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Poverty Rate Lowest in 20 Years, Household Income at Record High, Census Bureau Reports

The nation's poverty rate dropped from 12.7 percent in 1998 to 11.8 percent in 1999 — the lowest rate since 1979 — and real median household income reached \$40,816, the highest level ever recorded by the Census Bureau (household income data were first recorded in 1967), according to two reports released today by the Commerce Department's Census Bureau.

"Every racial and ethnic group experienced a drop in both the number of poor and the percent in poverty, as did children, the elderly and people ages 25 to 44," said Daniel Weinberg, chief of the Census Bureau's Housing and Household Economic Statistics Division. "Declines in poverty were concentrated in metropolitan areas, particularly central cities. And, on the income side, this was the fifth consecutive year that households experienced a real annual increase in income."

Poverty

According to the poverty report, 2.2 million fewer people were poor in 1999 than in 1998 — 32.3 million versus 34.5 million. In addition, the percentage of people 65 and over who were living in poverty reached a measured low of 9.7 percent in 1999 and the proportion of the nation's children in poverty was the lowest since 1979 — 16.9 percent.

The percentage and number of poor declined in the Northeast and West and remained unchanged in the South and the Midwest. The poverty rate in the South did not change significantly from the 1998 measured low for that region.

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Except for Whites, the 1999 poverty rates for the nation's major racial and ethnic groups set or equaled historic lows. The rate for African Americans, 23.6 percent, was the lowest ever measured by the Census Bureau, and about 700,000 fewer African Americans were poor in 1999 (8.4 million) than in 1998 (9.1 million).

The poverty rate for non-Hispanic Whites, 7.7 percent, equaled its measured low reached in 1988-1989 and did not differ from the rates recorded during the 1973-1974 and 1976-1979 periods. Between 1998 and 1999, the number of poor non-Hispanic Whites dropped from 15.8 million to 14.9 million, a decline of 900,000.

In 1999, the poverty rate among Hispanics (who may be of any race) was 22.8 percent which statistically equaled its measured low last reached in 1979. The number of Hispanics in poverty fell by 600,000 between 1998 and 1999, to 7.4 million.

The poverty rate for Asians and Pacific Islanders decreased to 10.7 percent in 1999, from 12.5 percent in 1998, also equaling its lowest measured value. The number of poor Asians and Pacific Islanders decreased from 1.4 million in 1998 to 1.2 million in 1999.

A three-year average (1997-1999) poverty rate for American Indian and Alaska Natives was 25.9 percent, with an estimated 700,000 living in poverty. This is the first time that the Census Bureau has shown poverty data for the American Indian and Alaska Native population. The average was used because the American Indian and Alaska Native population is relatively small and multiyear averages provide more reliable estimates. (The Census Bureau recommends, however, that caution be used in interpreting these data, noting that 1990 census results showed differences in poverty between the American Indian and Alaska Native population living in American Indian or in Alaska Native areas and those residing outside those areas. Poverty data from the Current Population Survey [CPS] cannot make a similar distinction.)

Based on comparisons of two-year averages (1998-1999 and 1997-1998), no state showed an increase in poverty rates and seven states — Arizona, Arkansas, California, New York, South Dakota, Utah and Virginia, plus the District of Columbia — showed decreases in their poverty rates.

The average poverty threshold for a family of four in 1999 was \$17,029 in annual income; for a family of three, it was \$13,290.

Income

The 1999 median income level for the nation's households rose, in real terms, by 2.7 percent, from \$39,744 in 1998 to \$40,816.

The 1999 median income was the highest ever recorded for non-Hispanic White (\$44,366), African American (\$27,910) and Hispanic (\$30,735) households. Although the real median income of Asian and Pacific Islander households increased between 1998 and 1999 to

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- The number and percentage of poor non-Hispanic White and Hispanic families fell in 1999 to 25- and 20-year lows, respectively. African American families had no change in the number of their poor or in their poverty rate.
- Despite the drop in child poverty, children under age 6 remained particularly vulnerable to this condition; those living in families with a female householder and no husband present experienced a poverty rate of 50.3 percent, more than five times the rate for children under 6 in married-couple families (9.0 percent).

Income

- Using three-year averages for 1997-1999, the real median household income for Alaska (\$51,046), although not statistically different from that of Maryland, New Jersey and Connecticut, was higher than the median of any of the remaining 46 states and the District of Columbia. Arkansas' income (\$28,398), although not statistically different from West Virginia, was lower than the remaining 48 states and the District of Columbia.
- Real median income for households inside metropolitan areas rose by 2.1 percent and the median for households inside central cities rose by 5.0 percent between 1998 and 1999. The 1999 median income for households in the suburbs and outside metropolitan areas remained statistically unchanged from 1998.
- Family households (up 2.9 percent to \$49,940) and nonfamily households (up 2.5 percent to \$24,566) both experienced growth in real median income between 1998 and 1999.
- Between 1998 and 1999, per capita income reached a record high, increasing 3.0 percent in real terms from \$20,564 to \$21,181. Each racial group — Whites (up 2.3 percent), African Americans (up 8.7 percent), and Asians and Pacific Islanders (up 10.5 percent) — experienced growth in per capita income. The per capita income of Hispanics did not change significantly, while the per capita income of non-Hispanic Whites increased 2.8 percent.
- The real median earnings of men who worked full-time, year-round increased by 1.0 percent, while earnings of comparable women remained statistically unchanged. This is the third straight year that men have experienced an annual increase in earnings. The female-to-male earnings ratio dropped to 0.72 in 1999, significantly lower than the 1998 ratio of 0.73 and the record high of 0.74 in 1996.

Both reports also present alternative measures of income and poverty that take into account the effect of taxes and noncash benefits. The data are from the March 2000 CPS. Statistics from sample surveys are subject to sampling and nonsampling error.

\$51,205, the highest median income of any group, that amount was not statistically different from their previously recorded high.

As with the poverty data, the 1999 report also marked the first time the Census Bureau showed income data for American Indians and Alaska Natives. The three-year average (1997-1999) median household income for American Indian and Alaska Natives was \$30,784. The average was used because the American Indian and Alaska Native population is relatively small and multiyear averages provide more reliable estimates. (The Census Bureau recommends, however, that caution be used in interpreting these data, noting that 1990 census results showed substantial differences in median household income for the American Indian and Alaska Native population living on reservations or in Alaska Native villages compared with those residing outside those areas. Income data from the CPS cannot make a similar distinction.)

Median household income recorded highs in 1999 in the Midwest (\$42,679) and the South (\$37,442), but was statistically unchanged from 1998 in the Northeast (\$41,984) and West (\$42,720).

Based on comparisons of two-year average medians (1997-1998 versus 1998-1999), real median household income did not decline for any state and increased significantly for 14 states: Arizona, California, Florida, Illinois, Iowa, Maine, Michigan, New York, Rhode Island, South Dakota, Tennessee, Texas, Vermont and Wisconsin, and the District of Columbia.

The reports, *Money Income in the United States: 1999* and *Poverty in the United States: 1999*, are available on the Internet at <<http://www.census.gov/hhes/www/income99.html>> and <<http://www.census.gov/hhes/www/povty99.html>>.

Other highlights:

Poverty

- Using three-year averages (1997-1999), poverty rates ranged from 7.6 percent in Maryland to 20.8 percent in New Mexico. The poverty rate in Maryland was not statistically different from the rates in 14 other states. New Mexico's rate was not statistically different from the rates for Louisiana and the District of Columbia, although higher than the rates for all other states.
- Eight out of 10 (81 percent) of the net decline in the number of poor occurred in central cities of metropolitan areas, where 3 out of 10 people reside and 4 out of 10 poor people live.
- The poverty rate for families in 1999 declined to a 20-year low of 9.3 percent; the rates for married-couple (4.8 percent) and female-householder (27.8 percent) families both were record lows.

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PRESS BRIEFING ON 1999 INCOME AND POVERTY ESTIMATES

Dr. Daniel H. Weinberg
Chief, Housing and Household Economic Statistics Division
U.S. Census Bureau
September 26, 2000

Welcome to the press briefing on the 1999 income and poverty estimates. Your press packets contain a press release, a copy of my remarks, a copy of the charts I will be using today, and the two reports we are releasing. You can obtain additional unpublished detailed tables from the Census Bureau directly or on our web site (www.census.gov).

Let me introduce some of the analysts who worked on the reports; they will be available to answer your questions after the briefing: Charles Nelson (Assistant Division Chief), Mary Naifeh (Chief of the Poverty and Health Statistics Branch), Edward Welniak (Chief of the Income Surveys Branch), and the primary authors of the reports, Robert Cleveland, Joe Dalaker, Carmen DeNavas-Walt, and Bernadette Proctor. I'd also like to thank all the Field Representatives and Interviewers who work so hard to collect these data and the households who answer our survey questions.

Please hold your questions unless it's a technical clarification. The main presentation should take about 20 minutes.

Let me first summarize the main findings. (Chart 1) Increases in income and declines in poverty were again widespread in 1999. Between 1998 and 1999, median household income adjusted for inflation increased 2.7 percent, to \$40,800 (that means that half of households had incomes above \$40,800 and half below). This level is the highest we have ever measured.¹ For the first time, households in the United States have sustained five consecutive annual statistically significant increases in their real median income. In addition, the poverty rate fell for the third consecutive year, from 12.7 percent in 1998 to 11.8 percent in 1999, the lowest poverty rate since 1979. The number of poor dropped significantly also -- from 34.5 million poor in 1998 to 32.3 million poor in 1999. Finally, household income inequality did not change from 1998 to 1999.

These statistics come from the March Supplement to the Current Population Survey, a sample survey of approximately 50,000 households nationwide, conducted each month for the Bureau of Labor Statistics. These data reflect 1999 and not current conditions. As in all surveys, the data in these reports are estimates, subject to sampling variability and response errors. All statements made in the reports and in this briefing have been tested statistically. Thus, not all numerical differences are statistically significant differences. All historical income data are expressed in 1999 dollars and were adjusted using the Consumer Price Index; inflation was 2.2 percent between 1998 and 1999. The poverty thresholds are also updated each year for inflation; in 1999 the average threshold for a family of four was \$17,029; for a family of three, \$13,290.

1. The Census Bureau started measuring household income in 1967.

Chart 2 presents the key estimates of median household income. As I noted earlier, median income for all U.S. households increased 2.7 percent or \$1100 between 1998 and 1999 to \$40,800. Overall, real median household income has risen 24.5 percent since 1967, the first year median household income was computed. Chart 3 shows that the Midwest and South regions reached all-time highs in median household income in 1999, while income did not change in the Northeast and West.

As Chart 4 shows, the number of poor in the U.S. in 1999 has fallen to its 1989 level -- 32.3 million people -- and 2.2 million people less than in 1998. This number of poor also leads to a lower poverty rate in 1999 than in 1998 -- 11.8 percent, the lowest since 1979. When one looks at the differences in regional patterns (Chart 5), in contrast to the income findings, it was the Northeast and West that had significant declines in poverty rates, while poverty did not change statistically in the Midwest and South. The poverty rate in the South remains at its all-time low, 13.1 percent.

Chart 6 presents the changes in real median household income by race and Hispanic origin between 1998 and 1999. For the first time since data have been reported for Asian and Pacific Islander households, all racial and ethnic groups experienced an annual increase in their real median household income. The 1999 real median household income was the highest ever reported for Whites, non-Hispanic Whites, Blacks, and Hispanics, while it equaled the highest ever recorded for Asians and Pacific Islanders.

As this next chart (Chart 7) shows, poverty dropped for all racial and ethnic groups as well, the first time since 1969 that poverty dropped for all measured race groups.² While the national poverty rate is still above its historic low (set in 1973 at 11.1 percent), 1999 poverty rates for all racial and ethnic groups except for Whites have set or equaled their historic lows.

Beginning with this year, the Census Bureau is showing income and poverty data for American Indians and Alaska Natives. However, the variability associated with those estimates is much higher than for other race groups because of their relatively small sample size. Accordingly, to reduce the effects of that variability, we report only the average of 1997 through 1999 data. These estimates are shown in Chart 8. The three-year-average median household income of American Indians and Alaska Natives, \$30,800, is higher than that for Blacks, statistically equal to the income estimate for Hispanics, and lower than the income estimate for Whites, non-Hispanic Whites, and Asians and Pacific Islanders. The three-year-average poverty rate of American Indians and Alaska Natives, 25.9 percent, is statistically the same as that of Blacks and Hispanics, and higher than the poverty rate for non-Hispanic Whites and Asians and Pacific Islanders. One must however be cautious about both the income and poverty estimates for American Indians and Alaska Natives; results from the 1990 Census show that the median household income and the poverty rate for those on American Indian reservations or in Alaska

2. In 1969, only White and Black racial groups were identified in the Current Population Survey.

Native villages were significantly different from the estimates for those outside those geographic areas.

Chart 9 illustrates two interesting developments about poverty rates by age. First, the poverty rate for those 65 and older is now at an all-time low -- 9.7 percent in 1999. Second, in 1999, 12.1 million children were poor, down 1.4 million and 2.0 percentage points from 1998. Nevertheless, the poverty rate for children (16.9 percent in 1999) is higher than for the other age groups shown here, but it is significantly lower than in 1998 and continues the downward trend from its recent peak of 22.7 percent in 1993.³ Children make up 38 percent of the poor but only 26 percent of the total population.

The real median earnings of men who worked full time, year-round increased by 1.0 percent between 1998 and 1999, their third straight annual increase (see Chart 10). The earnings for comparable women remained statistically unchanged, however. The combination led to a drop in the ratio of female-to-male earnings for full-time year-round workers to 72 percent, down from its all-time high of 74 percent first reached in 1996.

Chart 11 shows the fraction of aggregate income going to each fifth of the population in 1999. For the sixth consecutive year, overall household income inequality did not change; that is, no statistically significant changes occurred between 1998 and 1999 in the share of aggregate income going to each household income quintile, or in the Gini index of inequality. Income inequality measures, of which these are only two, do not typically change significantly from year-to-year, and there have been no such changes since our measurement methodology changed in 1994. A more thorough discussion of income inequality trends, including a discussion of additional measures of inequality, was presented in a recent Census Bureau report, *The Changing Shape of the Nation's Income Distribution: 1947-1998*.

Based on a comparison of two-year moving averages for states (Chart 12), real median household income increased between 1997 and 1999 for 14 states and the District of Columbia and fell in none. In the same period, the poverty rate fell in seven states and the District of Columbia and increased in none. Arizona, California, D.C., New York, and South Dakota had both increases in income and declines in poverty.

The Census Bureau also produces a series of experimental estimates on how noncash benefits and taxes -- which are not considered in the official measures -- affect income and poverty. The income report shows 17 experimental definitions of income. The Census Bureau's research shows that income inequality under a broadened definition of income that takes into account the effects of noncash benefits and taxes is roughly 8 percent lower (more equal) than under the official cash income definition. Government benefits do more than taxes to reduce income inequality.

Valuing noncash benefits and subtracting taxes also affects the estimated poverty rate. The Census Bureau has continued its research into experimental poverty measures, based on recommendations made by the National Academy of Sciences, and will issue a new report this winter. These measures not only account for benefits and taxes in income, but they also use a new set of experimental poverty thresholds.

3. The poverty rate for children does not differ statistically from the rate for those 18-24.

Four of those experimental measures are presented in the final chart (Chart 13). All of these experimental measures show a larger decline in poverty between 1993 and 1999 than does the official measure. Researchers point out that the experimental measures capture the effect of the recent expansion of the Earned Income Credit while the official measure of poverty does not.

Let me again summarize the main findings. Increases in income and declines in poverty were widespread in 1999. Between 1998 and 1999, median household income adjusted for inflation increased 2.7 percent, to \$40,800, the highest we have ever measured. For the first time, households in the United States have sustained five consecutive annual statistically significant increases in their real median income. In addition, the poverty rate fell for the third consecutive year, from 12.7 percent in 1998 to 11.8 percent in 1999, the lowest poverty rate since 1979. The number of poor dropped significantly also -- from 34.5 million poor in 1998 to 32.3 million poor in 1999. Finally, household income inequality did not change from 1998 to 1999.

I'll be glad to answer questions from the press at this time. Please identify yourself and your affiliation.

Income and Poverty

1999

September 2000

U S C E N S U S B U R E A U

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Highlights

Increase in real median household income of 2.7 percent from 1998 to 1999

- \$40,800 in 1999, highest level since first measured in 1967
- First-ever 5 consecutive years of growth

Decline in poverty rates and number of poor

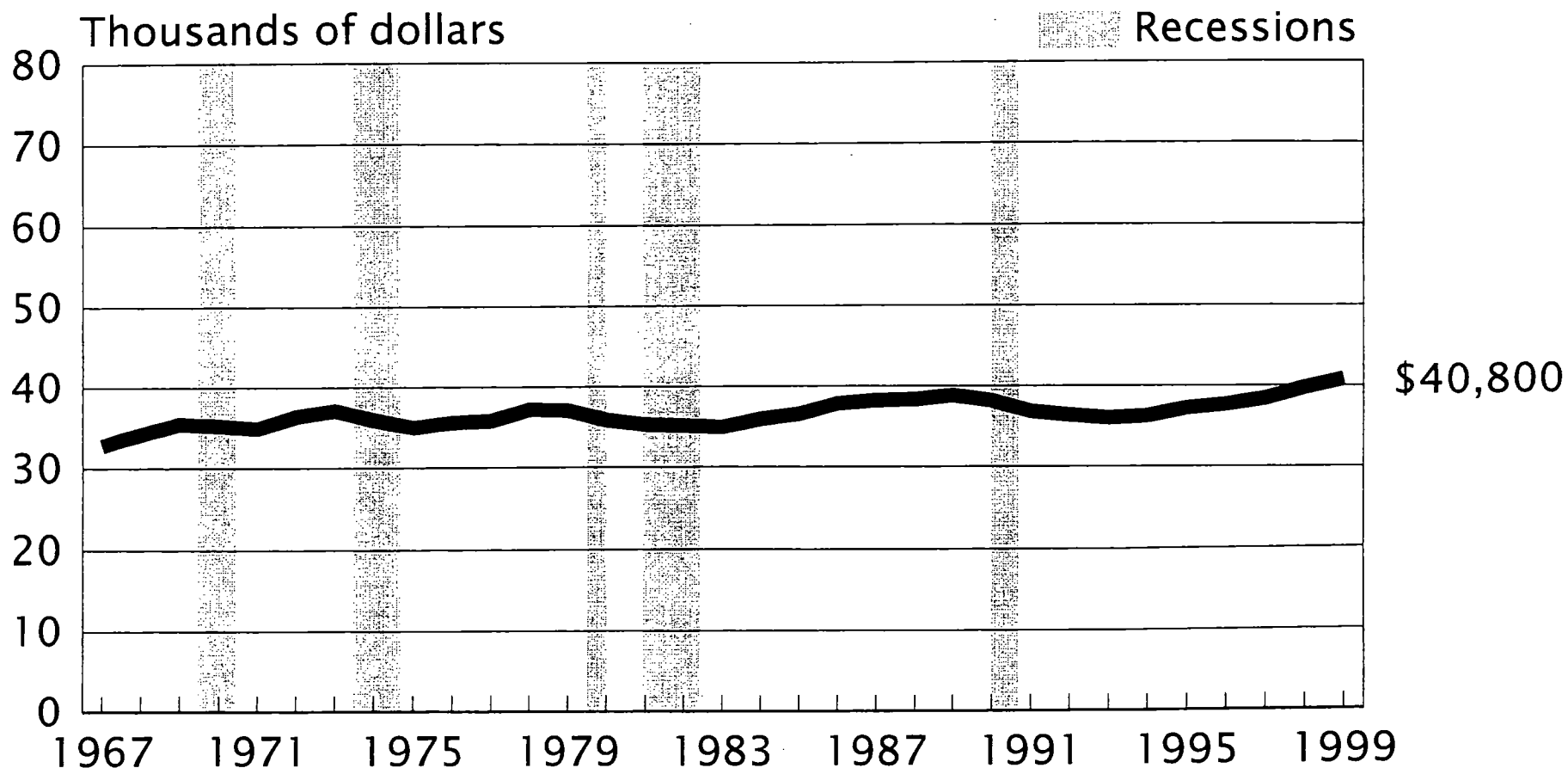
- 32.3 million poor
- 11.8 percent poverty rate
- Poverty rate lowest since 1979

No change in income inequality from 1998 to 1999

Note: Income rounded to the nearest \$100. Percent change in inflation adjusted dollars.
Source: U.S. Census Bureau, Current Population Survey, March 1999 and 2000.

Median Household Income: 1967 to 1999

Median household income highest since
first measured



Note: Income rounded to the nearest \$100. Income in 1999 dollars.
Source: U.S. Census Bureau, Current Population Survey, March 1968 to 2000.

Median Household Income: 1967 to 1999

(In 1999 dollars)

Years	Median income	Years	Median income
1999	\$40,816	1982	\$35,152
1998	\$39,744	1981	\$35,269
1997	\$38,411	1980	\$35,850
1996	\$37,686	1979	\$37,059
1995	\$37,251	1978	\$37,180
1994	\$36,270	1977	\$35,777
1993	\$36,019	1976	\$35,581
1992	\$36,379	1975	\$34,980
1991	\$36,850	1974	\$35,943
1990	\$38,168	1973	\$37,104
1989	\$38,837	1972	\$36,386
1988	\$38,341	1971	\$34,897
1987	\$38,220	1970	\$35,232
1986	\$37,845	1969	\$35,472
1985	\$36,568	1968	\$34,217
1984	\$35,942	1967	\$32,783
1983	\$34,934		

Source: U.S. Census Bureau, Current Population Survey, March 1968 to 2000.

Recessions

Peak month	Year	Trough month	Year
November	1948	October	1949
July	1953	May	1954
August	1957	April	1958
April	1960	February	1961
December	1969	November	1970
November	1973	March	1975
January	1980	July	1980
July	1981	November	1982
July	1990	March	1991

Source: National Bureau of Economic Research, Inc., 1050 Massachusetts Avenue, Cambridge, MA 02138

Median Household Income by Region: 1998 and 1999

Midwest and South showed increases in income

Area	Percent Change	1999 Income Level
United States	2.7% increase	\$40,800
Northeast	no statistical change	\$42,000
Midwest	2.8% increase	\$42,700
South	2.3% increase	\$37,400
West	no statistical change	\$42,700

Note: Income rounded to the nearest \$100. Percent change in inflation adjusted dollars.
Source: U.S. Census Bureau, Current Population Survey, March 1999 and 2000.

Median Household Income by Region: 1998 and 1999

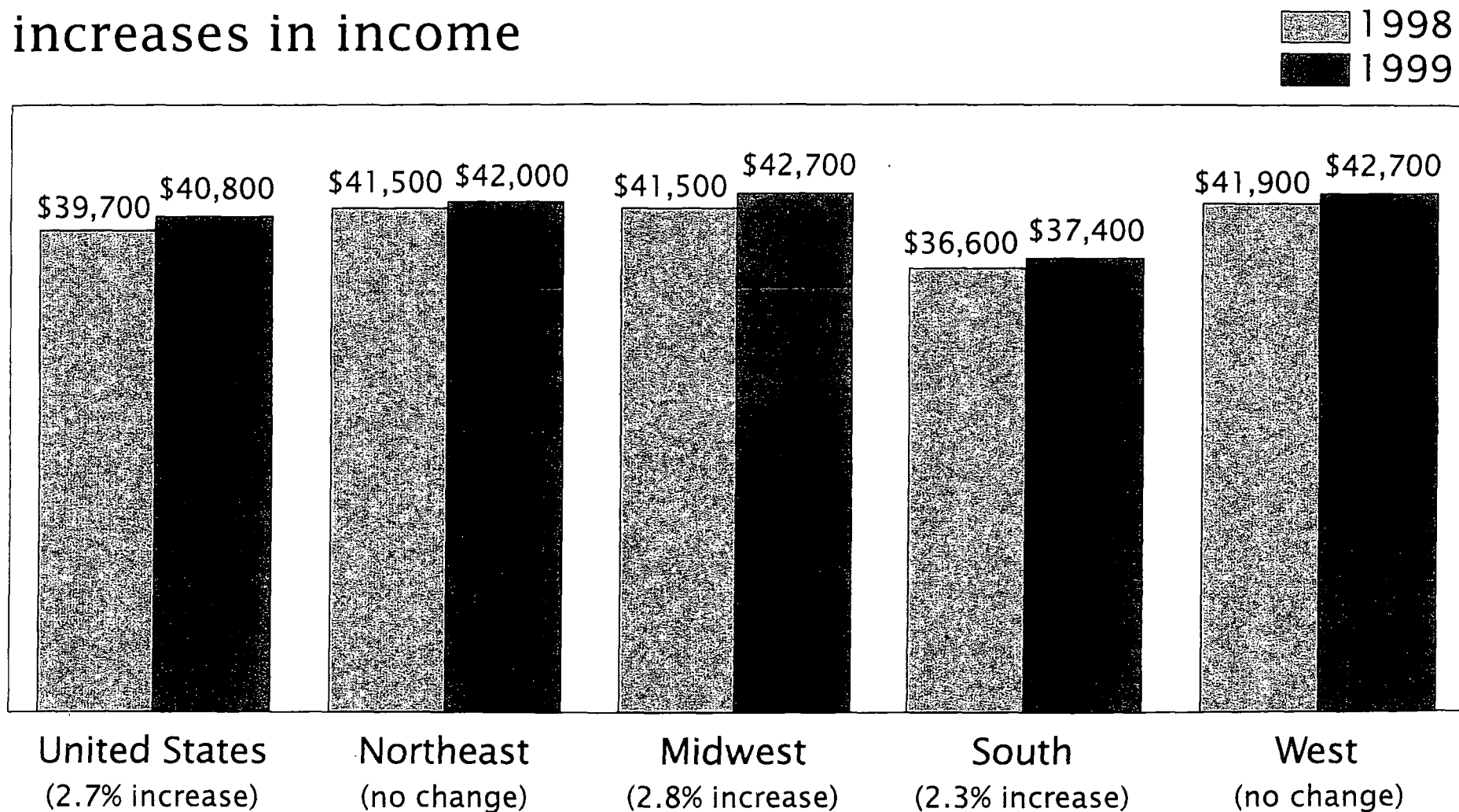
(In 1999 dollars)

Region	1998	1999	Percent change
United States	\$39,744	\$40,816	2.7% increase
Northeast	\$41,531	\$41,984	no change
Midwest	\$41,506	\$42,679	2.8% increase
South	\$36,588	\$37,442	2.3% increase
West	\$41,888	\$42,720	no change

Source: U.S. Census Bureau, Current Population Survey, March 1999 and 2000.

Median Household Income by Region: 1998 and 1999

Midwest and South showed significant increases in income

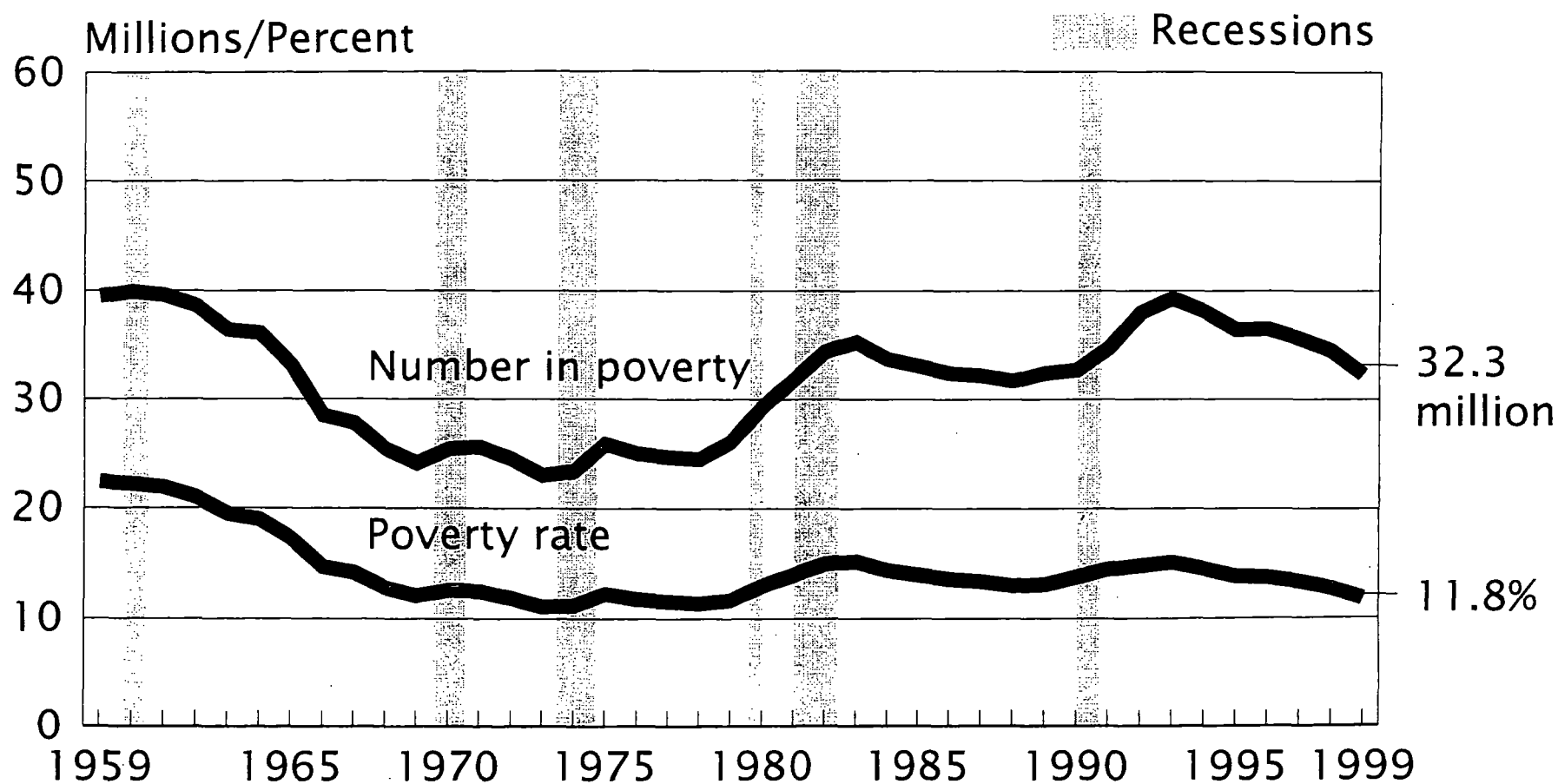


Note: Income rounded to the nearest \$100. Income in 1999 dollars.

Source: U.S. Census Bureau, Current Population Survey, March 1999 and 2000.

Poverty: 1959 to 1999

Number of poor at 1989 level; poverty rate lowest since 1979



Note: Estimates for 1990 and 1991 are interpolated.

Source: U.S. Census Bureau, Current Population Survey, March 1960 to 2000.

Poverty: 1959 to 1999

(Millions/Percent)

Year	Number in poverty	Poverty rate	Year	Number in poverty	Poverty rate
1959	39.5	22.4	1980	29.3	13.0
1960	39.9	22.2	1981	31.8	14.0
1961	39.6	21.9	1982	34.4	15.0
1962	38.6	21.0	1983	35.3	15.2
1963	36.4	19.5	1984	33.7	14.4
1964	36.1	19.0	1985	33.1	14.0
1965	33.2	17.3	1986	32.4	13.6
1966	28.5	14.7	1987	32.2	13.4
1967	27.8	14.2	1988	31.7	13.0
1968	25.4	12.8	1989 ^r	32.4	13.1
1969	24.1	12.1	1990 ^r	32.7	13.8
1970	25.4	12.6	1991 ^r	34.7	14.5
1971	25.6	12.5	1992 ^r	38.0	14.8
1972	24.5	11.9	1993	39.3	15.1
1973	23.0	11.1	1994	38.1	14.5
1974	23.4	11.2	1995	36.4	13.8
1975	25.9	12.3	1996	36.5	13.7
1976	25.0	11.8	1997	35.6	13.3
1977	24.7	11.6	1998	34.5	12.7
1978	24.5	11.4	1999	32.3	11.8
1979	26.1	11.7			

^rRevised. Poverty data for 1989, 1992 and later years reflect 1990 Census population controls. The 1990 Census based estimates are not available for 1990 and 1991. The 1990 and 1991 poverty estimates were derived through ratio estimation.

Source: U.S. Census Bureau, Current Population Survey, March 1960 to 2000.

Recessions

Peak month	Year	Trough month	Year
November	1948	October	1949
July	1953	May	1954
August	1957	April	1958
April	1960	February	1961
December	1969	November	1970
November	1973	March	1975
January	1980	July	1980
July	1981	November	1982
July	1990	March	1991

Source: National Bureau of Economic Research, Inc., 1050 Massachusetts Avenue, Cambridge, MA 02138.

Poverty Rates by Region: 1998 and 1999

Northeast and West showed significant declines in poverty

Area	Percent		Change
United States	11.8%	decrease of decrease of	0.9 percentage point 2.2 million
Northeast	10.9%	decrease of decrease of	1.4 percentage points 680 thousand
Midwest	9.8%	no statistical change	
South	13.1%	no statistical change	
West	12.6%	decrease of decrease of	1.5 percentage points 790 thousand

Source: U.S. Census Bureau, Current Population Survey, March 1999 and 2000.

Poverty Rates by Region: 1998 and 1999

Northeast and West show significant declines in poverty

	1998	1999	Change
United States Number (millions)	34.5	32.3	(2.2 million decrease)
United States Rates (percent)	12.7	11.8	(0.9 pct. point decrease)
Northeast	12.3	10.9	(1.4 pct. point decrease)
Midwest	10.3	9.8	(no change)
South	13.7	13.1	(no change)
West	14.0	12.6	(1.5 pct. point decrease)

Source: U.S. Census Bureau, Current Population Survey, March 1999 and 2000.

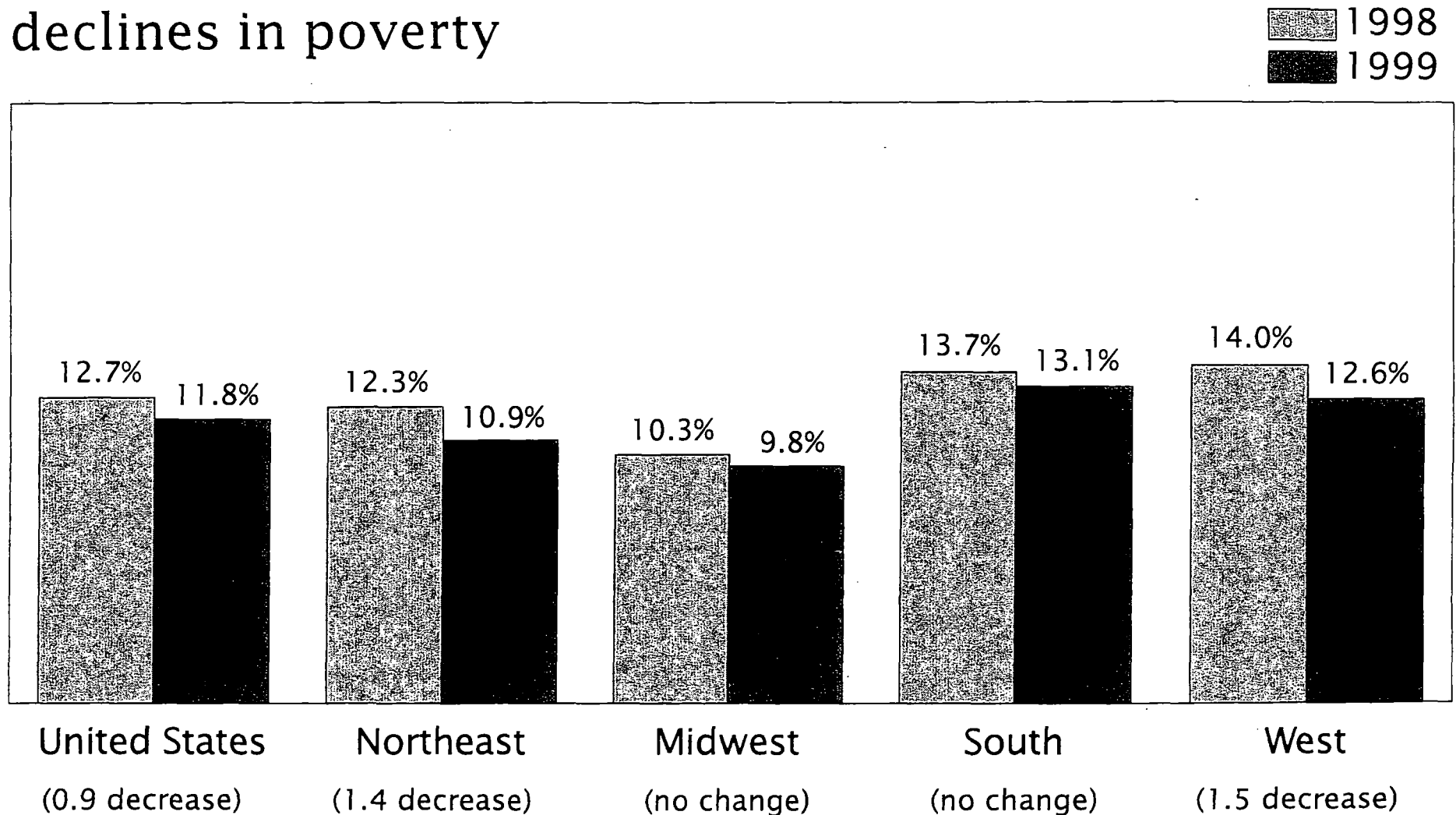
Weighted Average Poverty Thresholds in 1999

Size of family unit	Threshold
One person (unrelated individual)	\$8,501
Under 65 years	8,667
65 years and over	7,990
Two people	\$10,869
Householder under 65 years	11,214
Householder 65 years and over	10,075
Three people	\$13,290
Four people	17,029
Five people	20,127
Six people	22,727
Seven people	25,912
Eight people	28,967
Nine people or more	34,417

Source: U.S. Census Bureau, Current Population Survey, March 2000.

Poverty Rates by Region: 1998 and 1999

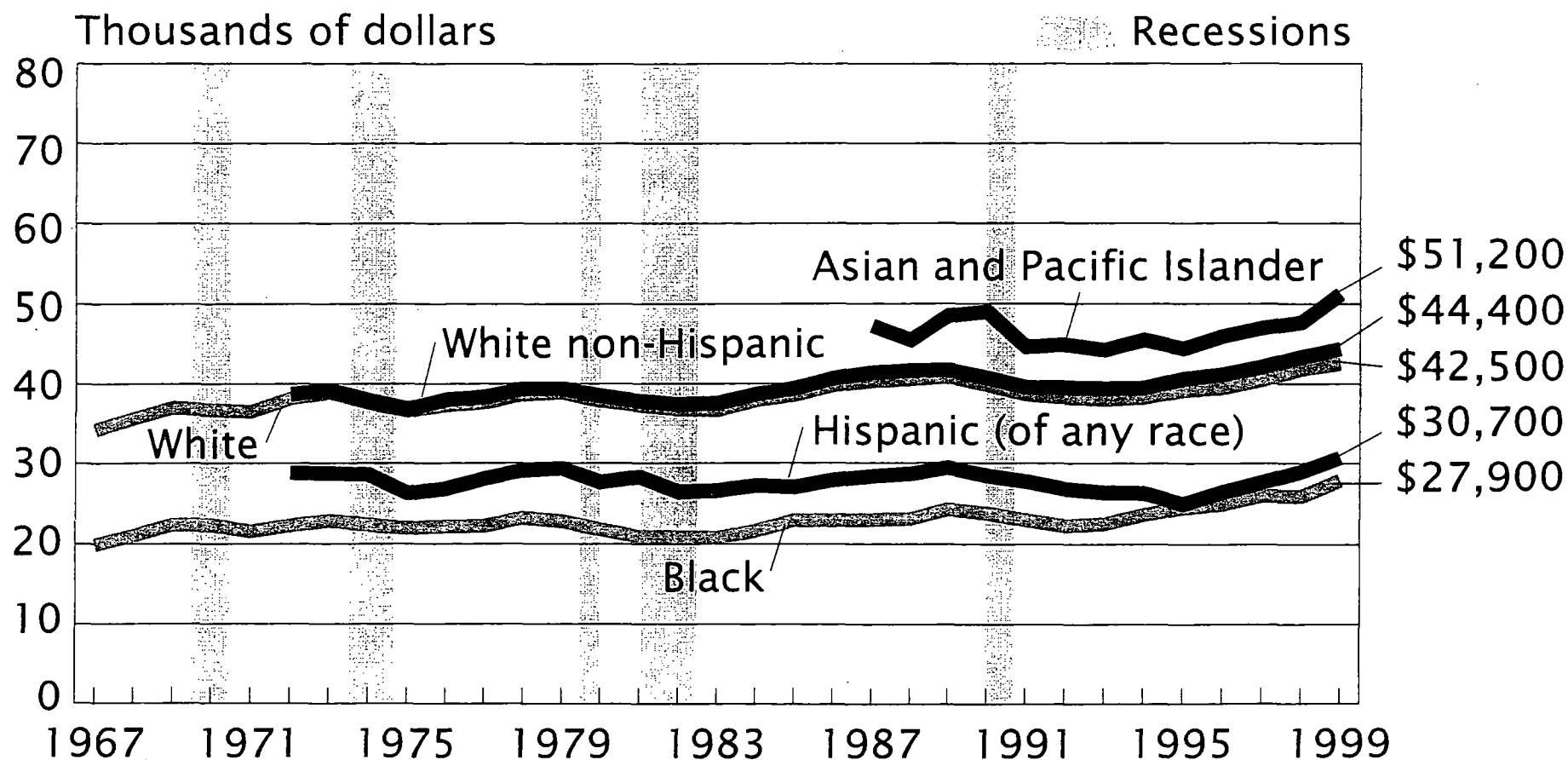
Northeast and West showed significant declines in poverty



Source: U.S. Census Bureau, Current Population Survey, March 1999 and 2000.

Median Household Income by Race and Hispanic Origin: 1967 to 1999

Income increased for all groups; highs set or equaled for all groups



Note: Income rounded to the nearest \$100. Income in 1999 dollars.

Source: U.S. Census Bureau, Current Population Survey, March 1968 to 2000.

Median Household Income by Race and Hispanic Origin: 1967 to 1999

(Income in 1999 dollars)

Year	All Races	White	Black	Asian and Pacific Islander	Hispanic origin ¹	White, not Hispanic
1999	\$40,816	\$42,504	\$27,910	\$51,205	\$30,735	\$44,366
1998	\$39,744	\$41,816	\$25,911	\$47,667	\$28,956	\$43,376
1997	\$38,411	\$40,453	\$26,002	\$46,969	\$27,640	\$42,119
1996	\$37,686	\$39,459	\$24,934	\$45,952	\$26,445	\$41,185
1995	\$37,251	\$39,099	\$24,480	\$44,397	\$24,990	\$40,642
1994	\$36,270	\$38,253	\$23,638	\$45,507	\$26,329	\$39,487
1993	\$36,019	\$38,001	\$22,521	\$44,211	\$26,386	\$39,399
1992	\$36,379	\$38,246	\$22,270	\$44,887	\$26,833	\$39,530
1991	\$36,850	\$38,615	\$23,005	\$44,584	\$27,756	\$39,537
1990	\$38,168	\$39,809	\$23,805	\$49,012	\$28,463	\$40,720
1989	\$38,836	\$40,852	\$24,295	\$48,505	\$29,452	\$41,731
1988	\$38,340	\$40,532	\$23,105	\$45,441	\$28,672	\$41,649
1987	\$38,220	\$40,268	\$22,984	\$47,240	\$28,357	\$41,376
1986	\$37,845	\$39,788	\$22,922	(NA)	\$27,897	\$40,692
1985	\$36,568	\$38,565	\$22,945	(NA)	\$27,041	\$39,433
1984	\$35,942	\$37,917	\$21,601	(NA)	\$27,246	\$38,704
1983	\$35,157	\$36,857	\$20,864	(NA)	\$26,419	\$37,577
1982	\$35,152	\$36,800	\$20,857	(NA)	\$26,451	\$37,418
1981	\$35,269	\$37,264	\$20,911	(NA)	\$28,290	\$37,802
1980	\$35,851	\$37,822	\$21,790	(NA)	\$27,634	\$38,492
1979	\$37,060	\$38,856	\$22,813	(NA)	\$29,362	\$39,403
1978	\$37,180	\$38,651	\$23,228	(NA)	\$29,131	\$39,379
1977	\$35,777	\$37,622	\$22,201	(NA)	\$28,066	\$38,368
1976	\$35,581	\$37,271	\$22,163	(NA)	\$26,838	\$38,032
1975	\$34,980	\$36,580	\$21,961	(NA)	\$26,280	\$36,856
1974	\$35,943	\$37,589	\$22,355	(NA)	\$28,589	\$37,910
1973	\$37,104	\$38,886	\$22,890	(NA)	\$28,745	\$39,229
1972	\$36,385	\$38,172	\$22,280	(NA)	\$28,806	\$38,716
1971	\$34,897	\$36,502	\$21,561	(NA)	(NA)	(NA)
1970	\$35,232	\$36,696	\$22,336	(NA)	(NA)	(NA)
1969	\$35,473	\$37,020	\$22,377	(NA)	(NA)	(NA)
1968	\$34,217	\$35,627	\$21,008	(NA)	(NA)	(NA)
1967	\$32,783	\$34,188	\$19,850	(NA)	(NA)	(NA)

(NA) Not applicable.

¹ Hispanics may be of any race.

Source: U.S. Census Bureau, Current Population Survey, March 1968 to 2000.

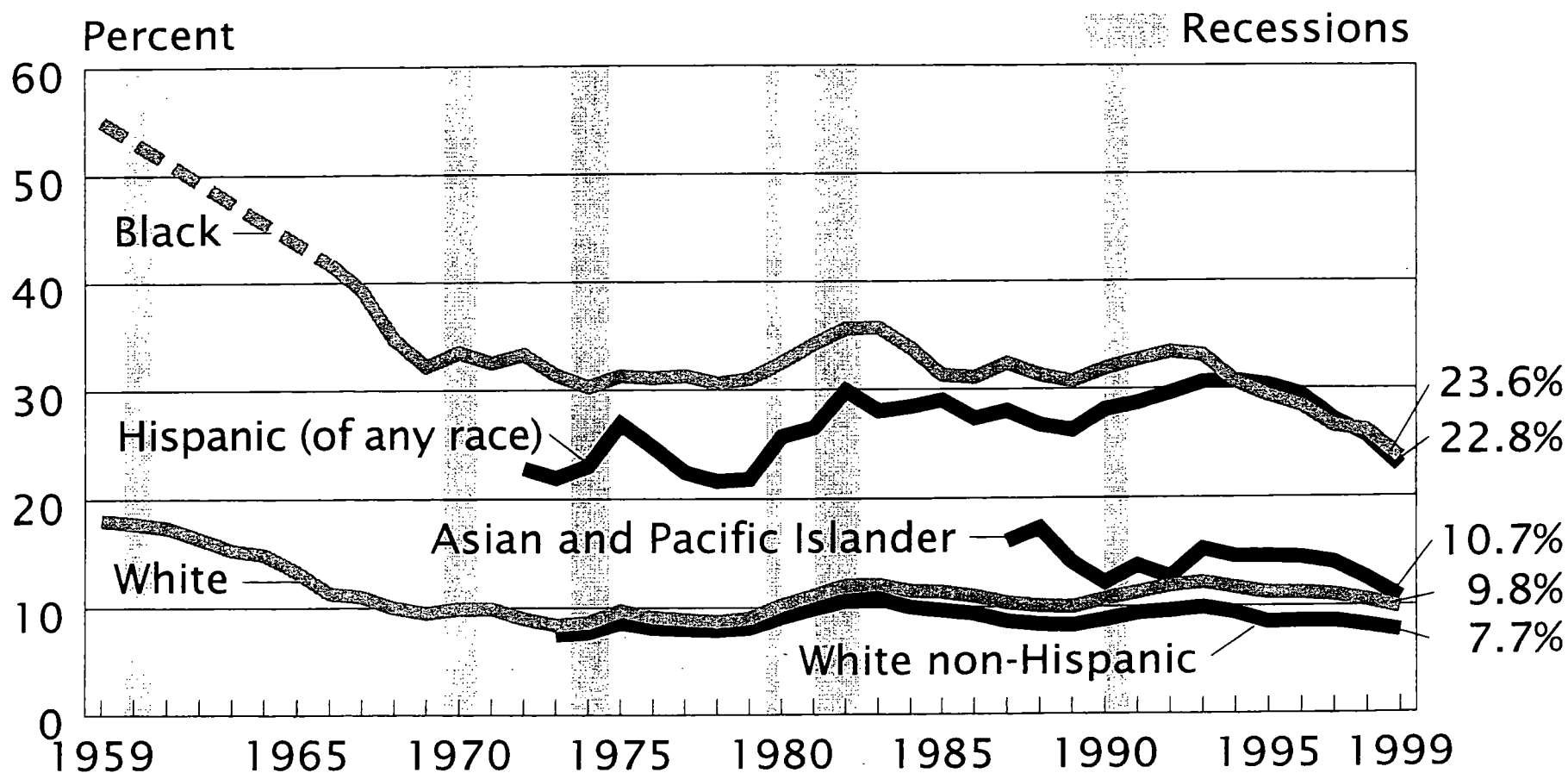
Recessions

Peak month	Year	Trough month	Year
November	1948	October	1949
July	1953	May	1954
August	1957	April	1958
April	1960	February	1961
December	1969	November	1970
November	1973	March	1975
January	1980	July	1980
July	1981	November	1982
July	1990	March	1991

Source: National Bureau of Economic Research, Inc., 1050 Massachusetts Avenue, Cambridge, MA 02138

Poverty Rates by Race and Hispanic Origin: 1959 to 1999

Poverty rates declined for all groups; lows set or equaled for all groups except Whites



Note: Statistically significant decrease for all groups from 1998 to 1999.

Source: U.S. Census Bureau, Current Population Survey, March 1960 to 2000.

Poverty Rates by Race and Hispanic Origin: 1959 to 1999

(Percent)

	White	White non-Hispanic	Black	Hispanic (of any race)	Asian and Pacific Islander		White	White non-Hispanic	Black	Hispanic (of any race)	Asian and Pacific Islander
1959	18.1	(NA)	55.1	(NA)	(NA)	1980	10.2	9.1	32.5	25.7	(NA)
1960	17.8	(NA)	(NA)	(NA)	(NA)	1981	11.1	9.9	34.2	26.5	(NA)
1961	17.4	(NA)	(NA)	(NA)	(NA)	1982	12.0	10.6	35.6	29.9	(NA)
1962	16.4	(NA)	(NA)	(NA)	(NA)	1983	12.1	10.8	35.7	28.0	(NA)
1963	15.3	(NA)	(NA)	(NA)	(NA)	1984	11.5	10.0	33.8	28.4	(NA)
1964	14.9	(NA)	(NA)	(NA)	(NA)	1985	11.4	9.7	31.3	29.0	(NA)
1965	13.3	(NA)	(NA)	(NA)	(NA)	1986	11.0	9.4	31.1	27.3	(NA)
1966	11.3	(NA)	41.8	(NA)	(NA)	1987	10.4	8.7	32.4	28.0	16.1
1967	11.0	(NA)	39.3	(NA)	(NA)	1988	10.1	8.4	31.3	26.7	17.3
1968	10.0	(NA)	34.7	(NA)	(NA)	1989	10.0	8.3	30.7	26.2	14.1
1969	9.5	(NA)	32.2	(NA)	(NA)	1990	10.7	8.8	31.9	28.1	12.2
1970	9.9	(NA)	33.5	(NA)	(NA)	1991	11.3	9.4	32.7	28.7	13.8
1971	9.9	(NA)	32.5	(NA)	(NA)	1992	11.9	9.6	33.4	29.6	12.7
1972	9.0	(NA)	33.3	22.8	(NA)	1993	12.2	9.9	33.1	30.6	15.3
1973	8.4	7.5	31.4	21.9	(NA)	1994	11.7	9.4	30.6	30.7	14.6
1974	8.6	7.7	30.3	23.0	(NA)	1995	11.2	8.5	29.3	30.3	14.6
1975	9.7	8.6	31.3	26.9	(NA)	1996	11.2	8.6	28.4	29.4	14.5
1976	9.1	8.1	31.1	24.7	(NA)	1997	11.0	8.6	26.5	27.1	14.0
1977	8.9	8.0	31.3	22.4	(NA)	1998	10.5	8.2	26.1	25.6	12.5
1978	8.7	7.9	30.6	21.6	(NA)	1999	9.8	7.7	23.6	22.8	10.7
1979	9.0	8.1	31.0	21.8	(NA)						

NA Not available.

Source: U.S. Census Bureau, Current Population Survey, March 1960 to 2000.

Recessions

Peak month	Year	Trough month	Year
November	1948	October	1949
July	1953	May	1954
August	1957	April	1958
April	1960	February	1961
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Peak month	Year	Trough month	Year
January	1980	July	1980
July	1981	November	1982
July	1990	March	1991

Source: National Bureau of Economic Research, Inc., 1050 Massachusetts Avenue, Cambridge, MA 02138.

Three-Year-Average Median Household Income and Poverty Rate by Race and Hispanic Origin: 1997-1999

First-ever estimates for American Indians and Alaska Natives

	3-Year-Average Income	3-Year-Average Poverty Rate
All	\$39,700	12.6%
White	\$41,600	10.4%
White non-Hispanic	\$43,300	8.2%
Black	\$26,600	25.4%
American Indian and Alaska Native	\$30,800	25.9%
Asian and Pacific Islander	\$48,600	12.4%
Hispanic (of any race)	\$29,100	25.1%

Note: Income rounded to the nearest \$100. Income in 1999 dollars.

Source: U.S. Census Bureau, Current Population Survey, March 1998 to 2000.

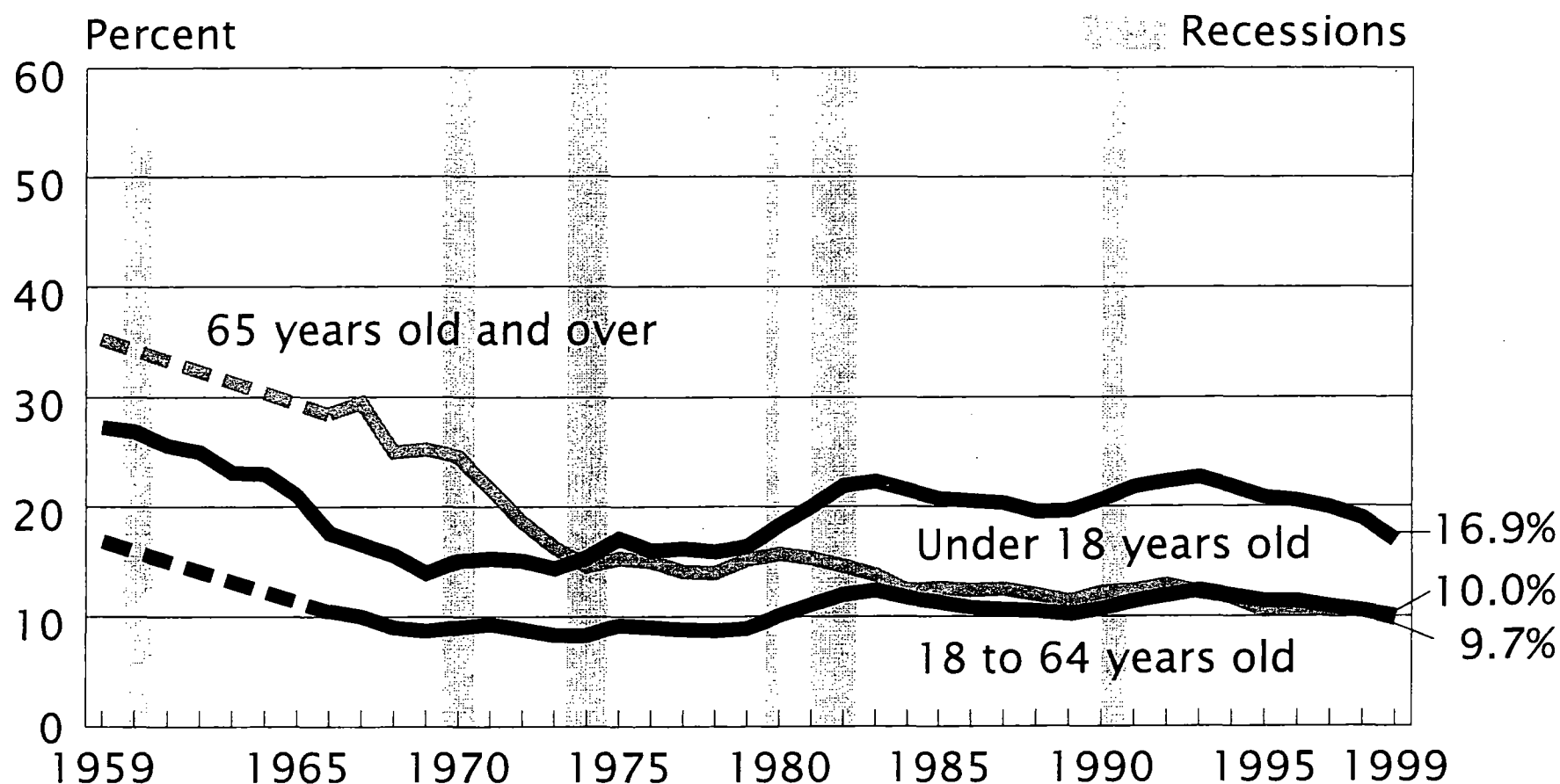
Three-Year-Average Median Household Income and Poverty Rate by Race and Hispanic Origin: 1997-1999

Race and Hispanic Origin	3-Year-Average	
	Income (In 1999 dollars)	Poverty Rate
All	\$39,657	12.6%
White	\$41,591	10.4%
White non-Hispanic	\$43,287	8.2%
Black	\$26,608	25.4%
American Indian and Alaska Native	\$30,784	25.9%
Asian and Pacific Islander	\$48,614	12.4%
Hispanic (of any race)	\$29,110	25.1%

Source: U.S. Census Bureau, Current Population Survey, March 1998 to 2000.

Poverty Rates by Age: 1959 to 1999

Child poverty lowest since 1979; elderly poverty rate lowest since first measured



Source: U.S. Census Bureau, Current Population Survey, March 1960 to 2000.

Poverty Rates by Age: 1959 to 1999

(Percent)

	Under 18 years of age	18 to 64 years	65 years and over		Under 18 years of age	18 to 64 years	65 years and over
1959	27.3	17.0	35.2	1980	18.3	10.1	15.7
1960	26.9	(NA)	(NA)	1981	20.0	11.1	15.3
1961	25.6	(NA)	(NA)	1982	21.9	12.0	14.6
1962	25.0	(NA)	(NA)	1983	22.3	12.4	13.8
1963	23.1	(NA)	(NA)	1984	21.5	11.7	12.4
1964	23.0	(NA)	(NA)	1985	20.7	11.3	12.6
1965	21.0	(NA)	(NA)	1986	20.5	10.8	12.4
1966	17.6	10.5	28.5	1987	20.3	10.6	12.5
1967	16.6	10.0	29.5	1988	19.5	10.5	12.0
1968	15.6	9.0	25.0	1989	19.6	10.2	11.4
1969	14.0	8.7	25.3	1990	20.6	10.7	12.2
1970	15.1	9.0	24.6	1991	21.8	11.4	12.4
1971	15.3	9.3	21.6	1992	22.3	11.9	12.9
1972	15.1	8.8	18.6	1993	22.7	12.4	12.2
1973	14.4	8.3	16.3	1994	21.8	11.9	11.7
1974	15.4	8.3	14.6	1995	20.8	11.4	10.5
1975	17.1	9.2	15.3	1996	20.5	11.4	10.8
1976	16.0	9.0	15.0	1997	19.9	10.9	10.5
1977	16.2	8.8	14.1	1998	18.9	10.5	10.5
1978	15.9	8.7	14.0	1999	16.9	10.0	9.7
1979	16.4	8.9	15.2				

NA Not available.

Source: U.S. Census Bureau, Current Population Survey, March 1960 to 2000.

Recessions

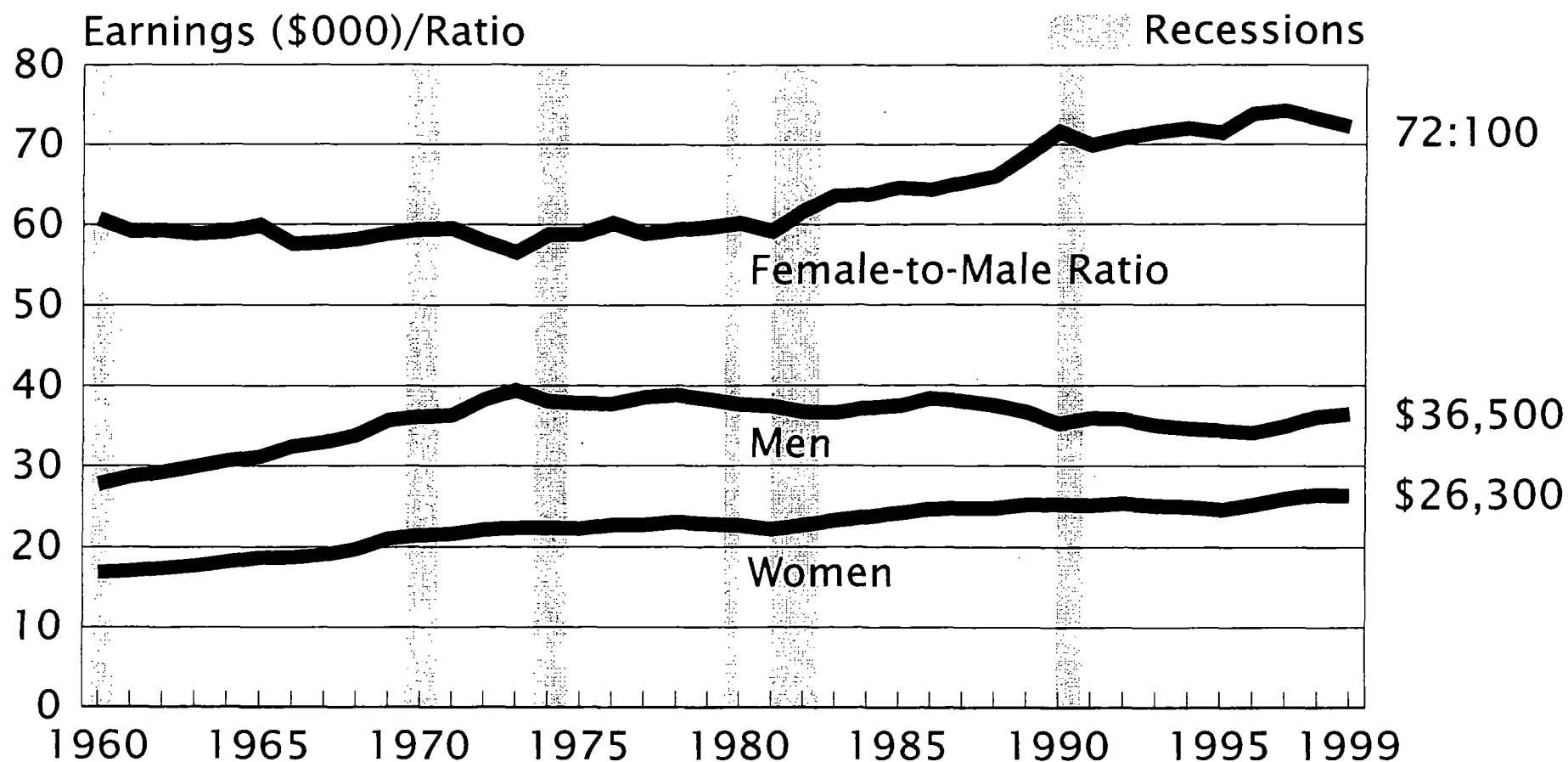
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July	1990	March	1991

Source: National Bureau of Economic Research, Inc., 1050 Massachusetts Avenue, Cambridge, MA 02138

Women's and Men's Median Earnings: 1960 to 1999

(Full-time, year-round workers)

Earnings ratio fell below its 1996 high



Note: Income rounded to the nearest \$100. Income in 1999 dollars.

Source: U.S. Census Bureau, Current Population Survey, March 1961 to 2000.

Women's and Men's Median Earnings: 1960 to 1999

(Full-time, year-round workers)

Years	Median earnings (In 1999 dollars)		Female- to-Male Ratio	Years	Median earnings (In 1999 dollars)		Female- to-Male Ratio
	Women	Men			Women	Men	
1999	\$26,324	\$36,476	72.2	1979	\$22,853	\$38,304	59.7
1998	\$26,433	\$36,126	73.2	1978	\$23,077	\$38,824	59.4
1997	\$25,922	\$34,954	74.2	1977	\$22,718	\$38,555	58.9
1996	\$25,176	\$34,131	73.8	1976	\$22,715	\$37,737	60.2
1995	\$24,593	\$34,431	71.4	1975	\$22,245	\$37,820	58.8
1994	\$24,962	\$34,685	72.0	1974	\$22,374	\$38,080	58.8
1993	\$25,073	\$35,057	71.5	1973	\$22,360	\$39,483	56.6
1992	\$25,382	\$35,858	70.8	1972	\$22,150	\$38,280	57.9
1991	\$25,140	\$35,988	69.9	1971	\$21,619	\$36,331	59.5
1990	\$25,267	\$35,280	71.6	1970	\$21,472	\$36,168	59.4
1989	\$25,217	\$36,721	68.7	1969	\$21,045	\$35,751	58.9
1988	\$24,794	\$37,539	66.0	1968	\$19,696	\$33,868	58.2
1987	\$24,801	\$38,051	65.2	1967	\$19,047	\$32,962	57.8
1986	\$24,674	\$38,391	64.3	1966	\$18,676	\$32,449	57.6
1985	\$24,191	\$37,462	64.6	1965	\$18,648	\$31,118	59.9
1984	\$23,699	\$37,229	63.7	1964	\$18,138	\$30,665	59.1
1983	\$23,275	\$36,600	63.6	1963	\$17,636	\$29,918	58.9
1982	\$22,679	\$36,730	61.7	1962	\$17,330	\$29,226	59.3
1981	\$22,191	\$37,462	59.2	1961	\$16,993	\$28,681	59.2
1980	\$22,666	\$37,676	60.2	1960	\$16,851	\$27,774	60.7

Source: U.S. Census Bureau, Current Population Survey, March 1961 to 2000.

Recessions

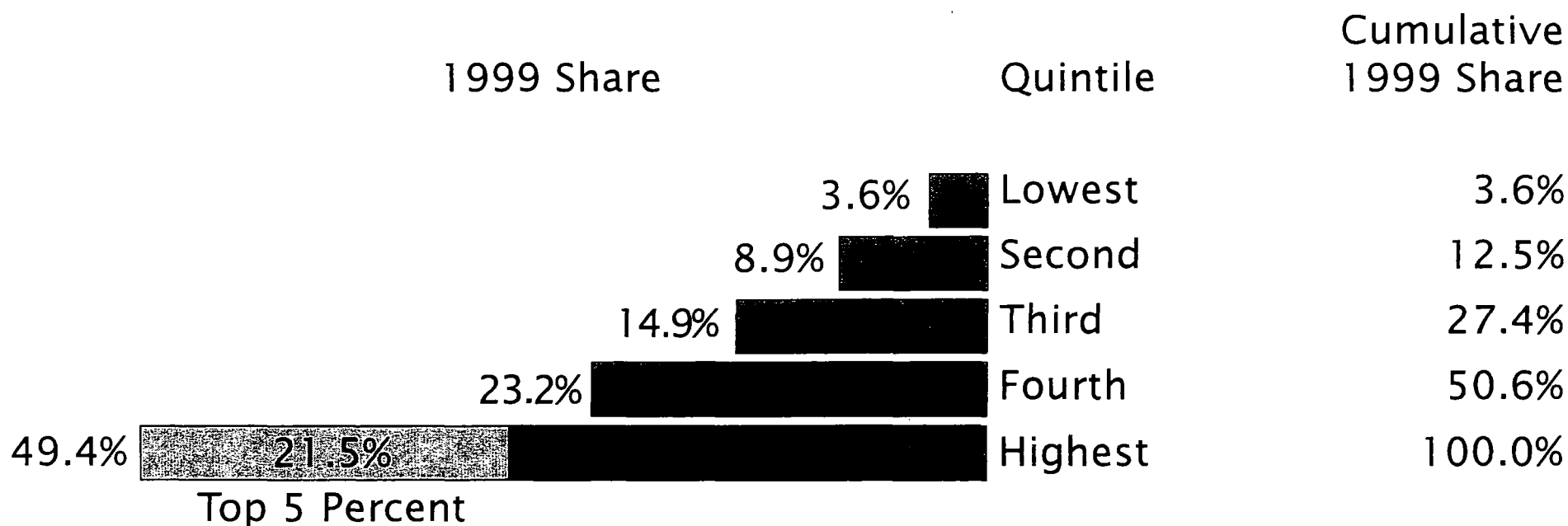
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Peak month	Year	Trough month	Year
January	1980	July	1980
July	1981	November	1982
July	1990	March	1991

Source: National Bureau of Economic Research, Inc., 1050 Massachusetts Avenue, Cambridge, MA 02138

Measures of Household Income Inequality

No statistical change in shares of aggregate income from 1998 to 1999



No statistical change in Gini Index from 1998 to 1999

Measures of Household Income Inequality

Share	1998	1999
Lowest Quintile	3.6	3.6
Second Quintile	9.0	8.9
Third Quintile	15.0	14.9
Fourth Quintile	23.2	23.2
Highest Quintile	49.2	49.4
Top 5 Percent	21.4	21.5
Gini coefficient of income inequality	0.456	0.457

Source: U.S. Census Bureau, Current Population Survey, March 1994 to 2000.

Income and Poverty by State: 1997 to 1999

(Comparison of 2-year moving averages)

Median Household Income

Poverty Rate

■ Increased

Arizona	Michigan
California	New York
District of Columbia	Rhode Island
Florida	South Dakota
Illinois	Tennessee
Iowa	Texas
Maine	Vermont
	Wisconsin

■ Decreased

none

■ Decreased

Arizona
Arkansas
California
District of Columbia
New York
South Dakota
Utah
Virginia

■ Increased

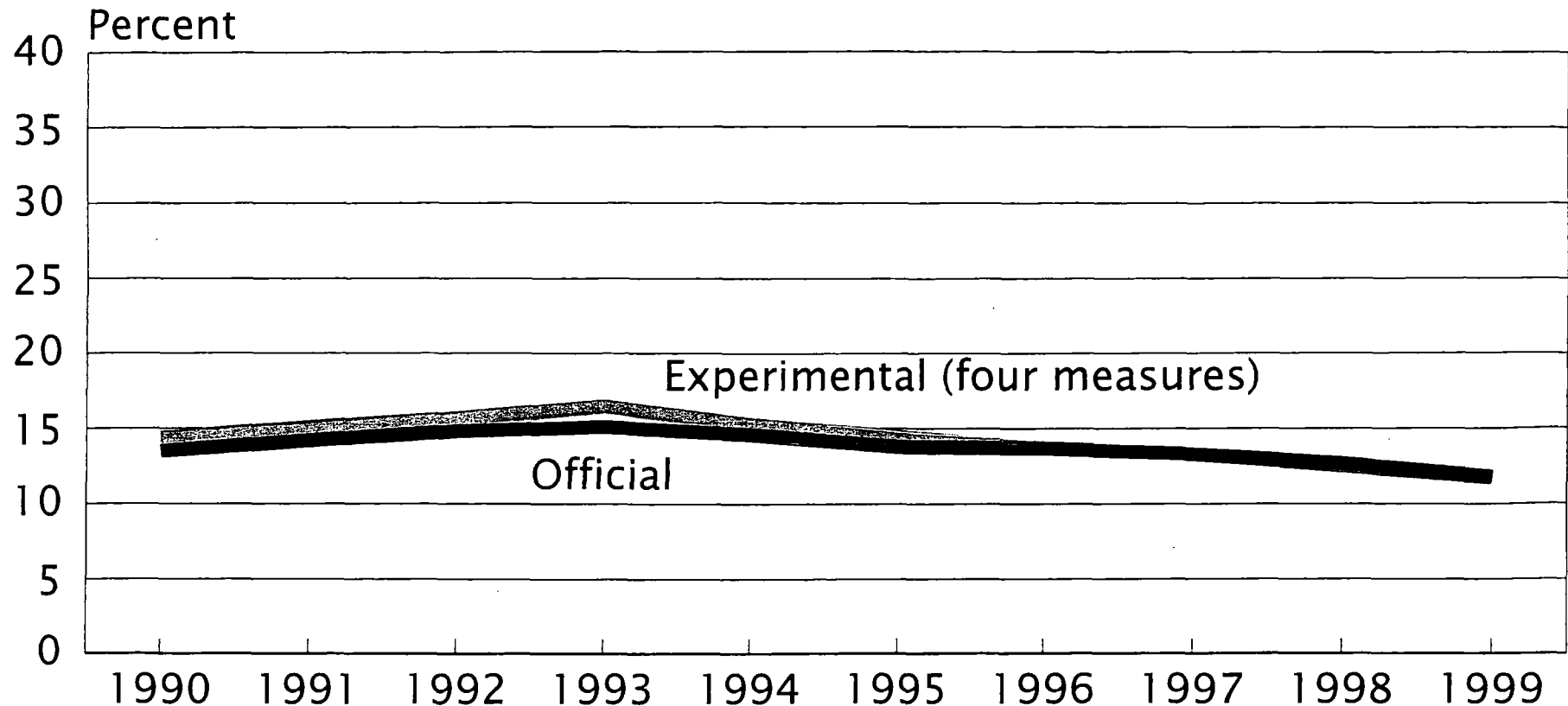
none

Source: U.S. Census Bureau, Current Population Survey, March 1998, 1999, and 2000.

Selected Experimental Poverty Measures: 1990 to 1999

(Thresholds adjusted using Consumer Price Index)

Experimental measures were similar and all showed greater decline from 1993 to 1999 than official measure



Note: Poverty rates for all measures constrained to be equal in 1997.

Source: U.S. Census Bureau, Current Population Survey, March 1991 to 2000.

Selected Experimental Poverty Measures: 1990 to 1999

(Threshold adjusted using Consumer Price Index)

	Official	NAS	DCM	DES	NGA
1990	13.5	14.3	14.1	14.2	14.4
1991	14.2	14.9	14.8	14.9	15.1
1992	14.8	15.6	15.5	15.6	15.7
1993	15.1	16.5	16.4	16.5	16.5
1994	14.6	15.3	15.2	15.3	15.3
1995	13.8	14.3	14.3	14.4	14.5
1996	13.7	13.7	13.8	13.8	13.7
1997	13.3	13.3	13.3	13.3	13.3
1998	12.7	12.6	12.7	12.6	12.5
1999	11.8	11.7	11.9	11.8	11.7

NAS - National Academy of Sciences methodology

DCM - Different Child Care Method: assigns fixed amounts of child care expenditures to families based on the number and ages of children present (but otherwise similar to NAS)

DES - Different Equivalence Scale: uses three parameters to adjust thresholds by family size, presence of children and family structure (but otherwise similar to NAS)

NGA - No Geographic Adjustment (but otherwise similar to NAS)

Note: Poverty rates for experimental measures were constrained to be equal in 1997.

Source: U.S. Census Bureau, Current Population Survey, March 1991 to 2000, and Table D. in Experimental Poverty Measures: 1998 (Short et al., September 1999) available at <http://www/census.gov/hhes/www/povmeas.html>.

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Money Income in the United States

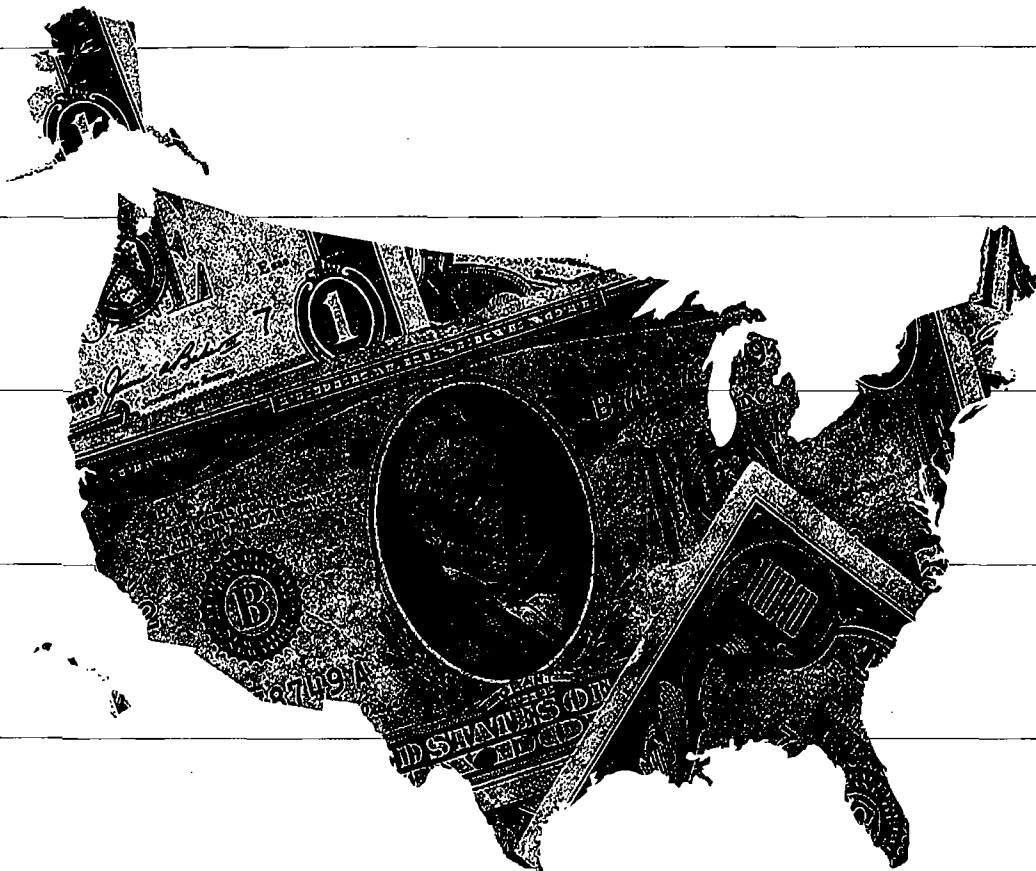
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Poverty in the United States

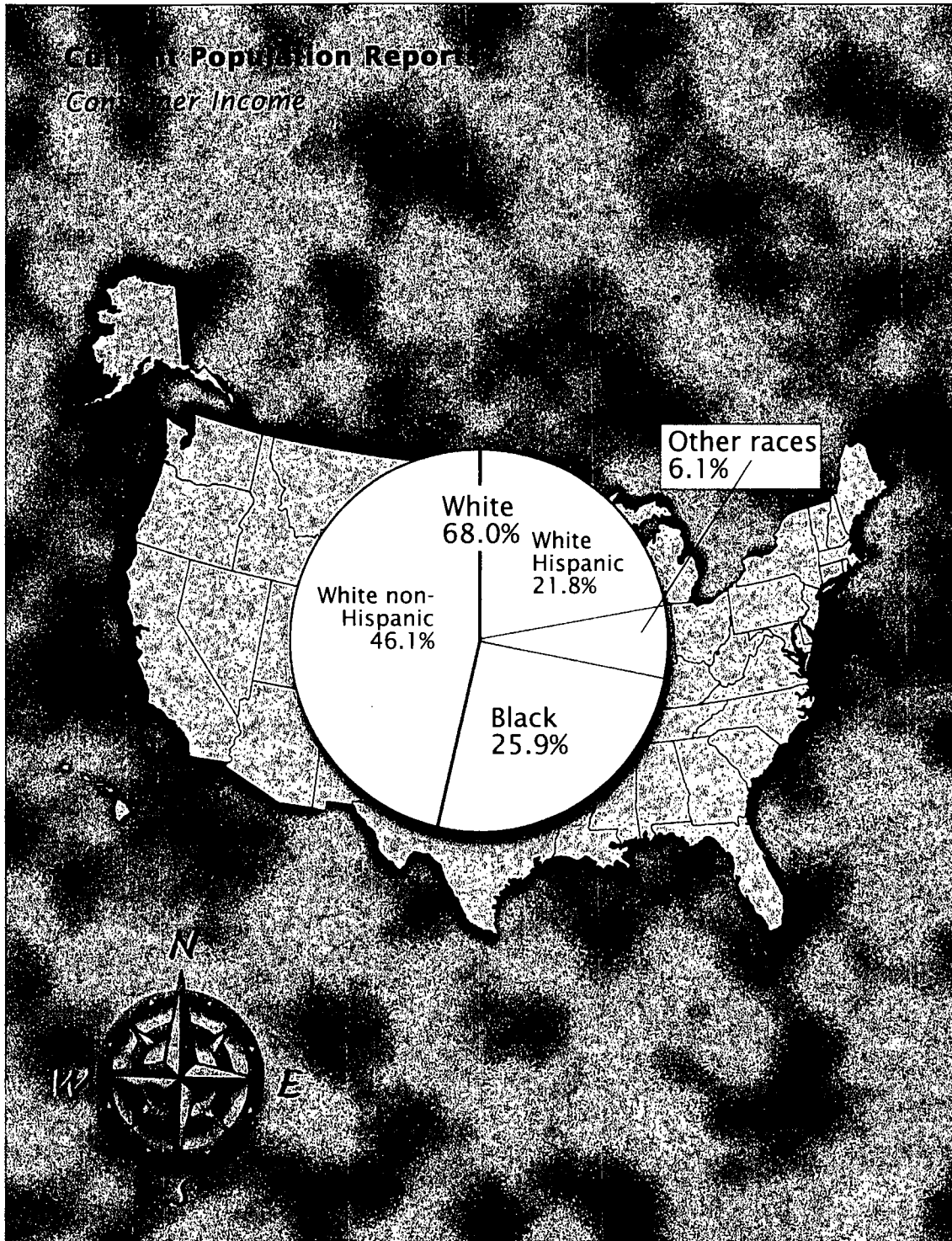
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Current Population Reports Consumer Income

By Joseph Dalaker
and
Bernadette D. Proctor



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FOR IMMEDIATE RELEASE:
December 23, 1999

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(202) 408-1080

**PROGRESS IN REDUCING CHILD POVERTY SLOWS, STUDY FINDS;
CHILDREN REMAINING POOR HAVE BECOME SOMEWHAT POORER**

Although the number of poor children in America has declined by 3.6 million since hitting a recent peak in 1993, a study the Center on Budget and Policy Priorities issued today finds that progress in reducing child poverty has slowed markedly since 1995 and that children who remain poor have become poorer since 1995.

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The study, "Recent Changes in the Impact of the Safety Net on Child Poverty," finds that the average amount by which poor children fall below the poverty line increased between 1995 and 1998, reaching the highest level recorded since data on this matter first were collected in 1979. The study is based on Census data and measures poverty after both cash and non-cash government benefits as well as taxes are taken into account. This is the approach most researchers recommend.

The study finds two principal trends at work since 1995. On the one hand, increases in employment and wages — along with expansion of the Earned Income Tax Credit (a tax credit for low-income working families) — have reduced child poverty. On the other hand, several major safety net programs have contracted substantially and now reduce child poverty less than in the past.

According to the study, the principal programs that have contracted and now reduce child poverty substantially less are the food stamp program and cash assistance for poor families with children. The numbers of children whom these programs serve have decreased sharply since 1995. The study found that to be the principal reason that poor children grew somewhat poorer during this period.

Between 1995 and 1998, the number of children who were poor declined 10 percent. But the number of children receiving food stamps fell 27 percent during this period, exceeding the decline in need, while the number receiving cash assistance dropped 36 percent.

At the same time, the study found, the Earned Income Tax Credit expanded between 1995 and 1998 and reduced child poverty to a much greater degree in 1998 than it had three years earlier.

"Amidst the good news of economic growth and decreases in the total number of poor children, it is troubling that those children who remain poor have slipped somewhat deeper into poverty," said Kathryn Porter, co-author of the report. "While the robust economy is helping many families, others are being affected adversely by the contraction in some parts of the safety net."

Other study findings include:

- The number of children who were poor (after counting government benefits and taxes, including the EITC) fell by 2.4 million between 1993 and 1995, but by 1.2 million between 1995 and 1998. On an annual basis, the number of children who are poor fell at a rate of 1.2 million in the 1993-1995 period and 400,000 in the 1995-1998 period.
- In 1995, the incomes of children who were poor (after government benefits and taxes are counted) fell an average of \$1,471 below the poverty line. In 1998, these children fell an average of \$1,604 below the poverty line. The \$1,604 figure represents the largest such figure on record since these data began being collected in 1979. This means that poor children were poorer, on average, in 1998 than in any year back to 1979.
- The "child poverty gap" is the total amount by which all children who are poor fall below the poverty line. The child poverty gap, measured *before* government benefits and taxes are counted, was nearly \$7 billion — or 15 percent — smaller in 1998 than in 1995. This shows that increases in employment and earnings substantially reduced the child poverty gap over this period.

But *after* government benefits and taxes are taken into account, the decrease in the child poverty gap between 1995 and 1998 nearly vanishes, shrinking to only \$400 million, a mere two percent improvement over the 1995-1998 period. The decrease in the safety net's effectiveness in reducing the child poverty gap largely canceled out the beneficial effect of the increase in employment and wages.

- In 1995, government benefit programs and taxes reduced the child poverty gap by 63 percent. In 1998, they shrank the child poverty gap by 57 percent, a significantly smaller percentage.
- In 1995, some 88 children received food stamps for every 100 children who were poor before receipt of government benefits based on income. In 1998, some 72 children received food stamps for every 100 such poor children.

Similarly, in 1995, some 57 children received cash assistance for every 100 such poor children. In 1998, some 41 children did, the lowest proportion since 1970. Together, food stamps and cash assistance programs for low-income families reduced the child poverty gap by 37 percent in 1995 but by 27 percent in 1998.

- While the safety net narrowed the child poverty *gap* less in 1998 than in 1995, the impact of these programs in reducing the child poverty *rate* — which measures the proportion of children who are poor — was the same in both years. In both 1995 and 1998, safety net programs lifted out of poverty one-third of the children who would have been poor without these programs. Although food stamps and cash assistance programs lifted a smaller proportion of such children out of poverty in 1998 than in 1995, the EITC lifted out a larger proportion.

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December 23, 1999

Recent Changes in the Impact of the Safety Net on Child Poverty

Executive Summary

Due to the improving economy and increases in employment and earnings among low-income families, the number of children living in poverty has declined significantly since 1993. Between 1993 and 1995, the reduction in child poverty was substantial; after 1995, progress against child poverty continued, but at a much slower pace. (Increases in employment and earnings were primarily the result of growth in the economy. Some research indicates that changes in welfare policy and expansions in the EITC also contributed to the increases in employment and earnings by prompting more single parents to enter the labor force.)

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- From 1993 to 1995, the number of children in poverty, after counting all government benefits and taxes, fell by 2.4 million.
- By contrast, in the 1995-1998 period, the number of poor children after counting government benefits and taxes fell 1.2 million — half as much — despite the fact that this period is one year longer than the 1993-1995 period.
- Measured on an annual basis, the number of poor children declined at a rate of 1.2 million per year between 1993 and 1995 and at a rate of 400,000 a year — one-third as much — between 1995 and 1998.

In addition, since 1995 the basic measure of the overall depth and severity of child poverty has improved very little, and those children who remain poor have, on average, become somewhat poorer.

To measure the depth of child poverty, the Census Bureau uses a measure called the "child poverty gap." The child poverty gap is the total amount by which the incomes of all children who are poor fall below the poverty line. Stated another way, the child poverty gap is the amount of money it would take to lift all poor children to the poverty line. In computing the child poverty gap, the Census Bureau divides the amount by which a poor family falls below the poverty line by the number of people in the family. The Census Bureau then assigns the "per-person poverty gap" for the family to each child in the family. Thus, if a family with two parents and one child falls \$3,000 below the poverty line, the poverty gap for the child in the family is \$1,000. The overall U.S. child poverty gap reflects both the number of children in the country who are poor and the depth of poverty of each poor child (i.e., how far each poor child falls below the poverty line).

- In 1993, the child poverty gap, measured after counting government benefits and taxes (including the Earned Income Tax Credit), was \$20.3 billion. By

their children.

Response: All immunization providers are required to inform parents of potential side effects. Only a very minute fraction of children receiving immunizations experience harmful side effects attributable to immunizations, and the National Vaccine Injury Compensation Program (NVICP) is available to assist families whose children have been harmed. Information on the NVICP is available on 1-800-338-2382. On balance, families that do not appropriately immunize their children place them in greater harm than the immunizations do. Therefore, we do not agree with the recommendation to allow another exemption to the immunization regulation for children receiving CCDF services.

Comment: A few commenters noted that for effective implementation of the rule, States should be required to provide information--to parents of CCDF-eligible children and to unregulated providers of services to children receiving CCDF subsidies--about both the necessity for immunizations and how to access free immunizations. One commenter offered the idea of mandating linkages between the child care subsidy system and public health clinics and other health professionals. One commenter asked that States be required to coordinate with their State public health agency.

Response: We concur that effective implementation would require States to ensure parents and unregulated providers have access to the kind of information described by the commenter. In keeping with the overall objective of these revised rules to achieve a balance between flexibility and accountability, ACF believes that regulation on this point is not necessary. It is inherent for meeting the rule. Moreover, nearly all States participate in the Secretary's successful Healthy Child Care America campaign. This campaign has a goal of linking child care providers with the health community and is one of the many venues for coordination between the child care community and the health community.

Additionally, this final rule includes two requirements that will

1995, this gap had narrowed to \$16.8 billion. The child poverty gap declined \$3.5 billion between 1993 and 1995, or 17.2 percent. (These figures are adjusted for inflation.)

- By contrast, between 1995 and 1998, the child poverty gap after counting government benefits and taxes hardly budged, declining only \$400 million (from \$16.8 billion to \$16.4 billion). This represented a narrowing of this gap of just 2.4 percent.
- The reason the child poverty gap changed so little between 1995 and 1998, despite strong economic growth and a decline in the number of poor children, is that the children who remained poor became poorer, on average. In 1995, poor children fell an average of \$1,471 below the poverty line. By 1998, they fell an average of \$1,604 below the poverty line.
- The \$1,604 figure for 1998 represents the largest poverty gap per poor child recorded since these data were first collected in 1979.

The Census data show that the primary reason poor children became poorer between 1995 and 1998 is that the safety net became less effective in reducing the depth of child poverty.

- In 1995, the child poverty gap stood at \$45.1 billion *before* counting government benefits and taxes. *After* counting government benefits and taxes, the child poverty gap was \$16.8 billion. Benefits and taxes thus reduced the child poverty gap by \$28.3 billion, or 63 percent, in 1995.
- In 1998, the child poverty gap was \$38.2 billion before counting government benefits and taxes. This figure was \$7 billion less than the comparable figure for 1995. But after counting benefits and taxes, the poverty gap in 1998 was \$16.4 billion, only \$400 million less than the comparable figure for 1995. Safety net programs reduced the child poverty gap by 57 percent in 1998; this represented a significant drop from the 63 percent reduction for which the safety net programs were responsible in 1995. (This also is a significant drop from 1993, when safety net programs reduced the child poverty gap by 60 percent.)

These developments primarily reflect a lessening of the impact of cash assistance and food stamp benefits on child poverty.

- In 1995, cash assistance benefits based on income (primarily Aid to Families with Dependent Children benefits but also benefits under the Supplemental Security Income program for low-income disabled children) shrank the child poverty gap by 24 percent. In 1998, cash assistance benefits reduced the child poverty gap by only 16 percent, or two-thirds as much.
- Similarly, in 1995, food stamps reduced the child poverty gap a little less than 13 percent; in 1998, food stamps reduced the child poverty gap 10.5 percent.
- Together, cash assistance and food stamps reduced the child poverty gap by nearly 37 percent in 1995, but by a little less than 27 percent in 1998.

enhance coordination and informational activities concerning immunization under the CCDF. First, with respect to State-level coordination, the final rule at Sec. 98.14(a) requires that CCDF Lead Agencies shall coordinate with the State agency responsible for public health, including the agency responsible for immunizations. Second, based on a large number of comments on consumer education, we adopted at Sec. 98.33 a specific requirement that the Lead Agency will collect and disseminate consumer education information that will promote informed child care choices, including information about health and safety. We consider immunization information to be an important part of such health and safety information.

Further, developing partnerships between the child care and health community will help facilitate the immunization process and ensure that the health needs of children and families are being met. We encourage States to utilize existing service delivery systems and networks to assist parents in meeting immunization requirements.

The President's Childhood Immunization Initiative recognizes the important role of States and local organizations in identifying their particular needs. In 1992, the Federal government began helping States design individually tailored Immunization Action Plans. Outreach consultants in each region assist States, local organizations, and health professionals in enhancing and expanding partnerships with public and private organizations. For more information on partnerships with State and local immunization programs, contact the State Health Department or the CDC's National Immunization Program, Program Operations Branch at 404-639-8215.

Comment: One commenter said States should be required to certify that effective procedures are in place to ensure that child care providers comply with immunization requirements.

Response: We believe that the regulation at Sec. 98.41(d) suffices. It requires Lead Agencies to certify that procedures are in effect to ensure that child care providers of services for which assistance is provided under the CCDF comply with all applicable health and safety

- The impact of cash assistance and food stamps in shrinking the child poverty gap declined markedly among children in married and single-parent families alike and among children in white, black, and Hispanic families alike. The decline was greatest among Hispanic children.

The lessened effect of cash and food stamp assistance in reducing the depth of child poverty reflects the sharp declines in the numbers of children who receive these benefits. Between 1993 and 1995, the number of children receiving AFDC and food stamps declined modestly as the economy improved and the number of children in poverty decreased. But between 1995 and 1998, the decline in participation in these programs greatly accelerated. While the economy continued to expand and employment and earnings increased among low-income families, participation in the cash and food stamp assistance programs fell much more rapidly than did the number of children who were poor.

- Between 1993 and 1995, the number of children receiving AFDC dropped 4.6 percent, while the number of children who were poor before counting government benefits based on income declined at a similar rate of 5.8 percent.
- By contrast, between 1995 and 1998, the number of children receiving AFDC or TANF (which replaced AFDC in 1996) plunged 35.6 percent, more than three times the 10.1 percent decline during those years in the number of children who were poor before counting government benefits based on income.
- In both 1993 and 1995, there were 57 children receiving AFDC for every 100 children who were poor before counting benefits based on income. By 1998, only 41 children received TANF cash assistance for every 100 such poor children. The ratio of the number of children receiving cash assistance to the number of poor children was substantially lower in 1998 than in any year since 1970.
- Child participation in the food stamp program shows a similar trend. Between 1993 and 1995, the number of children receiving food stamps fell 2.4 percent, a rate not very different from the percentage decline in the number of poor children in these years. But between 1995 and 1998, the number of children receiving food stamps dropped 26.8 percent while the number of poor children fell 10.1 percent.
- In 1993, some 85 children received food stamps for every 100 children who were poor before counting benefits based on income. The figure for 1995 is similar — that year, 88 children received food stamps for every 100 such poor children. In 1998, by contrast, 72 children received food stamps for every 100 such poor children. (This ratio increased between 1989 and 1993; the ratio for 1998 was still slightly above the ratio for 1989.)

The decline in the role of cash and food stamp assistance programs in lessening the depth of poverty among those children who remained poor was paralleled by a decline in the role these programs play in lifting children out of poverty altogether.

- In 1995, the combination of food stamps and cash assistance benefits based

standards described in Sec. 98.41(a). We think that the provision does not require modification to cover immunizations, to the extent that a Lead Agency, in implementing the immunization requirement at Sec. 98.41(a) places requirements on providers. We remind commenters that the immunization rule gives Lead Agencies implementation flexibility.

Comment: One commenter stated that the categories of relatives who are exempt from CCDF health and safety standards should be left up to the Lead Agency.

Response: Our response remains as stated in the Final Rule of August 4, 1992, that the intent of the statute was to give grantees the option to exempt certain relatives from the health and safety requirements that all other CCDF child care providers must meet. The amended statute extends this exemption to great grandparents and siblings (if living in a separate residence) and we have amended the regulations accordingly. There is no statutory authority to extend this exemption to other types or categories of providers.

Sliding Fee Scales (Section 98.42)

For a further discussion of copayments, see Section 98.43.

Equal Access (Section 98.43)

The Act requires Lead Agencies to certify that payment rates are sufficient to provide access to child care services for eligible families that are comparable to those provided to families that do not receive subsidies. Section 658E(c)(4)(A) requires the Lead Agency to provide a

[[Page 39958]]

summary of the facts relied on to determine that its payment rates are sufficient to ensure equal access.

The regulation at Sec. 98.43(b) requires a Lead Agency to show that it considered the following three key elements in determining that its child care program provides equal access for eligible families to child care services:

on income lifted from poverty 12.4 percent of the children who were poor before government benefits and taxes are counted. Thus, these programs lifted from poverty about one of every eight such children.

- In 1998, these programs lifted 9.2 percent of such children out of poverty, about one in every eleven such children.

Despite this erosion in the impact of cash assistance and food stamp programs in lifting children from poverty, the safety net as a whole lifted the same proportion of children out of poverty in 1998 as in 1995. In both years, government benefits and taxes lifted from poverty a total of 33 percent of the children who otherwise would have been poor.

The safety net lifted the same proportion of these children from poverty in 1998 as in 1995 because the decline in the impact of cash and food assistance programs in lifting children from poverty was offset by an increase in the anti-poverty impact of the Earned Income Tax Credit. The EITC was larger in 1998 than in 1995 (the sizeable EITC expansion enacted in 1993 did not phase in fully until 1996), and the proportion of otherwise-poor children lifted from poverty by federal income and payroll taxes and the EITC climbed from six percent in 1995 to nearly 10 percent in 1998.



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1. Choice of the full range of categories and types of providers, e.g., the categories of center-based, group, family, in-home care, and types of providers such as for-profit and non-profit providers, sectarian providers, and relative providers as already required by Sec. 98.30.

2. Adequate payment rates, based on a local market survey conducted no earlier than two years prior to the effective date of the current Plan; and

3. Affordable copayments.

These elements must be addressed in the summary of facts submitted in a Lead Agency's biennial Plan, pursuant to Sec. 98.16(1).

Comment: Some commenters felt that Lead Agencies should simply be required to summarize the facts they relied on in setting payment rates, without addressing the three key elements mentioned above.

Response: Lead Agencies are free to include additional facts they used in determining rates that ensure equal access. As discussed below, we are convinced that a Lead Agency cannot establish rates that ensure equal access without reference to the three required elements.

1. Full range of providers. All working parents, regardless of income, need the full range of categories of care and types of providers from which they may choose their child care services. This is because child care needs vary considerably according to the child's age and special needs, the parents' work schedule, provider proximity, cultural values and expectations. Therefore, we believe that the statutory requirement of equal access means that low-income working parents receiving CCDF-subsidized care must have a full range of the categories and types of providers from which to choose care that they believe best meets their needs and those of their children. This element helps secure the parental choice requirements at Sec. 98.30 which already require that parents who receive certificates be afforded such variety.

2. Adequate payment rates. PRWORA eliminated the requirement that, in establishing payment rates, the Lead Agency take into account

Gene B. Sperling

**The Clinton Administration's Anti-Poverty Agenda
Remarks to the National Press Club**

Revised Text

October 1, 1999

TABLE OF CONTENTS

- I. Introduction
- II. Why Macroeconomic Policy Matters For Poverty Reduction
- III. Why Macroeconomic Policy is Necessary, But Not Sufficient
- IV. Burden of Fiscal Uncertainty Should Not Fall on the Poor
- V. Rewarding Work
- VI. The Clinton Economic Opportunity Agenda: Lifting Up People and Places
- VII. New Directions: Investing in People
- VIII. Conclusion
- Appendix 1. The Clinton Administration's Contribution to Policies to Help People Lift Themselves Out of Poverty
- Appendix 2. The 1997 Balanced Budget Agreement Allocated More than \$70 Billion For Families Earning Less Than \$30,000
- Appendix 3. The Clinton Administration's New Initiatives to Help People Lift Themselves Out of Poverty

I. INTRODUCTION

I wanted to use the occasion of the release of the new Census numbers on income and poverty to do an overview of the effectiveness of the Clinton-Gore Administration's policies at addressing one of the most important missions of any Administration: reducing poverty and increasing opportunity for our most disadvantaged families.

In a nutshell, the record is one of significant progress in the right direction and a frank recognition of the significant distance still left to travel. I believe a fair analysis must make both of those points.

Sometimes in politics when there has been a significant accomplishment, the White House or a political party takes a victory lap. There is no cause for that here. But there is cause for understanding that significant progress has been made – and a reason to understand what has worked and what still needs to be done.

Recognizing that there has been progress – even stunning progress – does not and should not dull our sense of concern over the distance remaining. Take one example: poverty among African-American children was 46.1 percent in 1993. Yesterday, we learned it had fallen to 36.7 percent. That represents a 20 percent drop in African American child poverty – the lowest on record. On one hand, this is an enormous achievement. On the other hand, the fact that more than one-third of African American children, more than 5 million, are being raised in poverty stands as one of the most disturbing and disappointing facts in American society.

From the 1970s to the early 1990s, the Nation witnessed a slowdown in growth and a widening of inequality. The result was that the incomes of the bottom sixty percent of Americans fell, after adjusting for inflation, while the poverty rate rose. In the last several years, the economic performance of the Nation has improved substantially, with strong growth, low unemployment, low inflation, and low interest rates. It is important to recognize that the economic policies and excellent economic performance of the Nation over last several years has brought gains to all segments of society and stemmed the long rise of economic inequality. This can be missed when simply looking at trends over 20-25 year periods.

From 1993 to 1998, poverty has fallen across the board and incomes have risen for each and every income group. Consider the following (see Tables 1-4 at the back for more detail):

- The poverty rate has fallen from 15.1 percent in 1993 to 12.7 percent in 1998, lifting nearly 5 million people out of poverty.
- Between 1993 and 1998, the poverty rate has fallen by 15 percent or more for all persons, African Americans, Hispanics, children, African American children, Hispanic children, single mothers, and many other groups. The poverty rate is now the lowest on record for African Americans, African American children, Hispanic

children, single mothers, African American single mothers, and Hispanic single mothers.

- At the same time, incomes have grown by 9.9 – 11.7 percent for every quintile of the income distribution. For the bottom three quintiles, this is the strongest growth since at least the 1970s. The 10.3 percent increase in incomes for the bottom quintile over the last 5 years represents a particularly dramatic turnaround from the 4.4 percent decline between 1981 and 1993.
- Over the last 5 years typical families have seen their income rise by 12.1 percent and African American families have seen their incomes rise by 21.0 percent. That represents more than \$5,100 in income for the typical African American family.
- In 1998, the Earned Income Tax Credit (EITC) lifted 4.3 million people out of poverty – twice the number of people lifted out of poverty by the EITC in 1993.

II. WHY MACROECONOMIC POLICY MATTERS FOR POVERTY REDUCTION

Despite this impressive progress, a common critique of the Administration's record goes something like this: The President came into office with an ambitious investing-in-people agenda that might have addressed poverty, but ultimately he had to sacrifice this agenda to address the worsening deficit projections.

Behind this critique lies two false premises. First, as I will establish, this President has fought – successfully – for significant investments in anti-poverty initiatives. The second, and the most fundamental misconception is that only significant government investments and not sound fiscal and macroeconomic policies are tools to reduce poverty. However much any of us believe in the power of wisely-crafted public policies to invest in people, no one should be blind to the fact that the experience of the last 6 years demonstrates definitively that macroeconomics and fiscal policy do matter for poverty reduction and they matter enormously.

The old paradigm assumed that fiscal discipline would hurt poverty reduction efforts for two reasons: one, public investments would have to be sacrificed or put on hold in the name of deficit reduction and two, deficit reduction would lead to short-term economic contractions that could freeze or hurt economic opportunities for poorer Americans even if in the long-run it led to savings, capital formation, and faster productivity growth.

The new fiscal paradigm of the last six years has told a rosier story – even and especially for the short-term. Serious debt reduction eliminated what Bob Rubin called the “deficit premium” leading to a virtuous cycle of lower interest rates and higher investment that increased capacity enough to allow for continuing expansion without inflation. Experts from Alan Greenspan to Paul Volcker credit the fiscal deficit reduction since 1993 as a key component of our near record expansion.¹

¹ Alan Greenspan, Humphrey-Hawkins testimony to House Banking Committee, February 20, 1996 and Paul Volcker, in *Audacity Magazine*, Fall 1994.

In short, strong deficit reduction helped create the conditions for an exceptionally strong, steady, and long economic expansion that has, in turn, led businesses to seek out more and more minority and economically disadvantaged Americans who had traditionally been left behind, ignored, or at least left on the fringe of the labor market.

As the expansion has lengthened and unemployment has fallen, expanding businesses in search of workers have had to recruit and offer training to people they would never even have looked twice at in a shorter or less robust expansion. Therefore, to the degree that deficit reduction has been integral to the high investment / low inflation environment necessary to allow such a sustained expansion, and such significant hiring of disadvantaged workers, one must recognize the integral contribution that fiscal discipline has made to reducing poverty and increasing economic opportunity. Consider the following:

African American unemployment fell from 14.3 percent at the end of 1992 to 7.8 percent last month – and this year reached the lowest level on record. Over this period, Hispanic unemployment fell from 11.5 percent to 6.5 percent, the lowest on record. At the same time, the expanding economy, and the policies I will discuss in a moment, have brought new workers into the economy. The labor force participation rate of single mothers rose from 73.7 percent in 1992 to 84.2 percent in 1997. At the same time, the percentage of single women with children who received welfare fell from 19.3 percent in 1992 to 8.3 percent in 1997.²

Furthermore, the low unemployment rate may be creating a virtuous employment circle. The European economies saw large increases in their unemployment rates in the 1980s translate into what appears to be permanently higher levels of unemployment, a process some economists have called “hysteresis.”³ One explanation for why this might happen is that high unemployment rates lead to people being unemployed for longer periods, during which time they start to lose both their productive skills and their ability to search for jobs effectively. As a result of these changes, the unemployment rate could stay permanently higher. Although the definitive evidence for the United States is not in yet, there is good reason to hope that if we keep the expansion going with so many previously disadvantaged and unemployed workers in the workforce for so long, we will create a far larger pool of ready and able American workers for years to come.

² Council of Economic Advisers, “Good News for Low-income Families: Expansions in the Earned Income Tax Credit and the Minimum Wage,” *A report by the Council of Economic Advisers*, December 1998.

³ Olivier Blanchard and Lawrence Summers, “Hysteresis and the European Unemployment Problem.” In Stanley Fischer, ed., *NBER Macroeconomics Annual*, Vol 1, 1986, MIT Press: Cambridge.

III. WHY MACROECONOMIC POLICY IS NECESSARY, BUT NOT SUFFICIENT

However flawed the premise that fiscal discipline has no impact on poverty reduction, the notion that there should be a sole and exclusive focus on deficit reduction is equally if not more flawed. Ensuring that growth is shared and inclusive cannot simply be assumed.

Growth has not always led to higher incomes for the poorest and falling poverty rates for the Nation. After observing the poverty rate rise and incomes at the bottom fall despite the expansion of the 1980s, David Cutler and Lawrence Katz published a paper arguing that "a long-standing, positive relationship between the economic well-being of the poor and the growth of the economy has changed."⁴

However, in the 1990s, falling unemployment rates and higher growth have once again led to falling poverty rates and higher incomes for all Americans. An important part of this shift has been the President's policies that have helped give people the tools, incentives and opportunities so that they can all benefit from, and contribute to, the strong economy.

While fiscal discipline and the resulting low-interest rates can fund investment growth and give more disadvantaged Americans job opportunities, they cannot ensure that a generation of young children won't be lost to poor schools, poor nutrition, and crime and drug ridden opportunities. Fiscal discipline may lead businesses to help some Americans who have fallen behind to get new training opportunities, but new technological and capital investments without a skilled and motivated workforce is like a bat without a ball. Necessary but not sufficient.

In the new economy, productivity growth is being driven by the high technology sector. The potential of the new economy is to provide rising wages for everyone. But the risk is that, without proper investments in people, the new economy has the potential to create a skills gap, between those who know how to take advantage of our new technologies and those who do not.

We have already begun to see the emergence of a skills gap. Improvements in technology and other changes continue to raise the gap between the wages of college educated workers and those with only a high school degree or less. In 1998, the average college graduate made 75 percent more than the typical high school graduate, compared to only 46 percent more in 1980.⁵ As Katz summarized, "these findings imply that physical capital and new technologies are relative complements with more-skilled

⁴ David Cutler and Lawrence Katz, "Macroeconomic Performance and the Disadvantaged." *Brookings Papers on Economic Activity* 2:1991.

⁵ Lawrence Katz, "Technological Change, Computerization, and the Wage Structure." Harvard University and NBER, September 1999.

workers. Such evidence is certainly consistent with the view that the spread of computer technologies may have contributed to rapid increases in the demand for skill in recent decades.”

The skills gap does not just matter for wages, but for unemployment as well. In the last 7 years, the unemployment rate for high school dropouts has averaged 9.3 percent, while the unemployment rate for college graduates has only averaged 2.5 percent.

Study after study has documented that each additional year of a college can increase a worker’s future earnings by 5 to 15 percent with evidence that such returns have risen in recent years.⁶ Caroline Hoxby, for instance, finds that the return to a college education was 12 percent from 1992 to 1996, compared to 5 percent from 1972 to 1978.⁷

That is why even in a period of fiscal contraction, a sound growth strategy must not only bring down deficits, but also increase educational investments and work incentives. The 1993 Budget was an example of such a balanced approach. While it called for \$505 billion in deficit reduction, the total gross savings were over \$600 billion. In other words, the 1993 budget made over \$100 billion in additional tough choices so that the largest EITC expansion ever could be passed and solid investments could be made in Head Start and the Special Supplemental Income Program for Women, Infants, and Children (WIC) – even in the midst of deficit reduction. Indeed, dropping the President’s bold increase in the EITC could have allowed the President to avoid his most politically costly decision – raising the gas tax by 4.3 cents. Yet the new Census data show that there are at least 2.3 million fewer Americans in poverty because the President expanded EITC, made tough decisions, and chose a balanced approach over a sole focus on deficit reduction.

Contrary to any notion that poverty reduction initiatives were put on hold until the budget was balanced, the President has sought the right balance between debt reduction and creating and expanding upon programs that enhance economic opportunities for poorer Americans. The President and his Office of Management and Budget Directors from Panetta to Rivlin to Raines to Lew have all battled hard with yearly appropriations negotiations to protect and strengthen key anti-poverty programs. Even in the midst of the dramatic deficit reduction we have seen over the past 6 years, President Clinton has successfully increased funding for several anti-poverty programs and indeed has passed several new economic opportunity initiatives.

As a result, today we spend substantially more on a wide-range of poverty reduction programs (see Table 5 for numbers and Appendix 1 for selected details). To name one example, we now spend nearly \$3 billion more each year for Head Start and

⁶ See Thomas Kane and Cecilia Rouse, “Labor Market Returns to Two and Four-year College: Is a Credit a Credit and Do Degrees Matter?” *American Economic Review*, 85:3, 1995 and Orley Ashenfelter and Alan Krueger, “Estimates of Economic Returns to Schooling From a New Sample of Twins.” *American Economic Review* December 1994.

⁷ Caroline Hoxby, “Tax Incentives for Higher Education.” *Tax Policy and the Economy* 12 1998 MIT Press: Cambridge.

WIC than we did in 1993 even as discretionary spending as a percentage of our economy has been reduced from 8.4 percent in 1993 to less than 6.6 percent in 1999.

The 1997 balanced budget agreement – although perhaps best known for the nearly half trillion in entitlement savings over 10 years and significant tax cuts – had more than \$70 billion over 5 years to help families making less than \$30,000 (Appendix 2). Indeed, the last issue that held up the final agreement was the President's insistence on getting \$24 billion over 5 years and \$48 billion over 10 years for health insurance for children under 200 percent of the poverty line and his opposition to Republican proposals that would have denied the benefits of the child tax credit to families with more than half of the 13 million children on the EITC. Ultimately, because of the President, families earning less than \$30,000 got an \$18.5 billion tax cut from the child tax credit. In addition, in 1997 the President fought for and secured \$12 billion to restore disability and health benefits to 350,000 legal immigrants, \$3 billion for welfare to work programs, and the largest Pell Grant increase in at least two decades.

Likewise, the President has proposed and signed an impressive number of new initiatives that either focus on lower income Americans or which are at least targeted to disproportionately benefit more economically distressed Americans. One can see a complete list of initiatives in Appendix 3. Initiatives that focus on lower-income people include:

- Empowerment Zones, Community Development Banks, Community Reinvestment Act reform, Child Health Initiative, Welfare to Work programs, Brownfields, GEAR-UP, Youth Opportunity Grants, and Individual Development Accounts.

Other programs that disproportionately target low-income Americans include the Reading Excellence program and the Technology Literacy Challenge.

IV. BURDEN OF FISCAL UNCERTAINTY SHOULD NOT FALL ON THE POOR

In making the difficult choices between fiscal discipline and investments, any government should be guided by the principle that the burden of fiscal uncertainty should never fall first on the poor. This is not to say that low-income programs should never bear any burden of fiscal discipline – but it should be a last resort – not a first. This principle is based not just on equity, but also because any government should feel concern about imposing irreparable damage in the name of deficit reduction – in case the altered budgetary projections ultimately make cuts unnecessary. Even if one believed that balancing the budget should be the sole motivation of fiscal policy, those who called for major cuts in Medicaid, Food Stamps, and the EITC in 1995 turned out to be asking for a painful sacrifice from the poorest and most politically powerless population that was proven to have been unnecessary. On the other hand, freezes or even cuts to those Americans most able to handle them are easily reversed when times improve.

V. REWARDING WORK

The Clinton-Gore focus on poverty reduction has been very much grounded in a vision of rewarding work for poorer families. This coherent and comprehensive vision is a consistent strand running from sections of Putting People First to a comprehensive set of policies to reward work.

Economists are in strong agreement that lower income Americans are quite responsive to both economic incentives to enter the workforce or to disincentives that punish work efforts. In the past a single mother who wanted to work risked losing health care for her children, and faced large child care, transportation, and clothing costs. At the same time, if this single mother was on Aid to Families with Dependent Children (AFDC), she would face one-for-one reductions in welfare payments for each dollar she earned above a relatively small amount. These child care, health care, and transportation costs, together with AFDC, served as a prohibitive tax on work for too many poor Americans.

The Clinton-Gore agenda has been to reward work and to launch an all-out assault on such work disincentives through measures from expanding the EITC to raising the minimum wage to welfare reform to expanded children's health insurance to greater child care.

Expanding the EITC and Raising the Minimum Wage: Eliminating Poverty For Full-time Working Families With Children

When he was running for office in 1992, then governor-Clinton called for increases in the minimum wage and expansions of the EITC in furtherance of his goal that no full-time working parent should have to raise their child in poverty. Consider what this has meant for our most hard-pressed working families. A working parent with two children earning the minimum wage in 1993 made \$10,569 with the EITC (in 1998 dollars), well below the poverty line. With increases in the EITC and minimum wage, that same family in 1998 is above the poverty line – making \$13,268 – a 27 percent inflation-adjusted increase in their standard of living.

Indeed, both Census data and academic studies show how powerful the impact of the EITC has been. The latest poverty statistics from the Census provide alternative measures of poverty with and without the EITC (see Tables 6 and 7). They demonstrate that in 1998, 4.3 million people were raised out of poverty by the EITC – of which more than half were children. This is an increase of 2.3 million over the number of Americans lifted out of poverty by the EITC in 1993. The result suggests that more than one-quarter of the reduction in poverty between 1993 and 1998 (7.7 million people according to the poverty measure that includes the EITC) is directly attributable to the expansion of the EITC.

In reality, the benefits of this tax credit have probably been even greater than these simple statistics suggest. There is now an increasing academic literature

confirming that the EITC has been effective in bringing people, particularly single women, into the workforce:

- Liebman and Eissa find that the EITC significantly increases labor force participation among single mothers, especially less educated women. Dickert, Hauser, and Scholz present findings consistent with this, predicting that the 1993 EITC expansion would induce 516,000 families to move from welfare to work.⁸
- Partly as a result, 84.2 percent of single mothers were in the labor force in 1997, up from 73.7 percent in 1992.

The minimum wage has also played an important role in increasing the return to work and expanding labor force participation. In the past, there has been a concern that raising the minimum wage created a trade-off between higher wages and lower employment. A series of studies by David Card and Alan Krueger, however, debunked this premise, showing that higher minimum wages could enhance the income of working people while maybe even increasing employment.⁹ At the same time, they showed that low-income families receive most of the benefits of higher minimum wages. This is especially true if one takes into account recent research at the Urban Institute and Council of Economic Advisors which shows the interaction of the minimum wage with the EITC, and their effectiveness in moving people from welfare to work.

A study by Mark Turner of the Urban Institute and Johns Hopkins University indicates that increases in the minimum wage can create an important incentive to move from welfare to work.¹⁰ He found that raising the minimum wage by 50 cents would lead to a 1.3 to 2.5 percentage point decrease in the welfare rolls, as between 97,000 and 187,000 women chose to move from welfare to work. This finding is consistent with a recent study by the Council of Economic Advisers which found that the expansion of the minimum wage explained between 10 and 16 percent of the decline in welfare caseloads between 1996 and 1998.¹¹

⁸ Nada Eissa and Jeffrey Liebman, "Labor Supply Response to the Earned Income Tax Credit." *Quarterly Journal of Economics*, 111(2) 1996, Bruce Meyer and Dan Rosenbaum, "Welfare, the Earned Income Tax Credit, and the Employment of Single Mothers." Joint Center for Poverty Research Working Paper May 1998 #2, and Stacy Dickert, Scott Houser, and John Karl Scholz, "The Earned Income Tax Credit and Transfer Programs: A Study of Labor Market and Program Participation." *Tax Policy and the Economy* 9 1995 MIT Press: Cambridge.

⁹ David Card and Alan Krueger, *Myth and Measurement*, Princeton: Princeton University Press, 1995.

¹⁰ Mark Turner, "The Effects of Minimum Wages on Welfare Reciprocity," Joint Center for Poverty Research Working Paper July 1999 #4.

¹¹ Council of Economic Advisers, "The Effects of the Economic Expansion on Welfare Caseloads: An Update." *A report by the Council of Economic Advisers* August 3, 1999.

Health Care, Child Care, and Welfare Reform: Removing the Disincentives to Work

Health Care

Limited access to health insurance in entry-level jobs – as well as poor health to begin with – can discourage work. Historically, government assistance in providing affordable, accessible health insurance was limited to poor, single-parent families receiving welfare. As a result, work would generally end Medicaid coverage – keeping many people on the welfare rolls out of fear of losing their health coverage.¹² This can be an especially serious problem because many low-wage jobs lack employer-sponsored health insurance, many Temporary Assistance to Needy Families (TANF) parents have health problems, and the fact that uninsured children typically have more sick days at school.¹³

Clearly, passage of some variant of the President's health care plan in 1994 would have been a major pro-work, anti-poverty step. Since that didn't happen, the President has focused on targeted policies to achieve similar goals. Three major policy initiatives have provided access to affordable health insurance to low-income working families. First, the President and advisors such as Secretary Shalala and Bruce Reed have worked to de-link Medicaid from welfare program, making Medicaid accessible to working as well as poor families. This has been accomplished within the context of welfare reform in 1996, but also before that through state waiver programs and aggressive administrative action. This approach appears to be working, as can be seen in one study which found that the proportion of Medicaid-enrolled children with an unemployed parent fell from 75 percent in 1987 to 47 percent in 1996.¹⁴

Perhaps the most important step was the Children's Health Insurance Program (CHIP) – the largest children's health care investment since the creation of Medicaid in 1965. This program is targeted at working families who lack health insurance for their children but have too much income to qualify for Medicaid. Too many of these parents skip work to care for children who are sick but lack access to doctors or needed medicines. CHIP was created in 1997 with bipartisan Congressional support at a cost of \$24 billion dollars over five years. To date, about 1.3 million children have been enrolled in state programs, all of whom come from working families – a number that is expected

¹² See Robert Moffitt and Barbara Wolfe, "The Effect of the Medicaid Program on Welfare Participation and Labor Supply." *Review of Economic Studies*, November 1992 and Aaron Yelowitz, "The Medicaid Notch, Labor Supply, and Welfare Participation: Evidence from Eligibility Expansions." *Quarterly Journal of Economics* 110(4) November 1995 for two good studies documenting this point.

¹³ One study finds that only about 43 percent of people in near-poor families have employer-sponsored insurance (O'Brien E; Feder J. (May 1999). *Employment-Based Health Insurance Coverage and Its Decline: The Growing Plight of Low-Wage Workers*. Washington, DC: The Kaiser Commission on Medicaid and the Uninsured.). It may be worse for people leaving welfare, with one study finding that less than one in four received health insurance on the job: Loprest P. (1999). *Families Who Left Welfare: Who Are They and How Are They Doing?* Washington, DC: Discussion Paper: Assessing the New Federalism.

¹⁴ Bantnin JS; Cohen JW. (August, 1999). *Changes in the Medicaid Community-Based Population: 1987-96*. Rockville, MD: Agency for Health Care Policy and Research. MEPS Research Findings No. 9 AHCPR Pub. No. 99-0042.

to double by September 2000.¹⁵

Finally, the President has taken an initial step – and continues to push for legislation – that ensures that people with disabilities are not kept from productive employment by their fear of losing their health insurance. In 1997, the President created an option that would allow people with disabilities who have income below 250 percent of poverty to buy into Medicaid. However, we believe this doesn't go far enough. The Work Incentives Improvement Act, which was funded in the President's FY 2000 budget and has unanimously passed the Senate, would take additional steps to ensure that no person has to choose between work and health coverage.

Child Care

Research shows that women are highly responsive to the costs of child care in making decisions to work. A recent National Bureau of Economic Research working paper finds that if the costs of childcare could be lowered by 50 cents per hour, the result would be an 18 percent rise in labor force participation by unmarried women with children and a 39 percent rise for unmarried high school dropouts with kids.¹⁶

Under the Clinton-Gore Administration, federal funding for child care has increased by 80 percent, helping parents pay for the care of about 1.25 million children out of the 10 million that are eligible. The 1996 welfare reform law increased child care funding by \$4 billion over six years to provide child care assistance to families moving from welfare to work. Last year, the President succeeded in securing \$140 million in new funds for after-school care and \$173 million for child care quality activities. Over the next five years, the President has proposed to expand child care to another 1.15 million children from low-income families.

Welfare Reform

The President's health care and child care initiatives have been an integral part of his strategy to make welfare reform work, by providing people with the opportunities to move into the workforce. The President's efforts began in the first days of the Administration, with the Secretary of Health and Human Services granting waivers to 43 states between 1993 and 1996 to try a broad range of experiments to help provide an incentive for people to move from welfare to work. These measures included "sticks" like time limits and work requirements, and incentives like allowing welfare recipients to keep more benefits when they went to work or to exclude items like cars when calculating their assets for the purposes of program eligibility.

Welfare reform in 1996 pushed this further, abolishing AFDC and replacing it with TANF – a new program based on block grants with time limits and a wide latitude

¹⁵ Smith V. (July 30, 1999). Enrollment Increases in State CHIP Programs: December 1998 to June 1999. Washington, DC: The Kaiser Commission on the Future of Medicaid and the Uninsured.

¹⁶ Patricia Anderson and Philip Levine, "Child Care and Mother's Employment Decisions." *NBER Working Paper No. W7058* March 1999.

for states to design their own rules. One consequence has been the proliferation of rules that allow people to continue to receive benefits when they first work and other incentives like childcare, transportation, reimbursement of work-related expenses, and earnings supplements. The result has been a powerful incentive for people to move from welfare to work – with evidence documented in one study indicating that these measures like these increased the employment rate by 2.8 to 11.8 percentage points in different experiments across the United States and Canada.¹⁷

Welfare reform is working. Welfare rolls are down by nearly half to their lowest level in 30 years, nearly four times more of those on welfare are working, and the employment rate of people receiving welfare in the previous year has increased by 70 percent. All fifty states are meeting the law's overall work requirement.

Recent studies by the Urban Institute, the General Accounting Office, and others have documented that the vast majority of recipients leave the rolls for jobs.¹⁸ The recent poverty statistics bear witness to the tremendous gains that have been made by single mothers as a result of the wide-range of policies I have discussed: poverty rates for single women with children have fallen from 46.1 percent in 1993 to 38.7 percent in 1998 – a 16 percent decline.

At the same time, we cannot let ourselves lose sight of the fact that the job is not done. More still needs to be done for families struggling to balance childcare needs for jobs. More needs to be done to ensure that the many people who need and are eligible for food stamps and Medicaid actually sign up for these programs. And we need to continue monitoring to ensure that people are indeed leaving welfare for good jobs.

VI. THE CLINTON ECONOMIC OPPORTUNITY AGENDA: LIFTING UP PEOPLE AND PLACES

The most frustrating and frequent debate in policy circles on economic development is whether the focus should be on empowering people or places. The President's policies and common sense dictate a focus on both.

As I will discuss, policies that give people the skills or mobility to move to jobs or homes in other neighborhoods can be quite successful in creating opportunity and a better, safer standard of living. Yet these strategies only confirm that neighborhoods and schools matter – it hardly seems right to rely only on moving people out of poor neighborhoods and into better neighborhoods without any effort to strengthen the distressed neighborhoods where people currently live.

¹⁷ Rebecca Blank, David Card, and Philip Robins, "Financial Incentives for Increasing Work and Income Among Low-income Families," Joint Center for Poverty Research Working Paper February 1999 #1.

¹⁸ Pamela Loprest, "Families Who Left Welfare: How Are They Doing?" Urban Institute Discussion Papers 99-02, 1999 and General Accounting Office, "Welfare Reform: Information on Former Recipients Status," April 1999.

When the President and the Vice President ran for office, there was an increasingly counter-productive tug-of-war between government and laissez-faire approaches to our Nation's struggling urban and rural communities. The President and Vice President believe that there is a third way – an activist effort by government to bring private sector capital, free enterprise and entrepreneurial activity to our nation's underserved areas.

In order to accomplish this goal and breathe life into their third way vision, President Clinton and Vice President Gore set out in 1993 to put in place a comprehensive community empowerment agenda. Among other things, this agenda has included the creation of Empowerment Zones and Enterprise Communities, the establishment of the Community Development Financial Institution Fund, the Department of Housing and Urban Development's Economic Development Initiative, reform of the Community Reinvestment Act regulations, a greater commitment to affordable housing, and the New Markets Initiative.

To focus private and public sector resources and encourage local leadership on transforming distressed communities, this Administration created the first-ever federal Empowerment Zones and Enterprise Communities (EZs and ECs). Under the leadership of Vice President Gore, as Chair of the Community Empowerment Board, we now have designated two rounds of Empowerment Zones – 24 urban and 8 rural ones – and 115 additional Enterprise Communities, which are helping to bring growth and economic opportunity to some of the most economically-distressed communities in our nation.

This approach has proven successful. Early reports demonstrate that Round One EZs are making major strides toward accomplishing their objectives. To date, Empowerment Zones/Enterprise Communities federal seed money has leveraged over \$10 billion in additional public and private sector investment in community revitalization efforts.¹⁹ One study from the Rockefeller Institute labeled the EZ initiative "among the most significant efforts launched by the federal government in decades on behalf of this nation's distressed inner cities and rural areas" and another report by Standard and Poors stated that "When successful, such (EZ) efforts can contribute to the improvement of a local economy and lead to an improvement in an issuer's credit rating,"²⁰

To encourage the development of private lending and investment institutions focused on low- and moderate-income communities, this Administration has through the creation of a Community Development Financial Institution (CDFI) Fund made over \$300 million in investments, grants, and loans to Community Development Financial Institutions and mainstream financial institutions, helping to support a network of institutions that provide capital to economically-distressed communities. A study of the

¹⁹ 1998 aggregate numbers from the HUD and USDA Performance Measurement Systems, which rely on self-reporting by the EZs and ECs

²⁰ Nelson A. Rockefeller Institute of Government, "Empowerment Zone Initiative: Building a Community Plan For Strategic Change – Findings From the First Round of Assessment" 1997 and Standard & Poor's "Credit Week Municipal," December 22, 1997. For other studies, see GAO, "Status of Empowerment Zones." GAO Report, December 1996, and Price Waterhouse, "The Urban Empowerment Zones: Highlights from the First 18 Months." September 1996.

first year of the CDFI Fund awards found that every dollar of Fund investments leveraged nearly \$17 in non-federal investments.²¹

To spur the development of neighborhood transforming economic development projects, this Administration, under the leadership of Secretary Andrew Cuomo, established the Economic Development Initiative (EDI), which combines grants and low-interest loans to leverage private investment for economic development. Over the past 5 years, \$3.5 billion in EDI loan commitments have been made – these will create an estimated 300,000 jobs in low- and moderate-income communities during the life of the EDI program.²² As part of the EDI program, the Department of Housing and Urban Development (HUD) has launched the Community Empowerment Fund Trust, a pilot program which will enable the pooling of loans and the creation of a private secondary market for economic development loans.

To make communities more livable for people and more attractive for economic development, we passed a brownfields tax incentive to encourage private sector help in cleaning up nearly 11,000 environmentally contaminated sites in our inner cities and rural areas, and bring them back to life – and we asked Congress to make this incentive a permanent part of our tax code. In an effort to expand private investment in affordable housing, we have also made the Low-Income Housing Tax Credit permanent.

To boost additional community development lending by mainstream financial institutions, this Administration reformed the Community Reinvestment Act (CRA) regulations to emphasize performance standards – a move ultimately hailed by the Independent Bankers Association of America as a big step in regulatory burden reduction for community banks.²³ The CRA today encourages financial institutions to provide capital to distressed communities, helping to build homes, creating jobs, and restoring hope all across the country. According to the National Community Reinvestment Coalition, the private sector has pledged nearly \$1 trillion in community development loans since 1992 – an amount that represents over 95 percent of all CRA pledges made since the legislation's enactment in 1977. Lending commitments under CRA have increased dramatically from the pre-1993 era, from an average of \$2.6 billion per year between 1977 and 1992 to about \$180 billion the past 6 years.²⁴ In 1998, banks made \$16 billion in community development loans and \$33 billion in small business loans in low- and moderate-income communities.²⁵ There is evidence that lending to minority and low-income borrowers is also on the rise. From 1993 to 1998, the number of home mortgage loans to African Americans have increased by 87 percent, to Hispanics, to Native Americans by 52 percent and to low and moderate income borrowers by 64 percent.²⁶ That is why the White House, along with Secretary Rubin and Secretary

²¹ Community Development Financial Institution Fund, "CDFI Fund Survey of 1996 Awardees," 1999.

²² "Consolidated Annual Report To Congress For HUD's Community Development Programs," 1996.

²³ Independent Bankers Association of America, Press Release, April 19, 1995.

²⁴ April 1999 Report by the National Community Reinvestment Coalition, "CRA Dollar Commitments"

²⁵ Federal Financial Institution Examinations Council Report on CRA, July 29, 1999.

²⁶ July 29, 1999, Federal Financial Institution Examinations Council Report on Home Mortgage Disclosure Act

Summers, have taken a tough line against any efforts to weaken CRA in financial modernization legislation.

While the current economic expansion is one of the strongest in history, there are still too many communities in our Nation that are defined more by their lack of opportunity than by their prosperity. As our next step, the President this year challenged the private sector to join him in a New Markets initiative to bring equity capital, jobs, and economic opportunity to America's most underserved urban and rural communities. The New Markets Initiative is designed to spur \$15 billion in new investment in low- and moderate-income communities through our New Markets Tax Credit and loan guarantees. The New Markets Tax Credit is worth up to 25 percent of the original investments in a wide range of vehicles and will be available to investment funds, banks and institutions that are financing businesses in low- and moderate-income communities.

The New Markets Initiative also creates America's Private Investment Companies (APIC) – just as America's support for the Overseas Private Investment Corporation helped promote growth in emerging markets abroad, APIC will help encourage private investment in our own country's untapped markets. In addition, the New Markets Initiative involves the creation of another new type of investment vehicle – the New Markets Venture Capital (NMVC) firm. NMVC firms will provide incentives to increase the availability of venture capital in low and moderate-income communities for small businesses. Lastly, under the leadership of Administrator Aida Alvarez, the Small Business Administration has begun a specific initiative to ensure that the existing Small Business Investment Companies program reaches out to low and moderate-income communities.

Government can help provide the tools for businesses to grow through other efforts that are part of the New Markets Initiative, such as BusinessLINC – a program launched by the Vice President and supported by the Business Roundtable -- that encourages mentoring and protégé relationships between small businesses and large companies. These are examples of this Administration's efforts to encourage more private sector investment and partnerships in economically-distressed areas.

VII. NEW DIRECTIONS: INVESTING IN PEOPLE

Investing in people has been a primary focus of the Clinton-Gore agenda from day one. I will not even attempt to catalog everything that the Administration has done – but I do want to point to six areas that we feel are critical to future poverty reduction and are at stake in our current budget battle.

Moving to Opportunity

Research dating back to the Chicago Gautreaux case has shown that poor families who are given the opportunity to move to better neighborhoods have better

education and job experiences.²⁷ New research on HUD's experimental housing mobility program – moving to opportunity – in two separate studies in Boston and Baltimore are showing that increased housing mobility brings not only economic opportunity but also a significant reduction in behavioral problems for children including reduced juvenile arrest rates, injuries, victimization of crime, while having positive health and mental health impacts for parents and heads of households.²⁸ These are some of the reasons that this President and Vice President believe that Secretary Cuomo's efforts to add 100,000 housing vouchers is a valuable anti-poverty proposal and worth fighting hard for in the current VA-HUD appropriations bill.

Closing the Digital Divide

As our nation seeks to close the race and income gaps that have too often divided us, it's critical that we not allow a new divide. We all know children who have become computer literate at a young age and watched their knowledge accelerate as their older relatives stagnate – still uncomfortable and awkward with the computer age. If we let a generation of middle-class children grow up whizzing from one computer to another while a generation of poorer children stays computer illiterate, we will be sitting by as a new divide helps widen the race and income gap we seek to close.

History shows that public policy can make a difference in determining whether or not the demand for higher-skilled workers that creates higher wages across the board or instead leads to increasing wage inequality.²⁹

In the first three decades of this century, the United States faced the technological challenge of adapting the economy and society to benefit from the invention of electricity and the spread of mass production. At the same time, the "high school movement" in the United States helped to produce an educated and skilled workforce to meet this challenge. As a result, people had the skills to benefit from the increasingly demanding jobs, resulting in higher wages across-the-board and even a reduction in inequality.³⁰

²⁷ The two classic studies are by James Rosenbaum: "Black Pioneers — Do Their Moves to the Suburbs Increase Economic Opportunity for Mothers and Children?" *Housing Policy Debate* 2, 1992 and "Changing the Geography of Opportunity by Expanding Residential Choice: Lessons from the Gautreaux Program." *Housing Policy Debate* 6, 1995. David Cutler and Edward Glaeser have shown that a decrease in segregation would eliminate a substantial fraction of the black-white difference in schooling, employment, and single parenthood, see "Are Ghettos Good or Bad?" *Quarterly Journal of Economics* August 1997.

²⁸ Lawrence Katz, Jeffrey Kling, and Jeffrey Liebman "Moving to Opportunity in Boston: Early Impacts of a Housing Mobility Program." Harvard University, Princeton University, and NBER. September 1999 and Jens Ludwig, Greg Duncan and Paul Hirschfield, "Urban Poverty and Juvenile Crime: Evidence from a Randomized Housing-Mobility Experiment," Joint Center for Poverty Research, Northwestern University and University of Chicago, working paper.

²⁹ See the discussion in Lawrence Katz, "Technological Change, Computerization, and the Wage Structure." Harvard University and NBER, September 1999.

³⁰ Claudia Goldin and Lawrence Katz, "The Returns to Skill in the United States Across the Twentieth Century." *NBER Working Paper No. W7126* May 1999.

The question we face today is whether policy can help spur a wave of technology literate workers who can meet the demands of the information economy with broadly shared gains in income. The challenge is significant. Households with incomes over \$75,000 are 20 times more likely to be connected to the Internet than the poorest families and nine times more likely to have a computer. Black and Hispanic families are less than 40 percent as likely as white families to access to the Internet at home.³¹

The President and the Vice President deserve significant credit for seizing on this issue at an early stage. Under their leadership, investment in educational technology has risen by more than 3,000 percent – from \$23 million to \$698 million through our new Technology Literacy Challenge initiative which asks each state to create a plan to close the digital divide. The E-Rate provides \$2.25 billion in discounts to community schools and libraries that want to connect to the Internet – where poorer schools are eligible for 90 percent discounts. Through our technology literacy initiative and E-Rate, nearly \$3 billion a year is now being spent to bring technology literacy to all Americans.

This year we are fighting – so far unsuccessfully – to fully fund our next steps and to ensure middle schools have teachers trained in technology and to expand dramatically our Community Technology Centers – to bring computer learning to the places in our poorest neighborhoods most likely to serve disadvantaged young people.

Investing in Children From Birth

Everything we know about the importance of learning and everything we know about the exceptionally high poverty rates for African-American and Hispanic children, and everything we believe about the value of a fair start in life, compels us to focus attention on the education and health of a child from the earliest possible time. That's why even in the toughest budget fights, the President has always insisted on budget increases in WIC and Head Start.

As Mrs. Clinton emphasized in her 1997 White House conference on early childhood development, pre-school that begins at age 4 may be too late for America's children. Scientists have determined that the human brain achieves approximately 90 percent of its total growth by age 3.³² And the data demonstrates that experiences in a baby's earliest months help determine a person's physical and mental health, and ability to learn over a lifetime.

To do this, we have not only expanded Head Start and set a goal of reaching one million participants by 2002 – participation is now at 833,000 – but also created Early Head Start in 1994 to provide comprehensive early childhood development services for 0-3 year olds.

³¹ NTIA, "Falling Through the Net: Defining the Digital Divide", July 1999.

³² Rand Foundation, "Investing in Our Children, What We Know and Don't Know About the Costs and Benefits of Early Childhood Interventions." 1998.

And we've also proposed the creation of a \$3 billion Early Learning Fund that would boost community efforts to improve child care for the youngest children through home visitation (where a nurse or trained professional comes in to counsel new parents about development and health issues), parent counseling, efforts to help parents find child care, and a variety of other activities focused on early childhood.

Inspiring Disadvantaged Youths to Go to College and Enabling Them To Finish

We are clearly proud of the efforts we have made through the Direct Student Loan programs, our income contingent loan repayment plans, national service, HOPE Scholarships, increases in Pell Grants, and the many other initiatives led by Secretary Riley to open the doors of college to all young and older Americans. This is no doubt a wise public policy investment when we consider that each year that a person from a disadvantaged background goes to college, he or she increase his or her projected lifetime earning by 8 to 15 percent.³³

Yet, if we are serious about the importance of a college education, we need to do more in two often-neglected areas, the time *before* entry to college and the time *after*. First, although more students are going to college, there are still many from disadvantaged backgrounds that lack the hope, expectations and incentives to choose college over dropping out. But getting students to enroll in college is only the first step. The second often-neglected challenge is keeping them there, reversing the trend toward greater college enrollment being accompanied by lower college completions.³⁴

Mentoring Programs, GEAR-UP, and Preventing Children from Dropping Out

We have too often failed to focus on encouraging adolescents to stay in school and go to college. While excellent programs like TRIO do exist, when one considers the differential between the difficulty of getting dropouts back on track – and the disturbingly high Hispanic drop out rate – and the benefits of higher education, this is an area that deserves considerably more attention from public policy makers.

In seeking to get dropouts back on track it is important to reject the congressional impulse to thinly distribute funds geographically. Instead we have focused on providing concentrated benefits so that enough opportunities are offered in particular neighborhoods so that a dropout who says no to the streets will face some critical mass of peer support instead of ridicule and ostracism for doing the right thing.³⁵ Our new \$250 million Youth Opportunities Act – which Sec. Herman calls the “YO” program – follows that research by concentrating its benefits in 25-30 communities to help 58,000 disadvantaged youth between 14-21 years old. The fact that this has been zeroed out in

³³ David Card, “Earnings, Schooling, and Ability Revisited.” Princeton University, Industrial Relations Section Working Paper No. 311, May 1994.

³⁴ Caroline Hoxby, “Tax Incentives for Higher Education.” *Tax Policy and the Economy* 12 1998 MIT Press: Cambridge.

³⁵ For the importance of these effects, see Anne Case and Lawrence Katz, “The Company You Keep: The Effects of Family and Neighborhood on Disadvantaged Youths.” *National Bureau of Economic Research Working Paper* 3705, May 1991.

the House Republican budget is one more reason that overall fiscal policy is not sufficient.

Although the YO program is smart and well-designed, there is also no question that getting young people back on track after they have dropped out has historically been one of the most difficult public policy tasks.

The best approach – confirmed by both research and common sense – is to reach disadvantaged youth at a young age, to provide continuity through one-on-one mentors and role-models, and most of all, to encourage the expectation that they will finish high school and go to college.³⁶ One striking example comes from a recent study by Public/Private Ventures of Big Brother/Big Sister programs. The results, based on a scientific random experiment, are striking. Children in Little Brother / Little Sister programs were 46 percent less likely to start abusing drugs, 27 percent less likely to start abusing alcohol, 52 percent less likely to skip a day of school, and 37 percent less likely to lie to a parent.³⁷

Perhaps even more striking is the success of the Quantum Opportunities Program, a comprehensive program that works with disadvantaged youths from ninth grade through twelfth grade, providing depth of service, continuity, and a sense of community. One study found that students in this program, compared to youths that were not, were more likely to graduate from high school (63 percent versus 42 percent), more likely to attend a four-year college (18 percent versus 5 percent), and less likely to become teen parents (24 percent versus 38 percent).³⁸

Eugene Lang's "I Have A Dream" program reaches out to disadvantaged youth at a young age with the promise of college while challenging private sector individuals to play the role of mentors and role models. In city after city, when the overwhelming majority of young people in this program graduate from high school despite the fact that they live in neighborhoods where the overwhelming majority of their peers drop out.³⁹

Last year, using these programs and research as models and inspiration, the President proposed and signed the new GEAR-UP initiative. GEAR-UP asks colleges to

³⁶ For an overview of the research emphasizing these themes see Lawrence Katz, "Active Labor Market Policies to Expand Employment and Opportunity." In *Reducing Unemployment: Current Issues and Policy Options*, Proceedings of a Symposium of the Federal Reserve Bank of Kansas City, August, 1994.

³⁷ Joseph Tierney and Jean Baldwin Grossman, with Nancy Resch, "Making a Difference: an Impact Study of Big Brothers / Big Sisters." A report by Public/Private Ventures, November 1995.

³⁸ Andrew Hahn, with Tom Leavitt and Paul Aaron, "Evaluation of the Quantum Opportunities Program (QOP): Did the Program Work?" Brandeis University, June 1994.

³⁹ Arthur Levine, the President of Teachers College, Columbia University, writes, "The results of Lang's efforts were astounding. Ten years after he first made his promise, 90 percent of P.S. 121 sixth-graders had graduated from high school or obtained a GED degree. (The original estimate, based on prior history, was that at least 75 percent of the students would drop out of school.)" In Arthur Levine and Jana Nidiffer, *Beating the Odds: How the Poor Get into College*, 1996, Jossey-Bass Publishers, San Francisco. For documentation of how the "I Have a Dream" program has improved educational outcomes, see Robert McGrath and Judy Hayman, "The Paterson New Jersey, I Have a Dream Program: Academic Performance and Outcomes." 1999, Fairleigh Dickinson University, Teaneck, New Jersey.

work with non-profits to adopt classes of middle school students from nearby disadvantaged schools and stay with these classes through the end of high school, providing information about college, one-on-one mentoring with college students or local professionals. Most of all, GEAR-UP gives many young people the gift that many of us were lucky enough to have automatically: the strong and sustained expectation that whatever the temptations of adolescence are to go off track, we would graduate and go to college. The Ford Foundation has highly praised this new initiative and is working with the first partnerships. One of the best things we can do is invest in this type of initiative, a program that gives hope and high expectations to disadvantaged young people. While several Republicans, including Congressman Mark Souder and Senator Jeffords, joined the White House and Congressman Chaka Fattah in helping to pass this legislation, it was eliminated in the bill voted out of the House Subcommittee on Labor, Health, and Human Services. This happened even as the Administration seeks to increase its funding to help meet the overload of demand expressed in the first competition.

America's Quiet Crisis: Enabling People to Finish College

Although there has been great and deserved focus on getting disadvantaged and minority young people into college, too little attention has been paid to ensure that those young people who enter college – either two- or four-year institutions – stay there. Although the college completion rate has been falling, this quiet crisis has yet to receive the attention that it merits.

Although America has the highest college enrollment rate in the world, its college completion rate is toward the bottom of OECD countries.⁴⁰ Roughly one-third of community college students drop out by the end of the first semester – and about one-half leave within the first year. Among four-year students, attrition is highest in the first two years. This problem is particularly acute in certain minority communities. Although Hispanic high school graduates are as likely to attend college as whites, their college completion rates are much lower.⁴¹ 29 percent of African Americans and 31 percent of Hispanics drop out of college after less than one year, compared to 18 percent of whites. 48 percent of African Americans and 50 percent of Hispanics drop out by the end of the first year. And only 11 percent of African Americans and 10 percent of Hispanics finish college, as compared to 24 percent of whites.⁴²

This quiet crisis in college education needs more attention from all of us. We need to make it a priority. We need to carefully analyze issues related to college aid, support services, as well as programs around the country that provide intensive summer programs or pre-college education boot camps, to help low-income and minority high school students enter college ready to succeed.

⁴⁰ Organization for Economic Cooperation and Development, *Education at a Glance: OECD Indicators 1998*, OECD: Paris, 1998.

⁴¹ See Philip Ganderton and Richard Santos, "Hispanic College Attendance and Completion: Evidence from the High School and Beyond Surveys." *Economics of Education Review* 14(1), 1995.

⁴² U.S. Department of Education, "Trends in Postsecondary Credit Production, 1972 and 1980 High School Graduates." National Center for Education Statistics, June 1990.

Reducing Widow Poverty

While policy makers often celebrate the dramatic reduction in elderly poverty, particularly since the creation and expansion of Medicare, the recent policy debate on Social Security has opened the eyes of many Americans to the fact that within those low elderly poverty rates lie very different circumstances for different portions of the elderly population. While married elderly women for example have extremely low poverty rates of less than 5 percent, the poverty rates for elderly widowed women who often live alone is at a disturbingly high rate of 18 percent.⁴³

One of the important reasons for addressing Social Security reform sooner rather than later is not only the opportunity to extend solvency for most of the 21st century, but also to address the flaws in the Social Security system that are certainly contributing to this unacceptable high poverty rate for elderly women living alone.

There are several ideas for how best to address this including proposals to increase the percentage of Social Security benefits that a widow is eligible for after her husband passes away. On a related issue, experts who are examining whether or not the measure of the poverty rate should be altered, have become increasingly concerned that the current poverty rate formula does not adequately account for the huge degree of out-of-pocket health costs that many elderly Americans pay for. If a new standard is devised, the adjustment for the poverty of single elderly women could be even higher, showing again further evidence that comprehensive Medicare and Social Security reform addressing both solvency and poverty-related issues should remain a top priority for Congress and this Administration.

Closing Wealth Inequality Through Universal Savings

Before closing, I want to briefly move from the issue of income and wage inequality to wealth inequality. The gap between the wealth of the rich and poor, like the income gap, is very large. The wealthiest 6 percent of the population have almost half of all of the assets. The typical white (non-Hispanic) family has \$73,900 in financial assets, while the typical African American or Hispanic family has only \$16,500.⁴⁴

Perhaps even larger is the gap between those who participate in financial markets and save for retirement and those who do not. According to the Department of the Treasury, 73 million Americans, workers and their spouses, are not covered by any employer-sponsored retirement plan. According to Census data, only 10 percent of the bottom 40 percent of households had IRAs or Keoghs in 1993. Glenn Loury has pointed

⁴³ National Economic Council, Interagency Working Group on Social Security, "Women and Retirement Security." October 1998.

⁴⁴ Based on the Survey of Consumer Finances as discussed in Arthur Kennickell, Martha Starr-McCluer, and Annika Sundén, "Family Finances in the U.S.: Recent Evidence from the Survey of Consumer Finances." *Federal Reserve Bulletin*, Vol. 83, January 1997.

out that only 14 percent of African Americans owned mutual funds in 1994, compared to 41 percent for the population as a whole.⁴⁵

This financial participation gap has been felt especially strongly over the last decade, and particularly over the last several years, as Americans who were fortunate enough to have savings they could invest in the stock market, through tax preferred IRAs or employer provided pensions have experienced a significant increase in their wealth and retirement security. Those without the savings to invest in the market have certainly been left behind.

In our tax system we today give significant incentives – exclusions from taxable income – to employer provided pension, IRAs and 401ks in order to encourage Americans to save. Our choice to provide incentives for such savings is clearly based on the public policy determination that we benefit as a nation when our savings rate is higher and when individuals take more responsibility for their retirement security. Yet the unfortunate irony is that by designing such incentives only in the form of tax deductions and income exclusions, we leave out the very Americans who have the lowest income and the hardest time saving because their income is almost entirely consumed by the basic necessities of life.

By what possible public policy rationale do we justify the fact that less than 10 percent of tax incentives for savings and retirement go to families making under \$50,000?⁴⁶ For the large number of families in the bottom two quintiles that pay little income tax, such incentives are an empty offer. Most cannot afford to save virtually anything; many owe no income taxes because of their low income and even those who can save a little get only 15 cents to the dollar as an incentive – far below what is offered to those in the upper-income brackets. If we are serious about closing the wealth inequality gap, if we are serious about encouraging more low-income Americans to save for their retirement to participate in the process of investment, wealth creation and the wonders of compound returns, then we need to find new proposals that will let all Americans participate in savings and wealth creation.

The President's Universal Savings Accounts (USAs) seek to do just this. These accounts would give an automatic tax credit to low- and moderate-income working families so that those families would have an individual savings account and then they would provide matching returns to encourage Americans to contribute their own savings as well. Whether or not the USA account is the only way to achieve this goal, I believe that these are the type of savings and wealth creation incentives that must be provided for all Americans – even those at the lowest income bracket – if we are to close the wealth inequality gap in the future.

⁴⁵ Glenn Loury, "Opting Out of the Boom: Why More Blacks Don't Invest." *New York Times* June 7, 1998.

⁴⁶ Department of Treasury.

VIII. CONCLUSION

I have tried today to marshal evidence to demonstrate that public policy efforts to reduce poverty and increase economic opportunity have significant cost-benefit savings for our society and are consistent with a pro-growth economic strategy. Yet I would be being less than straight-forward if I suggested that I believe that the justification for our anti-poverty and economic opportunity efforts rest solely on efficiency or economic growth.

We are a country that not only tolerates, but truly celebrates the wealth and riches any American can fairly earn by virtue of their hard work, skill, innovation, entrepreneurship, or even dumb luck. The core of our strong belief in our unique American value of free enterprise is the specific American value that any one person can rise by virtue of their individual talent and efforts.

And while there will always be the rare individual who will rise from the cruelest of situations, there are too many neighborhoods, too many streets, too many families where a child born today faces overwhelming obstacles. When the accident of birth and not the content of one's efforts and God-given talents becomes the best indicator of too many children's life opportunities, it strikes at the heart of our belief system.

When more than one-third of all African-American and Hispanic children are born into poverty, when a single street in a single city marks a divide between children born into a home with computerized Pokemon games and children born into homes with inferior nutrition, low educational aspirations, and neighborhoods with failing schools and crime-filled streets, we fail to live up to the values and aspirations we hold dear. Yet every dedicated mentor, every successful pre-school program, every excellent teacher, every creative after-school program, every additional college grant can make our ideals a little more real for each child touched by such an opportunity who chooses to accept the responsibility to take advantage of it. Beneath the big picture politics, the headline soundbites, and the defining issues for the next election, are a multitude of below-the-screen budgetary decisions that each by themselves will determine whether another 10,000 or 100,000 or even million young people will get such an opportunity. Shame on all of us if we ever forget that.

TABLE 1				
POVERTY RATES FOR SELECTED GROUPS				
	1993	1998	Percent Change	1998 Is the Lowest Since
All Persons	15.1	12.7	-15.9%	1979
Black	33.1	26.1	-21.1%	Record
Hispanic	30.6	25.6	-16.3%	1979
Children	22.7	18.9	-16.7%	1980
Black children	46.1	36.7	-20.4%	Record
Hispanic children	40.9	34.4	-15.9%	Record
Single mothers	46.1	38.7	-16.1%	Record
Black single mothers	57.7	47.5	-17.7%	Record
Hispanic single mothers	60.5	52.2	-13.7%	Record
Elderly	12.2	10.5	-13.9%	Record

(Note: the poverty threshold for a family of four is \$16,660)

TABLE 2			
NUMBER OF PEOPLE IN POVERTY FOR SELECTED GROUPS (thousands)			
	1993	1998	Change
All Persons	39,265	34,476	-4,789
Black	10,877	9,091	-1,786
Hispanic	8,126	8,070	-56
Children	15,727	13,467	-2,260
Black children	5,125	4,151	-974
Hispanic children	3,873	3,837	-36
Single mothers	4,424	3,831	-593
Black single mothers	1,780	1,397	-383
Hispanic single mothers	706	707	+1*
Elderly	3,755	3,386	-369

Note: This population grew 16.1 percent between 1993 and 1998.

TABLE 3			
CHANGE IN INCOME			
	1993	1998	Increase
All families	41,691	46,737	+5,046
Black families	24,300	29,404	+5,104
Hispanic families	26,682	29,608	+2,926
Married couple	25,816	28,330	+2,514
Single female	43,256	46,637	+3,381

TABLE 4					
INCOME GROWTH FROM 1981-1998					
	1981	1993	1998	1981-93	1993-98
All families	40,502	41,691	46,737	2.9%	12.1%
Black families	24,000	24,300	29,404	1.3%	21.0%
Hispanic families	29,671	26,682	29,608	-10.1%	11.0%
Bottom quintile	8,749	8,361	9,223	-4.4%	10.3%
Second quintile	20,966	21,044	23,288	0.4%	10.7%
Third quintile	34,628	35,276	38,967	1.9%	10.5%
Fourth quintile	51,581	54,821	60,266	6.3%	9.9%
Top quintile	90,350	114,216	127,529	26.4%	11.7%

TABLE 5				
GROWTH IN SELECTED POVERTY-REDUCTION PROGRAMS				
(In millions of dollars)				
	FY 1993	FY 1999	Growth 1993-99	Increase 1993-99
Head Start	2,776	4,660	+68%	+1,884
WIC	2,928	3,924	+34%	+996
EITC (calendar year estimates)	15,537	31,855	+105%	+16,318
Dislocated Worker Funding	517	1,406	+172%	+889
Job Corps	966	1,309	+36%	+343
Pell Grants Max. Award*	\$2,300	\$3,125	+36%	+\$825

* Dollars per person.

TABLE 6						
POVERTY WITH AND WITHOUT THE EITC						
	POVERTY RATE			PEOPLE IN POVERTY (thousands)		
	w/o EITC	w/ EITC	Lifted Out	w/o EITC	w/ EITC	Lifted Out
1992	16.2	15.2	1.0	41,561	38,995	2,565
1993	16.3	15.5	0.8	42,262	40,188	2,074
1994	15.8	14.6	1.2	41,335	38,196	3,139
1995	14.8	13.4	1.4	39,032	35,340	3,692
1996	14.9	13.3	1.6	39,666	35,407	4,259
1997	14.3	12.7	1.6	38,393	34,097	4,296
1998	13.6	12.0	1.6	36,864	32,527	4,337

Note: poverty without the EITC is Census definition 1a and with the EITC is Census definition 1b

TABLE 7						
POVERTY WITH AND WITHOUT THE EITC IN 1998						
	POVERTY RATE			PEOPLE IN POVERTY (thousands)		
	w/o EITC	w/ EITC	Lifted Out	w/o EITC	w/ EITC	Lifted Out
Americans	13.6	12.0	1.6	36,864	32,527	4,337
Black	27.6	24.5	3.1	9,626	8,545	1,081
Hispanic	27.4	23.6	3.8	8,635	7,438	1,198
Children	20.2	17.0	3.2	14,410	12,127	2,283
Black children	38.5	32.9	5.6	4,357	3,723	634
Hispanic Children	36.6	30.9	5.7	4,082	3,446	636
Single mom	43.2	36.7	6.5	12,614	10,716	1,898

Note: poverty without the EITC is Census definition 1a and with the EITC is Census definition 1b.

APPENDIX 1 – THE CLINTON ADMINISTRATION’S CONTRIBUTION TO POLICIES TO HELP PEOPLE LIFT THEMSELVES OUT OF POVERTY

1. REWARDING WORK

Expanded EITC to Put Money Back in Working Families’ Pockets

- The EITC helps working families supplement their earnings through tax credits. In President Clinton’s 1993 Economic Plan, EITC was expanded to make work pay for 15 million working families.
- In 1998, the EITC lifted 4.3 million Americans out of poverty – more than twice as many as in 1993. The average family received an EITC credit of \$1,890.

Minimum Wage Hike Increased Pay By \$1,800 for Full-time Workers

- In 1996, the President and Vice President fought for and won a minimum wage increase from \$4.25 to \$5.15 per hour for nearly 10 million workers.
- Now, the President is fighting for another minimum wage increase – \$1 over two years – to make work pay for 11.4 million workers and help ensure that parents who work hard and play by the rules can raise their children out of poverty.

Provided Health Care to Low-Income Working Families

- The President has successfully fought to increase low-income families’ access to health care by allowing states to expand Medicaid to cover low-income two-parent families who work and working with states to ensure that uninsured families receive Medicaid when eligible.

Enacted Single Largest Investment in Health Care for Children since 1965

- The President, with bipartisan support from the Congress, created the Children’s Health Insurance Program (CHIP). The Balanced Budget Act of 1997 allocated \$24 billion over five years to provide affordable health insurance to children in families with incomes too high to qualify for Medicaid but too low to purchase private insurance through State-designed programs.
- On September 8, 1999, President Clinton announced that all 50 states and every territory are participating in this new program, bringing us closer to our goal of providing insurance for up to 5 million children through a combination of Medicaid and CHIP.

Improved Access to Affordable and Quality Child Care

- Under the Clinton-Gore Administration, federal funding for child care has increased by 80 percent, helping parents pay for the care of about 1.25 million children.
- The 1996 welfare reform law increased child care funding by \$4 billion over six years to provide child care assistance to families moving from welfare to work. Last year,

the President succeeded in securing \$140 million in new funds for after-school care and \$173 million for child care quality activities.

Initiated \$3 Billion Welfare-to-Work Initiative

- The Clinton-Gore Administration fought for a \$3 billion Welfare-to-Work initiative as part of the 1997 Balanced Budget Agreement.
- During FY 1998 and FY 1999, nearly \$2.7 billion in grants have been awarded to states, local communities, and tribes across the nation to help long-term welfare recipients, and certain low-income fathers, work and support their families.
- Funds are targeted at individuals and communities facing the greatest challenges. To date, these resources are helping nearly 100,000 individuals to get or keep a job.

Helping People Get to Work

- With the Administration's leadership, the Transportation Equity Act for the 21st Century (TEA-21) authorized \$750 million over five years for the President's Job Access initiative and reverse commute grants.
- The Omnibus Budget Act included \$75 million for this program in FY 1999, and in May, Vice President Gore awarded grants to 179 communities in 42 states around the country to assist states and localities to develop flexible transportation alternatives for welfare recipients and other low-income workers.

Welfare-to-Work Housing Vouchers

- In 1999, the President proposed and Congress approved \$283 million for 50,000 new housing vouchers for current and former welfare recipients who need housing assistance to get or keep a job.
- Families will use these welfare-to-work housing vouchers to move closer to a new job, to reduce a long commute, or to secure more stable housing that will help eliminate emergencies which keep them from getting to work every day on time.

Helping People Who Want to Work but Can't Find a Job

- Acknowledging that finding a job often takes time, the Balanced Budget Act of 1997 provided funds for work slots and food stamp benefits to help those who are willing to work, but through no fault of their own, have not yet found employment.

Passage of Welfare-to-Work Tax Credit and Work Opportunity Tax Credit

- The Welfare-to-Work Tax Credit, enacted in the 1997 Balanced Budget Agreement, provides a credit equal to 35 percent of the first \$10,000 in wages in the first year of employment, and 50 percent of the first \$10,000 in wages in the second year, to encourage the hiring and retention of long-term welfare recipients.

- This credit complements the Work Opportunity Tax Credit, which expands eligible businesses to include those who hire young adults living in Empowerment Zones and Enterprise Communities.
- In FY 1999, the President requested and Congress accepted extending the credit through June 30, 1999.

2. SUPPORTING HARD-PRESSED WORKING FAMILIES

Introduced \$500 Per-Child Tax Credit, Benefiting 13 Million Children from Low-income Families

- 27 million families with 45 million children are receiving the \$500 per-child tax credit included in the 1997 Balanced Budget Agreement.
- As a result of the President's efforts, 13 million children from families receiving the EITC will also benefit from the \$500 child tax credit.

Increased WIC by \$1 Billion

- Under President Clinton, participation in WIC has expanded by 1.7 million – from 5.7 million in 1993 to 7.4 million women, infants, and children in 1999. Funding has risen from \$2.9 billion to \$3.9 billion.

Helping Working Families to Buy Food

- In July 1999, the President took executive actions to help ensure working families who need Food Stamps have access. These steps include:
 - ✓ new policy guidance making it easier for working families to own a car and still receive food stamps
 - ✓ new regulations simplifying rules so that families do not have to report income as often and states won't be penalized for small errors in projecting families' future earnings
 - ✓ a new public education campaign to educate working families about food stamps

Established of Individual Development Accounts (IDAs)

- In 1992, the President proposed to establish IDAs to empower low-income families to save for a first home, post-secondary education, or to start a new business. The 1996 welfare reform law authorized the use of welfare block grants to create IDAs.
- Last year, the President signed legislation creating a five-year IDA demonstration program for low-income households. The first 40 grants announced in September will match the savings of 10,000 working families.

Providing Community Resources

- Community Development Block Grant (CDBG) funds activities such as economic and neighborhood revitalization, job creation, public services, community development and renewal of distressed communities.

- In 1999, CDBG funds assisted nearly 200,000 households in up to 900 communities around the country that are eligible for CDBG funding.

3. INVESTMENTS IN EDUCATION: FROM HEAD START TO GEAR-UP TO PELL GRANTS

Expanded Head Start By Nearly 70 Percent

- Since 1993, President Clinton and Congressional Democrats have expanded Head Start by 57 percent, from nearly \$2.8 billion in FY 1993 to nearly \$4.7 billion in FY 1999.
- The program now serves an estimated 835,000 children, reaching more kids than at any time since its creation in 1965 and more than 200,000 additional children than in 1992.

Launched the Reading Excellence Program

- Two years ago, President Clinton launched the America Reads Challenge, a multi-faceted effort to help states and communities ensure that all children can read well and independently by the end of the third grade.
- The program received \$260 million in FY 1999 and another \$286 million has been requested in FY 2000 to allow the program to continue. The funds help to train reading tutors and coordinate after-school, weekend and summer reading programs linked to in-school instruction. In addition, over 1,000 colleges have pledged to use federally-financed work-study positions for tutoring programs.

Helping Students Most in Need

- Title I funds provide over \$8 billion to help 11 million low-income students benefit from higher expectations and a challenging curriculum geared to higher standards.

Strong Investments in Educational Technology

- The Clinton-Gore Administration has made strong investments in educational technology. Funding for education technology at the Department of Education has increased from \$23 million (FY 1993) to \$698 million (FY 1999) to \$801 million (FY 2000 request).
- States and local communities are given a great deal of flexibility in how they use the money for computers, teacher training and software -- but they are required to develop a plan for ensuring equity.
- The "E-rate" provides \$2.25 billion in discounts to connect schools and libraries to the Internet. Discounts are 90 percent for the poorest schools that need it most, and 20 percent for the wealthiest schools. E-rate was a critical part of the Telecommunications Act of 1996, which the President signed into law.

Providing Safe After-School Opportunities

- Under the Clinton-Gore Administration, the 21st Century Community Learning Centers program has been expanded to provide safe and academically enriching after-school opportunities for nearly 400,000 school-age children in rural and urban communities each year.
- In his FY 2000 budget, the President proposes to triple funding to \$600 million, reaching 1.1 million students.

Creation of Youth Opportunity Grants

- President Clinton proposed the \$1.25 billion Youth Opportunities Grants program, a five year grants initiative that was authorized as part of the 1998 Workforce Investment Act. This program focuses primarily on out-of-school youths. The program provides them with job training and has a strong emphasis on mainstreaming youth into the private sector, both in terms of immediate job placement and work-based learning opportunities to increase long-term employment prospects.
- The Youth Opportunities program will receive \$250 million this fall and will make a significant attack on concentrated poverty and unemployment. This initiative represents a strong investment in Empowerment Zones and Communities and other urban and rural areas that are considered high-poverty areas.
- The main goal of the program is to increase employment in the private sector, increase college enrollment and decrease dropout rates.

Creation of the GEAR-UP Initiative

- Under the Clinton-Gore Administration, the new mentoring initiative GEAR-UP was created to better prepare up to an estimated 260,000 low-income middle school children for entrance to and success in higher education.
- GEAR UP grants will fund partnerships involving more than 1,000 organizations, such as the YMCA, Boys and Girls Clubs, 4-H programs, Salvation Army, libraries, arts organizations, local chambers of commerce, and individual companies such as Wal-Mart, Unisys, Hewlett-Packard, Bell Atlantic, and the New York Times Newspaper in Education Program.
- In August 1999, \$120 million in grants were awarded to 164 partnerships and 21 grants to states (for statewide program).

Assisting Migrant Children and Families

- Migrant families face difficult obstacles to gaining the education and training they may need to improve their standard of living. President Clinton improved the Migrant Education Program in the 1994 reauthorization, and won a 16 percent increase in FY 1999.

Expanding Pell Grants

- President Clinton and the Congressional Democrats have increased the Pell Grant maximum grant amount from \$2,300 in FY 1993 to \$3,215 in 1999. In 1999, nearly 4 million students will receive a Pell Grant of up to \$3,125, the largest maximum award ever.

4. HELPING TO BRING PRIVATE ENTERPRISE AND CAPITAL TO DISTRESSED AREAS

Expanding Microenterprise Lending and Technical Assistance

- Microenterprise development programs provide access to capital, other financial services, and training to those traditionally bypassed by the mainstream financial sector, such as the poor women, minorities and those in economically distressed areas.
- President Clinton's and Vice President Gore's proposal also includes a doubling of support for technical assistance in SBA's Microloan Program and a doubling of support for SBA lending to leverage over \$75 million in new microlending.
- The microenterprise strategy will also involve new funding for Individual Development Accounts (IDAs) and for SBA's One-Stop Capital Shops.

Created the Community Development Financial Institutions (CDFI) Fund

- In 1994, President Clinton proposed and signed into law the CDFI Fund. Through grants, loans, and equity investments, the Fund has created a network of approximately 270 CDFIs in distressed areas across the nation. CDFI activities leverage investments from banks, foundations, and other sources.
- Since the Fund's creation, it has made more than \$190 million in awards to community development institutions and financial institutions. This investment is expected to leverage three to four times the amount of the investments in total capital raised for CDFIs over the next few years. In FY 1999, funding for the CDFI Fund was increased 19 percent to \$95 million.

Strengthened and Simplified the Community Reinvestment Act (CRA)

- In April 1995, the Clinton-Gore Administration reformed the CRA regulations to emphasize performance.
- According to the National Community Reinvestment Coalition (NCRC), the private sector has pledged more than \$1 trillion going forward in loans to distressed communities – and more than 95 percent of these financial commitments have been made since 1992.
- Banks made \$18.6 billion in community development loans in 1997 alone. Lending to minority and low-income borrowers is also on the rise.

135 Empowerment Zones and Enterprise Communities

- After pushing to have Empowerment Zones (EZs) and Enterprise Communities (ECs) passed into law, the Clinton-Gore Administration has designated 135 urban and rural EZs and ECs across the country. The First Round EZ/EC initiative, which included 105 EZs/ECs, was proposed by President Clinton and passed by Congress in 1993. The Second Round of 30 EZs/ECs was also proposed by the President, and in FY 1999 the President and Congress provided first-year funding for the new EZs and ECs.
- Designated communities were chosen on the basis of their strategic revitalization plans, and receive special incentives and resources to help carry out their plans. The EZ/EC initiative has already leveraged over \$10 billion in additional public and private sector investment in community revitalization efforts.

The Economic Development Initiative (EDI) and Section 108 Loan Guarantee

- EDI grants are used to infuse capital into community development projects, enhancing the debt financing provided by the Section 108 loan guarantee program. Together, the programs support critical economic development in distressed communities.
- Estimated jobs supported by EDI and the Section 108 loan guarantee have grown by 300,000 from 1994 to 1998. During this time period EDI and the Section 108 loan guarantee program have funded \$3.5 billion for more than 650 separate project commitments.

Cleaning Up the Urban Environment through Brownfields Redevelopment

- The Clinton-Gore Administration has launched a landmark effort, including the Brownfields Tax Incentive, to clean up and redevelop Brownfields sites.
- In total, the Brownfields action agenda has marshaled funds to clean up and redevelop up to 5,000 properties, leveraging between \$5 billion and \$28 billion in private investment and creating and supporting 196,000 jobs.

APPENDIX 2 – THE 1997 BALANCED BUDGET AGREEMENT ALLOCATED MORE THAN \$70 BILLION FOR FAMILIES EARNING LESS THAN \$30,000

\$18.5 Billion – Child Tax Credit for those Earning Less than \$30,000

- As a result of the President's efforts, 13 million children from families receiving the EITC will also benefit from the \$500 child tax credit.

\$24 Billion – Children's Health Insurance

- The President insisted on increasing the investment for children's health from \$16 billion to \$24 billion. Because of the President's leadership, this budget contained the largest investment in children's health insurance since the enactment of Medicaid in 1965.

\$1.5 Billion – To Help Pay Premiums for Low-income Medicare beneficiaries

- The Balanced Budget Act of 1997 established a "Qualified Individual" program to help Medicare beneficiaries with incomes up to 175 percent of poverty pay their premiums.

\$12 Billion – To Restore Benefits to Immigrants

- The President restored disability and health benefits for 350,000 legal immigrants who are currently receiving assistance or become disabled, ensuring that they will not be turned out of their homes, nursing facilities or become otherwise helpless.

\$1.5 Billion – Food Stamps For Adults Looking For Work But Have Not Found Jobs

- The Balanced Budget Act of 1997 provided assistance through food stamps to help adults who want to work but have not yet found jobs.

\$3 Billion – Welfare to Work Programs

- The President created a proposal that established a \$3 billion Welfare to Work Jobs Challenge to move long-term welfare recipients into lasting jobs through a range of means including job placement efforts and wage subsidies for private employers.

\$7 Billion (at least) – Largest Pell Grant increase in two decades

- Congress adopted President Clinton's proposal to increase the maximum Pell Grant to \$3,000 – *the largest increase in two decades*. Approximately 3.7 million students have received the \$300 increase, and an additional 220,000 low- and moderate-income families that were not previously eligible received Pell Grants.

\$3 Billion (at least) – Tax Incentives to Revitalize Our Nation's Distressed Urban Areas

- A new tax cut to help clean up and redevelop Brownfields, with a three year cost of \$1.5 billion expected to leverage more than \$6 billion for private sector cleanups nationwide.
- The budget also provided \$1.65 billion for a second round of Empowerment Zones – 15 urban and 5 rural.

APPENDIX 3 – THE CLINTON ADMINISTRATION’S NEW INITIATIVES TO HELP PEOPLE LIFT THEMSELVES OUT OF POVERTY

- Technology Literacy Program
- GEAR-UP Initiative
- Reading Excellence Program
- Youth Opportunity Grants
- Community Development Financial Institutions Fund (CDFI)
- Strengthened and Simplified the Community Reinvestment Act (CRA)
- Empowerment Zones (EZs) and Enterprise Communities (ECs)
- Economic Development Initiative (EDI) and Section 108 Loan Guarantee
- Brownfields Tax Incentive
- \$500 Per-Child Tax Credit
- Children’s Health Insurance Program (CHIP)
- Established of Individual Development Accounts (IDAs)
- Welfare-to-Work Initiative
- Passage of Welfare-to-Work Tax Credit and Work Opportunity Tax Credit
- Welfare-to-Work Housing Vouchers