in need can be served and that help is available when recessions and natural disasters hit. Proposed block grants to states would take away this assurance, and either tie the hands of states during recession or disasters or leave state and local taxpayers to pick up the tab.

what we are switching to is if you are hungry we will not feed you

Programs Losing Entitlement Status	**Dollars Lost Over 5 Years**	**Children Losing Benefits in the Year 2000**
Cash Assistance to Poor Families (AFDC)	$ 7.2 billion	1.3 million (3-5 million in later years)
Assistance for Disabled Children (SSI)	$10.9 billion	348,000
Foster Care and Adoption Assistance	$ 2.8 billion	59,155
Child Care Assistance to Families Who Work or Receive Training	$ 2.5 billion	378,000
School Lunch	$ 1.6 billion	2.2 million
Food for Children in Head Start and Child Care (CACFP)	$ 4.5 billion	1.0 million
Food Stamps for Families with Children	$16.0 billion	State option to eliminate entitlement status

What is a Block Grant?

A block grant is a fixed amount of money that may or may not be sufficient in times of need. When states run out of money, help will simply not be available to eligible needy children as it is now. **In fact, children face a potential triple whammy of budget cuts: block grants with $46 billion less in federal funding may be exacerbated by state and local budget cuts since there is no**

requirement that states and localities maintain their current funding levels for children's services. When recessions and emergency arise, states will have to choose whether to deny tens of thousands of needy children help, drastically reduce their benefits, pay for increased needs out of their own declining revenue or increase state and local taxes. Waiting lists may replace immediate assistance. As Richard Nathan, a welfare expert and staff member in the Nixon White House, said recently in a New York Times interview: "If you have a recession, if you have rapid inflation, if you have the courts suddenly requiring more money be spent for foster care and groups home, then you're going to run out of money. And come April or May, someone's going to apply for welfare or child assistance, and what are you going to say, 'Sorry, we're all out'?"

Will These Block Grants Keep Pace with Future Needs?

It is unlikely. History shows that block grants tend to shrink over time since Congressional interest in them wanes. From 1982 to 1995, for example, the Community Services, Title XX Social Services, Preventive Health, and Chapter II Education block grants shrank 49%, 28% 7%, and 53%, respectively in inflation-adjusted dollars.

Are the House Republicans Really Cutting Benefits to Children or Just Future Rates of Growth in Entitlement Programs as They Claim?

Millions of children will be denied needed benefits under the House Republicans' proposals. Even under the most optimistic assumptions, administrative savings achieved through block grants will be small. For example, the total administrative cost of providing cash assistance to poor families represents only about 10 percent of all AFDC costs. Yet states would have received **32 percent** less AFDC money in 1995 than they received under current law if the proposed welfare block grant had been put in place in 1990 according to the U.S. Department of health and Human Services. In this and every other area where the House Republicans propose to eliminate entitlements, states would be left with too little money to meet children's needs and eligibility or benefit levels for children would have to be slashed.

Can You Have Block Grants and More State Flexibility Without Destroying Entitlements?

Absolutely. One has little to do with the other. Through the waiver process, many states are already being given additional flexibility. We should monitor carefully whether these waivers result in more effective state services. Entitlements are not inherently inflexible just as block grants are not necessarily flexible. Entitlements can be structured to give states more flexibility in appropriate areas, and block grant funding can be burdened with many restrictions (as seen in the House Republican plan's restrictions on benefits to teens and legal immigrants). Entitlements are simply a funding commitment to ensure that children get help when they need it. has nothing to do w/ flexibility

Is CDF Opposed to All Block Grants?

No. Not if they are designed to help and not hurt children, to strengthen rather than destroy child protections, and to increase rather than decrease investments for children and the poor. The House Republican block grants would shred the federal safety net and put nothing in its place: no new jobs, no additional child care, no comparable or better food programs, and no guaranteed help for abused or neglected children. No attempt has been made to distinguish between programs that work and not work or to determine -- based on evidence -- whether states have shown they can do a better job than the federal government in specific areas. While many states will act responsibly, not all will at all times. In the past, some states have denied aid on the basis of race or national origin. Others have denied aid in recent times to working poor families or two-parent families or have erected huge barriers to child support enforcement services for children born out-of-wedlock.

Can All States Handle These Additional Responsibilities?

There are grave concerns about some states' ability to handle the massive additional responsibility under the proposed new block grants. At a time when 20 states have been brought to court for severe shortcomings in their efforts to help abused and neglected children and when state child support enforcement agencies are able to collect payments for only one in five of their current cases, block grants may be a recipe for disaster for countless children.

Congress Should Pick on Someone Their Own Size and Stop Picking on Children

Shamefully, children have been singled out for a massive budget assault and unfair sacrifice. Not a single wealthy corporation or farmer or defense contractor has been threatened. Not a single entitlement for military or non-needy Americans has been dismantled or cut. Congress is picking on children who do not vote or lobby because they think they can although federal entitlements for children and the poor constitute a very small portion of the federal budget. Worst, they are cutting children and the poor to fund tax breaks for the rich and to increase defense spending. It is a fundamental perversion of American values of fairness and common sense.

The Children's Defense Fund favors thoughtful change but will oppose thoughtless, indiscriminate, precipitous change that undermines the bedrock foundation of American values of fairness. We favor welfare reform that prevents dependency and encourages work. We reject welfare reform that simply puts children and parents out in the street with no positive alternatives. We favor thoughtfully crafted block grants which maintain child entitlements, increase effective service delivery, and maintain at least current levels of child investments. We reject block grants that simply destroy child protections, slash child services, and give states carte blanche to cut services for children. We welcome examination of what works and doesn't work in social programs. We oppose destruction of programs that do work. That is what the House "Contract with America" will do.

Workfare not apply -
2 yrs. does
foster care fees

From Larry Haas

Approved by: George
Mike
Gene

Talking Points:

***Washington Post* Story About a Second Clinton Budget**

June 2, 1995

• The President has already said that he believes we can balance the budget in about 10 years.

• He also has said that he thinks that balancing the budget in 7 years is too fast:

-- It would require massive tax increases or spending cuts.

• The President clearly is committed to building on his success in reducing the deficit.

-- His 1993 economic plan will bring a cumulative $1 trillion in deficit reduction over 7 years.

-- The deficit, which was $290 billion in 1992, dropped to $203 billion in 1994 and will drop further to about $193 billion this year.

• He has also said, however, that we must understand the purpose of budget policy -- to raise living standards.

-- One way to do that is to reduce government borrowing.

-- Another way, however, is to continue investing in programs that will help average Americans get the skills they need for high-wage jobs.

• Thus, it makes no sense to balance the budget in 7 years, if that requires massive cuts in the very programs that will help average Americans.

• The President has laid out a set of principles:

-- no huge tax cut that's skewed disproportionately to the wealthy, as in the House budget resolution,

-- no Medicare cuts outside the context of health care reform, and

-- no cuts that would make the "education deficit" worse.

• The President has said that, at the appropriate time, he is eager to seriously engage with the Republicans.

-- To do so, he obviously wants to have credible proposals.

• He has not decided, however, precisely when he will engage or what form his proposals will take.