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file Balanced Budget

A Balanced Budget That Puts Children First

October 23, 1995

A Balanced Budget
That Puts Children First

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

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

Section I

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

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

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

Section I

A Budget That Hurts Children Vs. A Balanced Budget That Puts Children First

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

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

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

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

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

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

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

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

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

Based on OMB and departmental estimates of proposals, October 23, 1995.

Section II

IMPACT OF REPUBLICAN BUDGET CUTS ON CHILDREN IN AMERICA

October 23, 1995

IMPACT OF HEALTH CARE CUTS ON CHILDREN IN AMERICA

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

- **The Republican budget cuts federal Medicaid funding by $182 billion over seven years, reducing funding to states by 30% in 2002.**

- **Even if states could absorb half of the cuts by reducing services and provider payments, they would still have to eliminate coverage for 8.8 million people, including 4.4 million children in 2002, based on analysis by the Urban Institute.**

- **Among the children who could be denied coverage, many are disabled.** Medicaid often makes the difference between whether or not a disabled child lives at home with their parents. Medicaid provides for items such as wheelchairs, communication devices, therapy at home, respite care, and home modifications. Without these services, parents may be forced to give up their jobs or seek institutional placement for their children.

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

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

IMPACT OF CUTS ON CHILDREN WITH DISABILITIES IN AMERICA

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

TAX INCREASE ON WORKING FAMILIES WITH CHILDREN IN AMERICA

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

IMPACT OF EDUCATION CUTS ON CHILDREN IN AMERICA

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

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

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

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

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

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

IMPACT OF NUTRITION CUTS ON CHILDREN IN AMERICA

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

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

Impact of Public Health and Environmental Cuts on Children in America

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

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

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

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

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

Impact of Cuts on Safety Net For Children in America

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

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

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

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

IMPACT OF ENERGY CUTS ON CHILDREN IN AMERICA

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

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

IMPACT OF HOUSING CUTS ON CHILDREN IN AMERICA

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

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

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

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

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

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

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

Health Care

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

Supplemental Security Income

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

Earned Income Tax Credit

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

Education

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

Nutrition

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

Public Health and the Environment

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

Safety Net

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

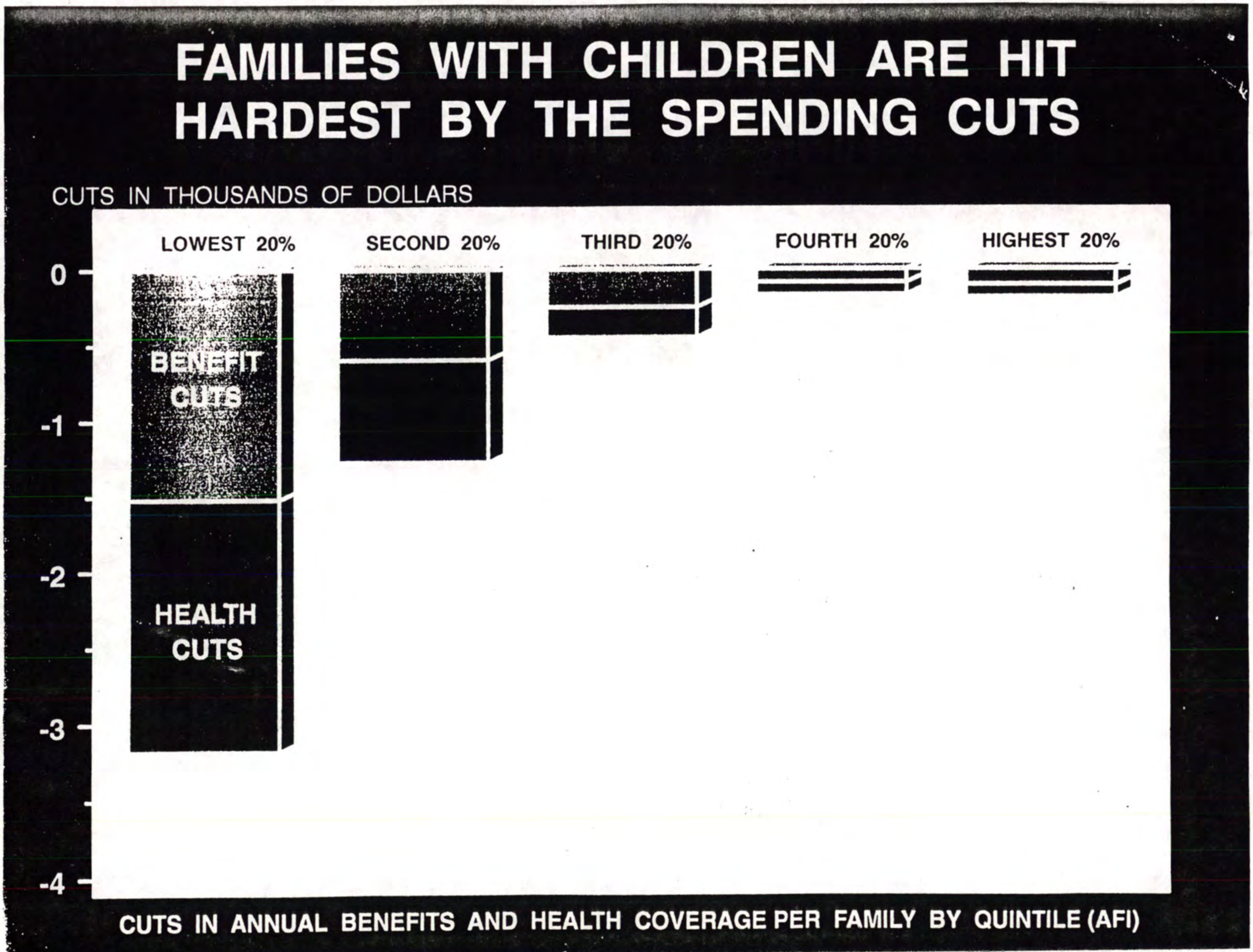
Energy

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

Housing

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

Section III


FAMILIES WITH CHILDREN ARE HIT HARDEST BY THE SPENDING CUTS
CUTS IN THOUSANDS OF DOLLARS
LOWEST 20%
SECOND 20%
THIRD 20%
FOURTH 20%
HIGHEST 20%
0
-1
-2
-3
-4
BENEFIT CUTS
HEALTH CUTS
CUTS IN ANNUAL BENEFITS AND HEALTH COVERAGE PER FAMILY BY QUINTILE (AFI)

THE CUMULATIVE IMPACT OF HOUSE COMMITTEE SPENDING PROPOSALS ON FAMILY INCOME

For Families with Children by Income Quintiles
Simulates effects of full implementation in a single year (1996 dollars)

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

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

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

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

October 12, 1995

Section IV

TO "SAVE" ONE DOLLAR. . .

OCTOBER, 1995

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

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

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

CHILDHOOD IMMUNIZATION

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

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

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

- **Cuts in WIC and Medicaid prenatal care will increase medical expenditure.**

  - Every $1 cut in the prenatal care portion of the WIC program costs between $1.77 and $3.90 in increased medical expenses in the first 60 days following childbirth. The USDA made this finding in a five-state study of 105,000 Medicaid births.[2]

  - Every $1 cut in the prenatal care portion of the WIC program costs $3 in short-run medical expenditure according to a study in Massachusetts.[3]

  - Every $1 cut in the prenatal care portion of the WIC program costs between $0.49 and $0.83 in additional Medicaid expenditure within the first 30 days after childbirth according to a study in Missouri.[4]

  - Every $1 cut in the Medicaid comprehensive prenatal care program may cost as much as $2 dollars spent in an infant's first year of life.[5]

  - Prenatal care decreases the probability of low birthweight infants and the incidence of neonatal death according to several studies.[6]

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

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

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

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

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

- **Cuts in Head Start will reduce the future earnings of each child displaced from the program.**

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

- **Cuts in Head Start will lower academic performance and increase medical costs.**

    - Head Start increases test scores and results in fewer failed grades for white and Hispanic children, and it has been demonstrated to improve the health of African-American children as measured by the height of participants and by the age at which measles vaccination is received.[8]

    - Participants in Head Start are less likely to repeat a grade and less likely to be assigned to special education classes.[9]

    - Measles vaccinations are given to a higher fraction of Head Start enrollees to all other children, both those enrolled and those not enrolled in other preschool programs.[10] The cost of missing these vaccinations is discussed above in this document. A much higher share of Head Start children receive medical screening, dental checkups, and other preventive medicine than do comparable children who do not participate.[11]

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- **Cutting programs that help young people finish high school may cost as much as $7,000 per dropout per year in lost output alone.**

  - In 1993, men aged 25 to 34 with high school diplomas earned $25,632 per year on average. Men in this age range with less than high-school education earned only $18,719 per year. A host of economic findings on the returns to education make clear the value of encouraging completion of high school.[22]

  - A study of the economic performance of high-school dropouts and the cost of high-school completion in the early 1970s shows that every $1 cut from programs that assist high-school completions may cost the economy as much as $6 in lost output.[23]

- **Cutting programs that help young people finish high school may have even greater costs when the additional social burdens posed by dropouts are taken into account.**

  - Perhaps the most extreme form of dropping through the cracks in the educational system is incarceration in the criminal justice system. Men aged 18 to 34 without a high school diploma had a one-in-four chance of being in prison, on probation, or on parole at any time in 1992. The equivalent probability for men aged 18 to 34 with a high-school diploma or higher education is only 4 percent. The expected lifetime cost of prison, parole, and welfare is $69,000 for high-school dropouts, $32,000 for high-school graduates, and $15,000 for college graduates.[24]

  - The Quantum Opportunities Program (QUOP), which provides intensive academic assistance and counseling and a small stipend to child AFDC recipients, achieved a 63 percent high-school graduation rate among program participants compared to only 42 percent for members of a control group. A remarkable 42 percent of QUOP participants enrolled in higher education, compared to only 16 percent of the control group. Only 24 percent of QUOP participants became parents during

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

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

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

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

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

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

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

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

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

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

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

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

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

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

LEAD POISONING

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

  - Cost-benefit analysis on lead poisoning reduction programs found nearly $750 million (1994 dollars) in savings on averted medical care and compensatory education between 1986 and 1988.[31]

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

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

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

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

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

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

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

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

  - In the Gautreaux housing voucher program initiated in Chicago in 1980, 60 families, of whom 90 percent were single-parent AFDC recipients, were given housing vouchers for middle-class suburban neighborhoods. The outcomes for this group were compared to those for 40 families given vouchers for urban neighborhoods. When the children in these families reached age 18:
    - the dropout rate for the suburban youth was 5 percent, compared to 20 percent for the urban youth;
    - more than half of the suburban youth were enrolled in college, compared to 20 percent of the urban youth;
    - three-quarters of the suburban youth were employed, compared to 40 percent of the urban youth; and
    - 21 percent of the suburban youth were earning more than $6.50 per hour, compared to 6 percent of the urban youth.[34]

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

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

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

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

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

Conclusion

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

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

DAILY POINTS

A BALANCED BUDGET FOR WORKING FAMILIES

July 21, 1995

Next week, the President will have several opportunities to outline the fundamental differences between his plan for a balanced budget and Republican plans in Congress.

A Budget Framework That Can Unite Americans. The President has a **balanced budget for working families** that will raise standards of living and empower people to be the winners, not the victims, of economic change. Both his plan and the GOP plan have serious spending cuts and reach balance, but there are some fundamental differences. The President's plan:

- Invests more, not less, in education and training;
- Protects Medicare beneficiaries while taking steps toward health care reform;
- Targets tax cuts only to working families, not the wealthiest;
- Protects working families from the dangers of an economic down-turn.

1. Investing in Education and Training Versus Gutting Education and Training. For Americans to win in the new economy, we must cut the budget deficit *and* the education deficit. The President would increase investment in education by $40 billion over 7 years--from Head Start to college opportunity. Republicans cut education by $36 billion. He will have no choice but to veto appropriations bills now moving through the House which cut education to finance tax cuts for the wealthy. Cuts include:

⇒ Eliminating **AmeriCorps** -- eliminating almost 50,000 opportunities for service in 1996.

⇒ Eliminating **Goals 2000**--supporting higher standards in 16,000 schools in 1996.

⇒ Cutting 50,000 children from **Head Start** in 1996.

⇒ Cutting 23 million students from **Safe and Drug-Free Schools** in 1996.

2. Protecting Medicare Beneficiaries in the Context of Health Care Reform versus $5600 in Beneficiary Cuts per Couple to Pay For Tax Cuts for the Wealthy: While both the President's and the Republican plan take steps to secure the Medicare Trust Fund until 2005, there are deep differences between the two.

⇒ The Republicans cut over twice as much from Medicare.

⇒ Their Medicare proposal will require seniors to pay as much as **$5600 more per couple** in higher out-of-pocket costs by 2002. The President has **zero** beneficiary cuts.

⇒ Their massive Medicaid cuts will leave **millions of children without insurance.** The President has a per capita cap that achieves limited savings the right way.

⇒ While Republicans have no health care reform, the President is taking key steps toward reform: expanding benefits for mammograms and Alzheimer's respite care; reforming insurance markets to protect individuals changing jobs and stop discrimination for pre-existing conditions; and offering 6 months of coverage for those who lose their jobs.

Republicans would not need one penny in Medicare beneficiary cuts if they accepted the President's targeted middle-class tax cut, rather than their tax cuts for the well-off.

3. Tax Fairness for Working Families versus Huge tax Cuts for the Wealthy and Tax Hikes for the Working Poor: The President supports a targeted tax cut to help working families invest in themselves and their education, including a tax deduction for education expenses. Republicans are proposing:

⇒ A huge tax cut largely targeted at the well-off--possibly including a tax loophole to allow some profitable corporations to pay zero taxes.

⇒ A proposal to raise taxes on up to 14 million poor families by hundreds of dollars each--rolling back the President's Earned Income Tax Cut expansion.

4. Budget that Protects Working Families: The President believes we must balance the budget in a way that protects the economy--by reaching balance gradually over 10 years, not arbitrarily in 7 years. A top national forecaster (WEFA) found that their plan would slow growth and raise interest rates by a third to over 8.5%, while still not getting to balance until 2004. We can't take risks with working families. The President has a prudent 10 year path to balance.

THE PRESIDENT'S ECONOMIC PLAN:

A BALANCED BUDGET THAT PUTS PEOPLE FIRST

THE PRESIDENT'S ECONOMIC PLAN:
A BALANCED BUDGET THAT PUTS PEOPLE FIRST

AN OVERVIEW

The President today proposed a bold plan to balance the budget by 2005, cut taxes for middle-income Americans, and continue investing in education and training -- all to raise average living standards.

The President's plan provides a sharp contrast between his policies and those of the Republicans. The President wants to balance the budget over a reasonable period of time -- 10 years -- so he can protect Medicare, and invest in education and training and other priorities for the American people. Because Republicans balance the budget more quickly, and also provide a huge tax cut for the wealthy, they have to slash Medicare and Medicaid and cut education.

- To help raise living standards of average Americans, the President's plan will:

  -- balance the budget, freeing up capital for private investment;

  -- invest in education and training to give Americans skills to get high-wage jobs; and

  -- take the first, serious steps to reform the health care system, expanding coverage and reducing costs for average Americans.

- By contrast, Republican policies will:

  -- increase the "education deficit;"

  -- turn Medicare and Medicaid into second-class health care systems; and

  -- give huge tax breaks to the wealthy.

The President would balance the budget **the right way**, by eliminating wasteful spending, streamlining programs, and ending unneeded subsidies; taking the first, serious steps toward health care reform; reforming welfare to reward work; cutting non-defense discretionary spending that doesn't include the President's investments by 22 percent in real terms, while leaving room to provide increases for education, the environment, and anti-crime efforts; and targeting tax relief to middle-income Americans.

Republicans would balance the budget **the wrong way**: To reach balance in 7 years and provide a huge tax break for the wealthy, they would slash Medicare and Medicaid and cut deeply in education and other investments that help raise average living standards.

The President's plan builds upon the policies of his first 2-1/2 years that cut the deficit, created nearly 7 million jobs, controlled interest rates and inflation, expanded trade to create more high-wage jobs, and rewarded work by cutting taxes for 15 million families. The President is also building on his efforts to create a new kind of government, one that creates opportunity, not bureaucracy, and provides the tools that average Americans need to build better lives for themselves and their families.

THE PRESIDENT'S ECONOMIC PLAN:

HIGHLIGHTS

• The President, who has cut the deficit from $290 billion in 1992 to an estimated $190 billion this year, proposes to balance the budget by 2005.

> -- Republicans, none of whom voted for the President's 1993 plan, now want to balance the budget the wrong way -- cutting Medicare, education, and other important priorities deeply to fund a huge tax break for the wealthy and reach balance in 2002.

• The President proposes to take a first, serious step toward health care reform, providing net savings of $124 billion in Medicare and $55 billion in Medicaid by 2002 while expanding coverage and initiating insurance reforms.

> -- Republicans would simply cut over $430 billion from Medicare and Medicaid, enough to turn them into second-class health systems.

• The President would save $64 billion in non-health entitlements by 2002 by reforming welfare, farm, and other programs.

> -- Republicans would cut too deeply; for example, by increasing interest costs of student loans.

• The President would cut $200 billion from discretionary programs by 2002 by eliminating, cutting, or consolidating hundreds of programs and targeting available funds to defense, education, children, and anti-crime efforts.

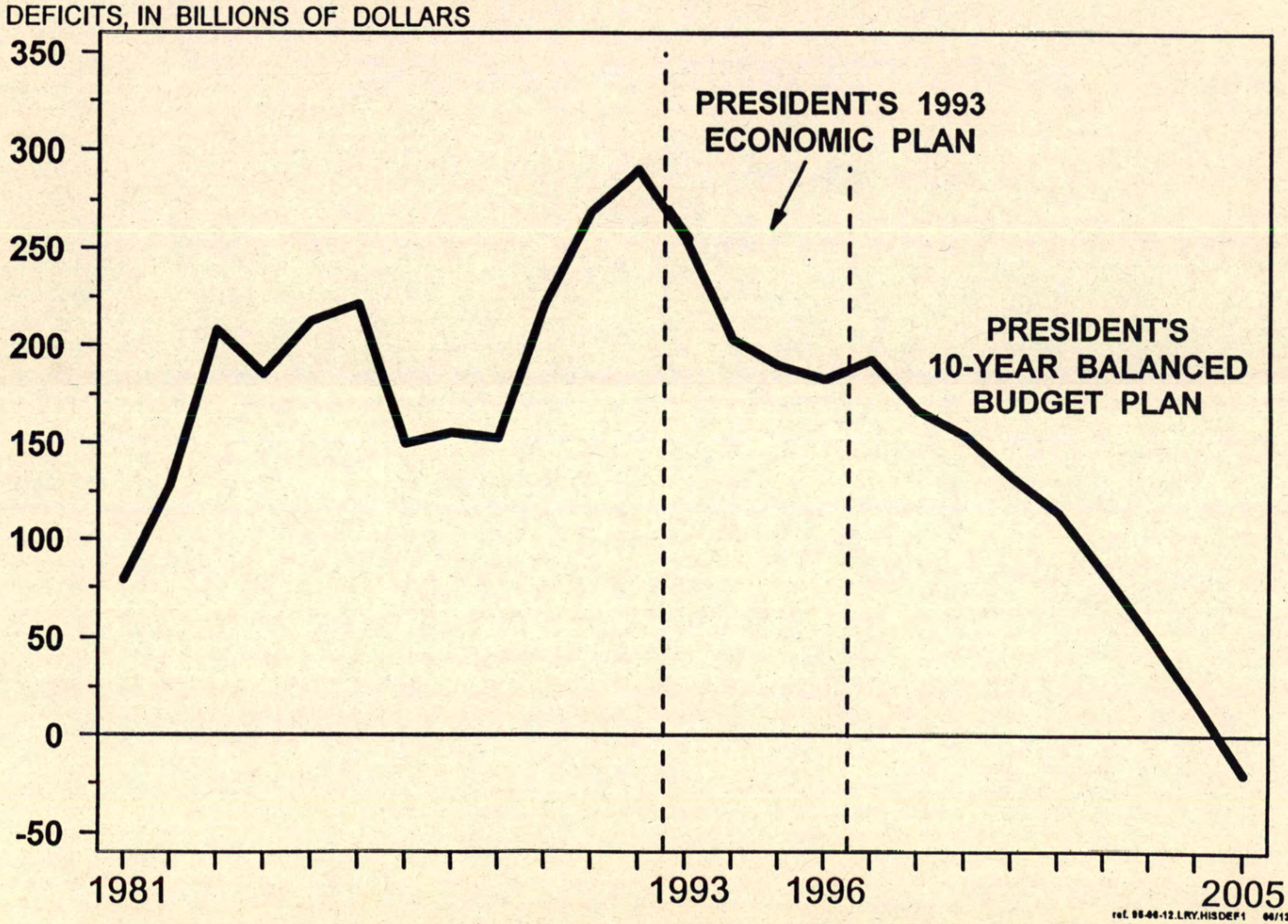
> -- Republicans would cut education and anti-crime programs; for instance, their cuts would throw hundreds of thousands of children off Head Start and nutrition programs, and gut the President's anti-crime efforts.

• The President would target tax relief to middle-income Americans, enabling them to more easily raise their children, pay for post-secondary education, and save for the future.

> -- Republicans would provide a huge tax break whose benefits would flow disproportionately to the wealthy, and also would raise taxes on millions of working families.

• The President proposes to work with Congress to save $25 billion by eliminating unneeded corporate subsidies.

BALANCING THE BUDGET: THE PRESIDENT'S ECONOMIC PLAN



THE PRESIDENT'S ECONOMIC PLAN:

REACHING BALANCE IN 2005

• In 1993, the President faced a deficit that was rising out of control -- from $290 billion in 1992 to more than $600 billion early in the next century.

• The President's 1993 economic plan has cut the deficit dramatically -- from $290 billion to a projected $190 billion this year.

• More importantly, it cut the deficit as a percentage of the economy (GDP) -- from 4.9 percent to 1992 to an estimated 2.7 percent this year and 2.1 percent by the end of the decade.

• If not for interest on the debt accumulated between 1981 and 1993, the budget would be in balance today.

• But, largely due to health care costs, the deficit will begin to rise again -- gradually reaching $266 billion in 2005.

• Now, the President proposes to finish the job -- to balance the budget by 2005.

• In 2005, the President proposes to save:

-- $96 billion in entitlements:

Medicare, $67 billion
Medicaid, $19 billion
Poverty programs, $9 billion
Other entitlements, $1 billion

-- $92 billion in discretionary spending:

Defense, $27 billion
Non-defense, $65 billion

-- $6 billion in corporate subsidies.

-- $117 billion in interest savings.

• The President would target tax relief to average Americans, costing $26 billion in 2005.

• All told, the President's plan would bring the budget at least to balance by 2005.

**THE PRESIDENT'S HEALTH REFORM INITIATIVE:
A SERIOUS STEP TOWARD HEALTH CARE REFORM**

As the President has said, the key to long-term deficit reduction is controlling health care costs through health care reform. Thus, in his plan to balance the budget by 2005, the President presents a serious first step toward reform that:

- strengthens the Medicare Hospital Insurance (HI) Trust Fund, ensuring Medicare solvency until 2005;

- provides health security for 6 months for working families after a job loss;

- reforms Medicare to make quality managed care options more attractive while preserving choice;

- improves Medicare with new benefits that (1) provide Alzheimer's respite care, and (2) waive the copayment for women who need mammograms;

- provides home- and community-based care grants for disabled and elderly Americans;

- maintains Medicaid as a safety net for low-income Americans while reforming it to target funds more efficiently and increase state flexibility;

- reforms the insurance market to ensure that Americans can keep their coverage if they change jobs, that they won't lose coverage if they get sick, and to improve the availability and affordability of coverage for small businesses;

- gives small businesses voluntary pooling options, including access to Federal Employees Health Benefits Program (FEHBP) plans;

- expands the self-employed tax deduction to 50 percent; and

- reduces the deficit by $271 billion over the next decade.

The President's plan expands coverage, cuts the deficit with less than half the Medicare savings and a third of the Medicaid savings that Republicans propose, and imposes no new cost increases on Medicare beneficiaries.

By contrast, the Republican budget proposals threaten Medicare beneficiaries, reduce Medicaid coverage for millions of children and elderly Americans, and endanger many hospitals, including academic health centers. The Republicans' cuts (assuming a 50/50 beneficiary/provider split) would increase out-of-pocket costs for couples by $1,700 in 2002 alone (under the House budget resolution). Moreover, the Republicans do not reinvest one penny into health care; instead, the Republicans use Medicare and Medicaid cuts to pay for hundreds of billions of dollars of tax cuts for well-off Americans.

DETAILED EXPLANATION

1. Reforming the Insurance Market

Insurance reforms, based on proposals that both Republicans and Democrats supported in the last Congress, will improve the fairness and efficiency of the insurance marketplace.

- **Portability and Renewability of Coverage** -- Insurers will be barred from denying coverage to Americans with pre-existing medical conditions, and plans will have to renew coverage regardless of health status.

- **Small Group Market Reforms** -- Insurers will be required to offer coverage to small employers and their workers, regardless of health status, and companies will be limited in their ability to vary or increase premiums on the basis of claims' history.

- **Consumer Protections** -- Insurers will be required to give consumers information on benefits and limitations of their health plans, including the identity, location, and availability of participating providers; a summary of procedures used to control utilization of services; and how well the plan meets quality standards. In addition, plans would have to provide prompt notice of claims denials and establish internal grievance and appeals procedures.

2. Helping Working Families Retain Insurance After a Job Loss

Families that lose their health insurance when they lose a job will be eligible for premium subsidies for up to 6 months. The premium subsidies will be adequate to help families purchase health insurance with benefits like the Blue Cross/Blue Shield standard option plan available to Federal employees.

3. Helping Small Businesses Afford Insurance

- **Giving Small Employers Access to Group Purchasing Options:** Small employers that lack access to a group purchasing option through voluntary state pools would get that option through access to the Federal Employees Health Benefits Program (FEHBP) plans. This would increase the purchasing power of smaller businesses and make the small group insurance market more efficient. Small firms would get coverage from plans that also provide coverage to Federal employees through FEHBP, but the coverage would be separately rated in each state, leaving premiums for Federal and state employees unaffected.

- **Expanding the Self-Employed Tax Deduction:** The President's plan provides a fairer system for self-employed Americans who have health insurance. Self-employed people would deduct 50 percent of the cost of their health insurance premiums, rather than 25 percent as under current law.

4. Reforming and Strengthening Medicare

- **Strengthening the Trust Fund:** The President's plan would reduce spending in Medicare's Part A by $79 billion over 7 years to ensure the solvency of the Medicare

HI Trust Fund to 2005. The plan finds such savings by reducing provider cost growth, not raising beneficiary costs.

• **Eliminating the CoPayment for Mammograms:** Although coverage by Medicare began in 1991, only 14 percent of eligible beneficiaries without supplemental insurance tap this potentially lifesaving benefit. One factor is the required 20 percent copayment. To remove financial barriers to women seeking preventive mammograms, the President's plan waives the Medicare copayment.

• **Expanding Managed Care Choices:** The President's plan expands the managed care options available to beneficiaries to include preferred provider organizations ("PPOs") and point-of-service ("POS") plans. The plan also implements initiatives to improve Medicare reimbursement of managed care plans, including a competitive bidding demonstration proposal. Also included in his plan are important initiatives to streamline regulation.

• **Combatting Fraud and Abuse:** "Operation Restore Trust" is a five-state demonstration project that targets fraud and abuse in home health care, nursing home, and durable medical equipment industries. The President's budget increases funding for these critical fraud and abuse activities.

5. Long-Term Care

• **Expanding Home and Community-Based Care:** The President's plan provides grants to states for home-and community-based services for disabled elderly Americans. Each state, will receive funds for home-and community-based care based on the number of severely disabled people in the state, the size of its low-income population, and the cost of services in the state.

• **Providing for a New Alzheimer's Respite Benefit within Medicare:** The President's plan helps Medicare beneficiaries who suffer from Alzheimer's disease by providing respite services for their families for one week each year.

6. Reforming Medicaid

The President maintains Medicaid, expanding state flexibility, cutting costs, and assuring Medicaid's ability to provide coverage to the vulnerable populations it now serves.

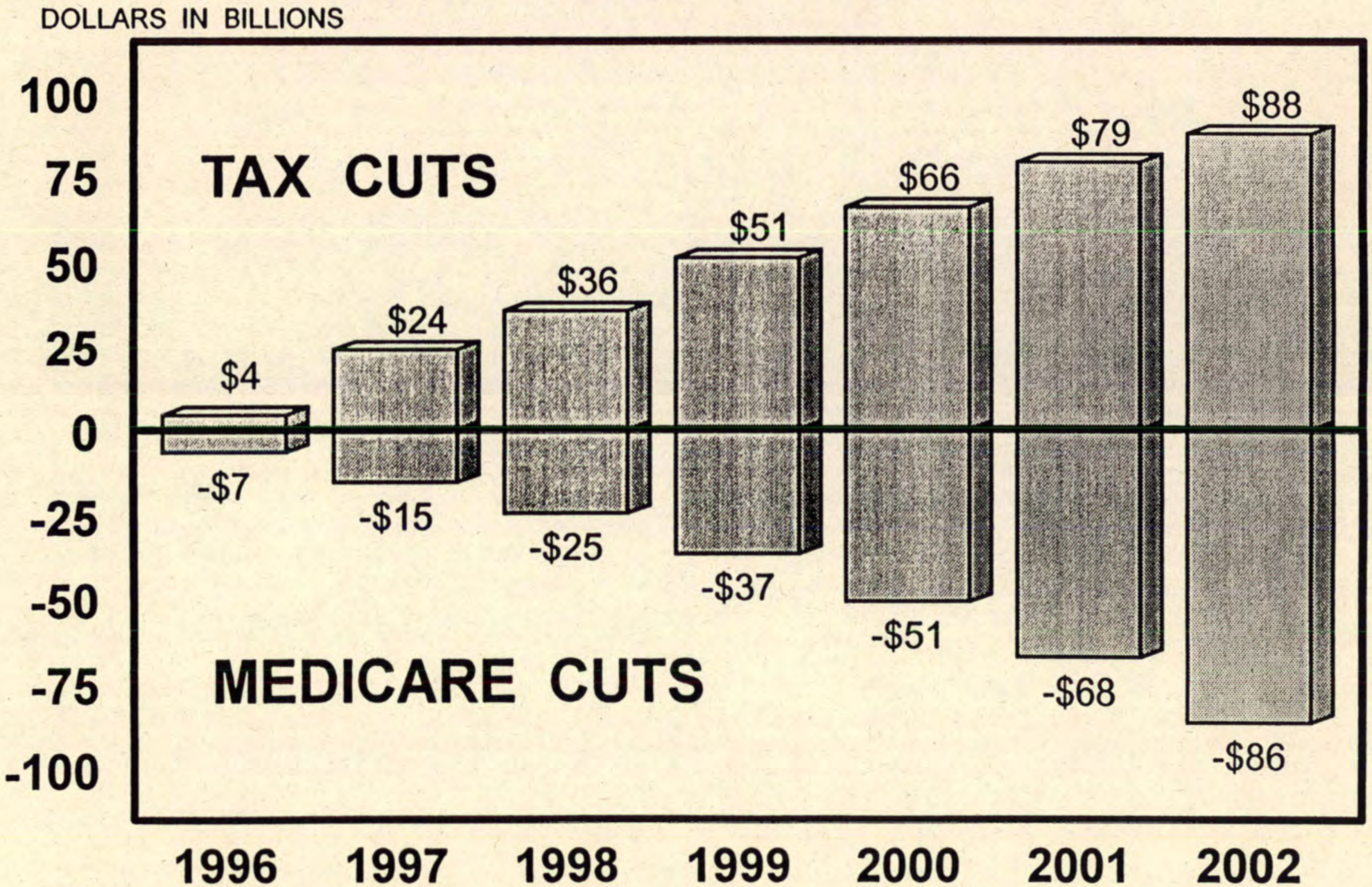
• **Eliminating Unnecessary Federal Strings on States:** To let states manage their Medicaid programs more efficiently, the President's plan substantially reduces Federal requirements.

-- States will be allowed to pursue managed care strategies and other service delivery innovations without seeking Federal waivers; and

-- The "Boren Amendment" and other Federal requirements that set minimum payments to health care providers will be repealed.

• **Reducing Medicaid Costs:** The President proposes a combination of policies to reduce the growth of federal Medicaid spending, including expanding managed care, reducing and better targeting Federal payments to states for hospitals that serve a high proportion of low-income people, and limiting the growth in federal Medicaid payments to states for each beneficiary. Per-person limits, as opposed to a block grant on total spending, promote efficiency while protecting coverage.

REPUBLICAN TAX CUTS REQUIRE DEEP MEDICARE CUTS



NOTE: House Budget Resolution numbers.

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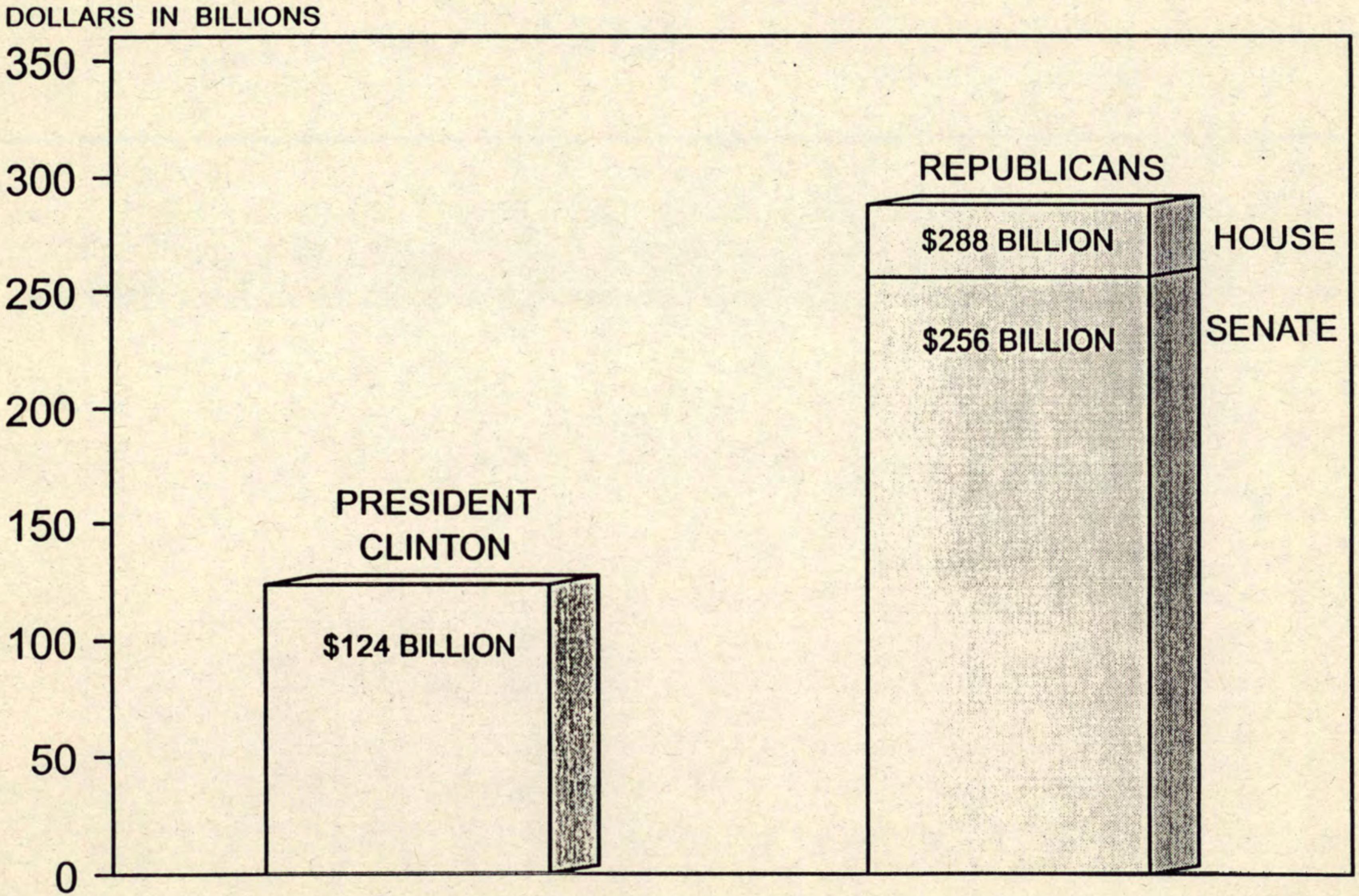
MEDICARE SAVINGS

SEVEN YEARS



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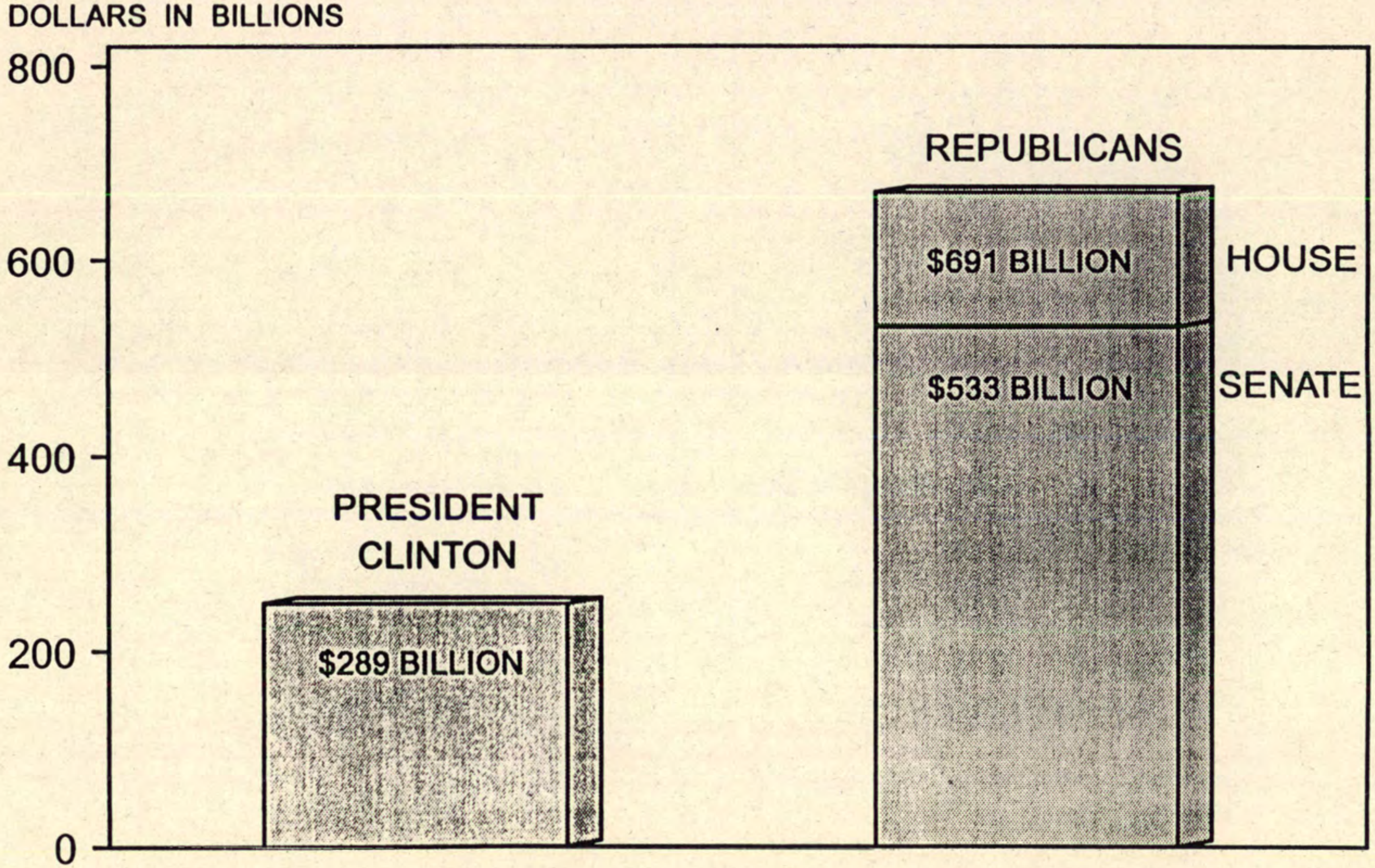
MEDICARE SAVINGS
TEN YEARS



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MEDICARE REFORM
IMPACT ON BENEFICIARIES IN 2002

<u>Republican Proposals</u>

- $1,700 CUT PER COUPLE

- Additional Costs
  - Higher Co-Payments
  - Higher Premiums
  - Coercive Plan
  - 2nd Class Health Care System for Seniors

<u>President's Proposal</u>

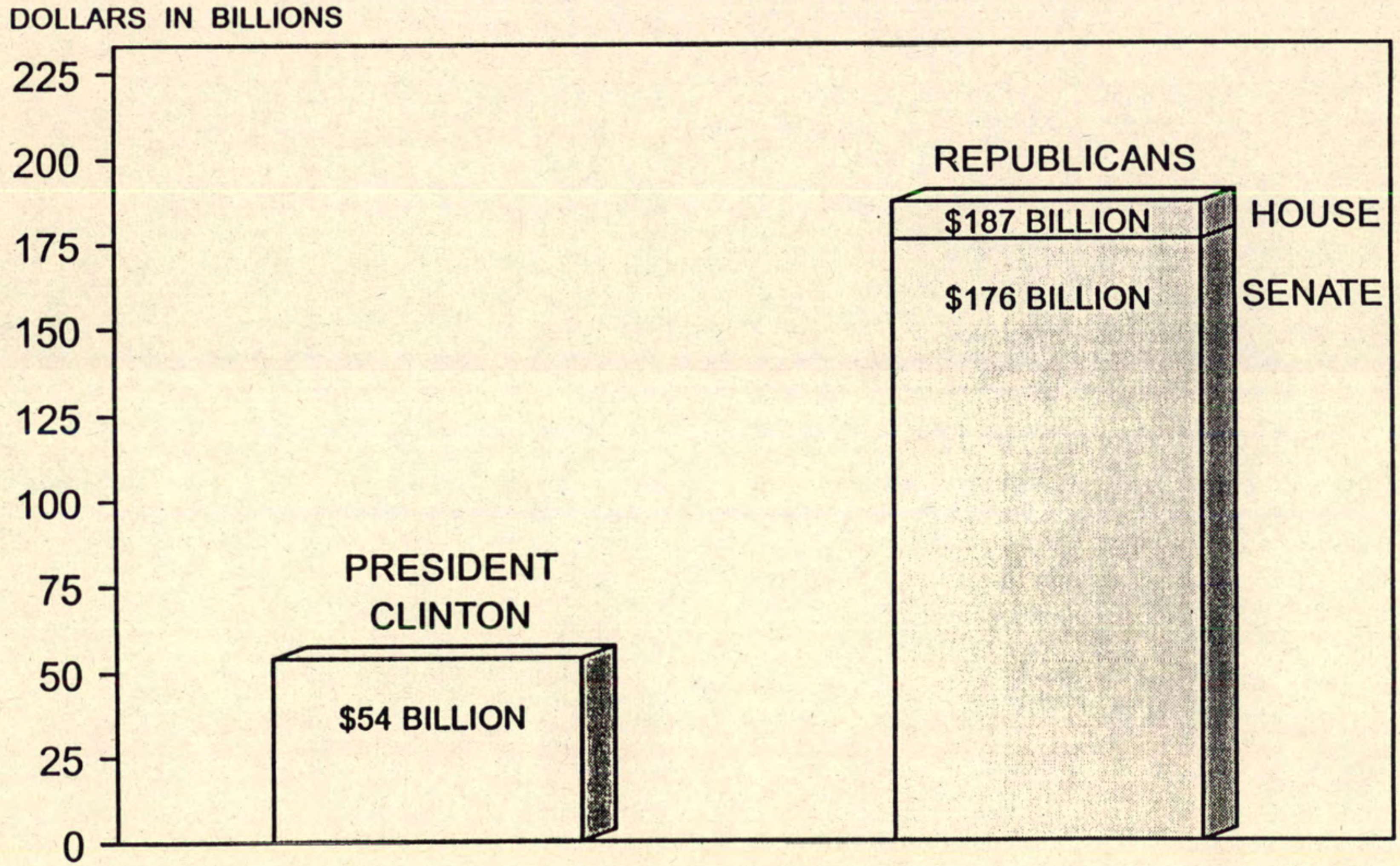
- NO NEW BENEFIT CUTS

- Additional Benefits
  - Home- and Community-Based Care Grants
  - Respite Benefits for Alzheimer's Caretakers
  - Preventive Health Benefits: No Mammography Co-Payment

NOTE: House Budget Resolution numbers.

MEDICAID SAVINGS

SEVEN YEARS



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THE PRESIDENT'S PLAN: REWARDING WORK AND RESPONSIBILITY

For low-income programs, the President would move people from welfare to work through strict work requirements and investments in training and child care. He would expand efforts to fight fraud and abuse, maintain the national nutrition safety net, target support to the neediest, and protect poor children. These proposals would save $38 billion over 7 years, after accounting for investments in child care and work and training for welfare recipients. Republican proposals would cut more than $100 billion over 7 years, tearing apart the social safety net, imposing unattainable work requirements while slashing child care, and putting millions of children at risk.

• For the Earned Income Tax Credit, the President proposes to continue the expansion of tax relief for the working poor, save $3 billion over 7 years by improving error and fraud control, and make sure illegal aliens who are not authorized to work in the U.S. do not receive the EITC.

> -- By cutting the EITC by $21 billion over 7 years, Senate Republicans would raise taxes on 10 million working families with children and 4 million low-income workers without children.

• For cash assistance and social services programs, the President would save $10 billion over 7 years by tightening SSI eligibility, tightening rules for AFDC, encouraging recipients to move from welfare to work, curtailing abuses, and investing in child care and work programs.

> -- Republicans would drastically cut funding for cash assistance ($29-44 billion over 7 years), remove requirements that States contribute to program funding, place new strings on States, and, in the House plan, ultimately deny cash to millions of children. In addition, the House would eliminate SSI benefits for up to 170,000 disabled children now receiving benefits and for as many as 550,000-850,000 who would otherwise receive them over the next five years.

• For benefits to immigrants, the President would save $5 billion over 7 years by tightening sponsorship and eligibility rules for non-citizens, thus forcing sponsors of legal immigrants to bear greater responsibility for those whom they encourage to come to the U.S.

> -- Republicans would slash $27-$33 billion over 7 years by denying assistance to low-income immigrants, including over 1 million legal immigrants now in the U.S.

• For food assistance, the President would maintain the national nutrition safety net programs while cutting mandatory spending by $20 billion over 7 years. He would protect spending on WIC and give 600,000 more women, infants and children access to WIC's important health and nutrition benefits.

> -- Republicans would eliminate the national nutrition safety net, slashing $33-$49 billion over 7 years, by capping Food Stamps and block granting the school lunch and other child nutrition programs. In addition, Republicans would force up to 300,000 women, infants, and children off WIC in 1996.

THE PRESIDENT'S PLAN: REFORMING ENTITLEMENT SPENDING

The President is proposing a series of reforms in entitlements and other mandatory programs that will raise tens of billions of dollars by targeting benefits to those who need them and ensuring that taxpayers get a fair return on public resources. Republicans would cut too deeply into entitlements and threaten services and benefits on which millions of Americans rely.

Veterans:

• The President proposes to protect pensions for poor veterans and compensation for service-connected disabled veterans.

> -- Republicans would restrict or eliminate compensation benefits for certain veterans, and redefine and narrow eligibility for service-connected disabilities.

Farm Programs:

• The President proposes to save $4.2 billion over 7 years by allowing farmers to use more acreage to plant what the market demands, reducing inequitable treatment of farmers by crop and region, and targeting payments to smaller farmers.

> -- Republicans would cut farm program spending 3-4 times as much -- the House by $17 billion over 7 years, the Senate by $12 billion over 7 years -- without specifying how.

Spectrum Auction:

• The President proposes to raise $14.3 billion from 1996-2002 by expanding the Federal Communications Commission's spectrum auctions to a variety of new wireless services.

> -- The House and Senate also would expand the Government's auction authority.

THE PRESIDENT'S PLAN:
INVESTING IN EDUCATION AND TRAINING

The President proposes to invest more in education and training, giving average Americans the skills they need to get high-wage jobs in the new economy. He would increase investment in education and training by $9.5 billion a year by 2002. The President's plan increases education and training by $40 billion over the next 7 years; Republicans would cut it by up to $43 billion over the same period.

• For National Service, the President would expand the Corporation for National and Community Service, enabling nearly 1 million young Americans to serve their communities and earn scholarships for higher education.

-- The House would kill all national service programs.

• For the GI Bill for America's Workers (excluding Pell grants), the President consolidates 70 programs and add an additional $2.3 billion in 2002 for adult skill grants and youth programs.

-- Republicans would cut funding 25 percent below the 1995 level.

• For Head Start, the President would increase annual funding by $1.5 billion by 2002 to reach another 50,000 children -- for a total of 800,000 per year -- and to improve quality.

-- House Republicans would cut up to 200,000 children, compared to 1995.

• For Goals 2000, the President would increase funding from $124 million in 1995 to $867 million in 2002, helping all States and school systems extend high academic standards, better teaching, and better learning to 44 million children in over 85,000 schools.

-- House Republicans would kill support to help States raise education achievement.

• For Pell Grants, the President would increase annual funding by $3.4 billion by 2002 to reach 960,000 more recipients (for a total of 4.8 million) and increase the maximum award from $2,340 to $3,128.

-- Republicans would freeze Pell at the 1995 level.

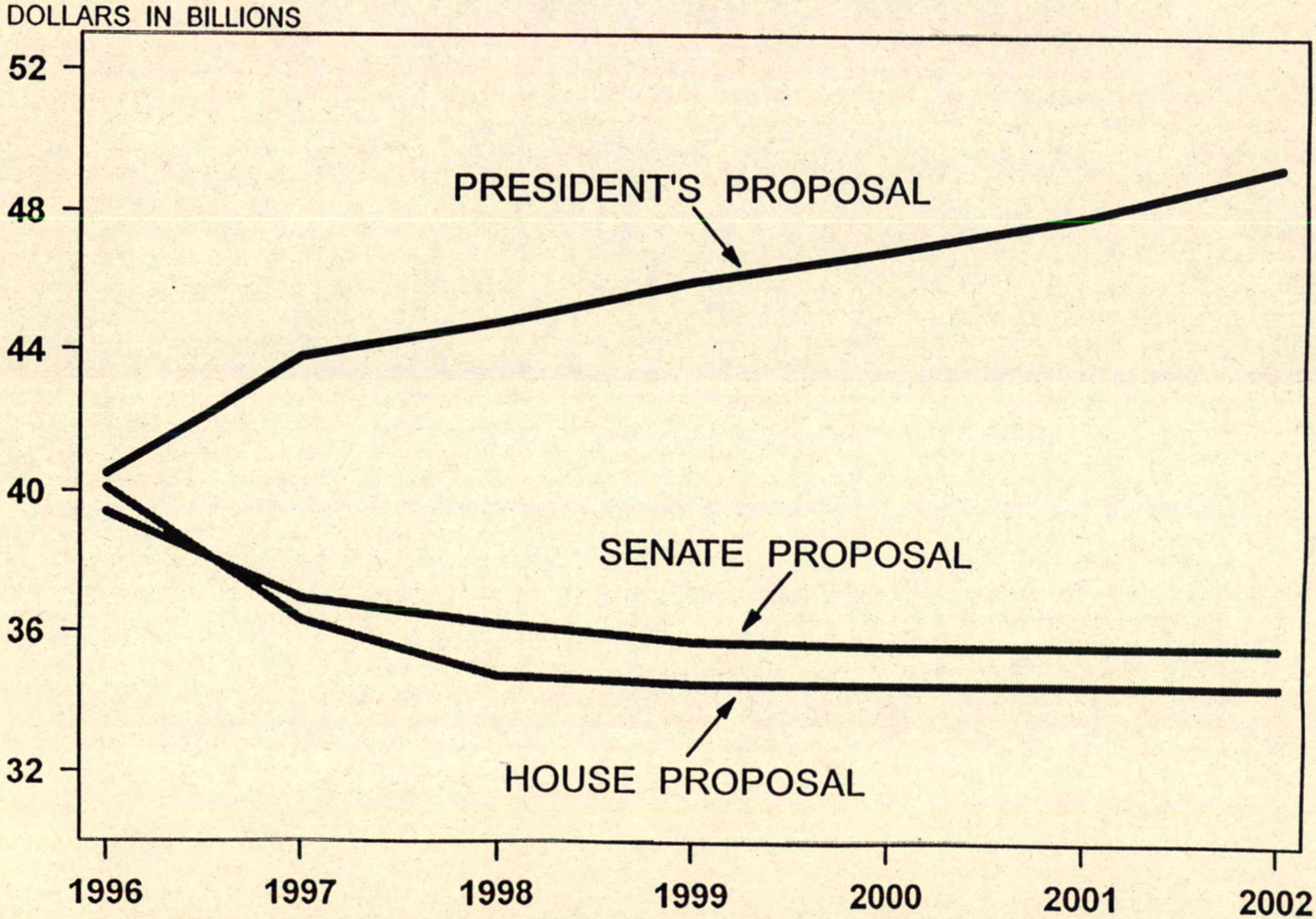
• For Safe and Drug-Free Schools and Communities, the President would maintain funding at $500 million per year, to help nearly ever school district fight drug abuse and reduce violence.

-- Republicans would turn the program into a block grant and cut funding 30 percent.

• The President would phase in Federal Direct Student Loans quicker, affecting $25 billion in loans to 6 million people a year, at lower cost to government, schools, and students.

-- House Republicans would eliminate the in-school interest exemption for 4 million financially needy borrowers, requiring a low-income college graduate who borrowed the maximum amount to pay $3,150 more for loans than under the President's plan.

INVESTMENTS IN EDUCATION AND TRAINING



THE PRESIDENT'S PLAN:
PROTECTING THE ENVIRONMENT

The President proposes to protect the environment and our natural resources, but still save money by focusing funds on legitimate Federal functions, cutting or eliminating lower-priority programs, and increasing the use of user fees. Republicans would jeopardize the environment by eliminating funds for constructing municipal wastewater and drinking water facilities, ending the acquisition of land for national parks and forests, and cutting park and forest budgets by 10 percent below 1995.

• The President proposes to consolidate the Clean Water and Safe Drinking Water State Revolving Funds that make loans for municipal wastewater and water treatment construction, giving States more flexibility in meeting local priorities. He would reduce funding over time to $1.5 billion a year as States gain access, as a permanent source, to the repayments of previous loans.

> -- The Senate would eliminate these programs by 1998; the House would provide less funding than the President.

• The President proposes to increase funding by $265 million a year by 2002 for the Environmental Protection Agency's operating program, the backbone of our efforts to protect the environment. This increase comes after $150 million in savings due to streamlining and decreased EPA oversight of State delegated programs. The operating program increases address global climate change, promote development and export of environmental technology, and protect sensitive ecosystems.

> -- Republicans would eliminate the program to develop environmental technologies that improve the environment at lower cost while opening new export markets, and terminate funding for programs that protect water quality and preserve habitat for ducks and fish.

• The President proposes increases each year for National Park operations and rehabilitation in order to maintain parks and their facilities.

> -- Republicans would cut national park construction by half, and park operations by 10 percent, the latter of which would strain the National Park Service's ability to keep parks open and up to standards.

• The President proposes to phase-down spending on Federal land acquisitions to $100 million a year, focusing on high-priority projects and the expanded use of land exchanges.

> -- Republicans would terminate Federal land acquisitions.

THE PRESIDENT'S PLAN: CONTROLLING VIOLENT CRIME

The President proposes to expand his vigorous fight against violent crime, providing a $6.7 billion increase a year by 2002 for grants to States and localities; more resources for Federal investigations, prosecutions, and imprisonment; and more support for the Federal Judiciary to try and convict violent offenders. The President would spend $7.5 billion more in 2002 than House Republicans and $200 million more than Senate Republicans.

• The President proposes to fully fund the Violent Crime Reduction Trust Fund (VCRTF), providing the full $30.2 billion authorized by the VCRTF from 1995-2000. In addition, for 2001-02 the President would add $8.5 billion, bringing total VCRTF funding to $38.7 billion for 1995-2002.

-- House Republicans would cut programs authorized by the VCRTF from 1995-2000.

• The President's proposal for the VCRTF would finance:

-- 100,000 cops for State and local police forces, fulfilling a major promise of the President and adding almost 20 percent to State and local police forces;

-- reimbursements to States which have paid to incarcerate criminal illegal aliens; and

-- State and local grants to:

- bring new prison cells into service;
- confront the problems of violence against women; and
- finance "drug courts" which provide cost-effective ways to deal with first-time, non-violent drug offenders.

• The President would provide an increase of $1.7 billion by 2002 for Justice Department crime fighting programs, including heightened border enforcement, increased FBI and DEA funding to address drug abuse, street crime, and terrorism; and increased resources for the Federal Prison System for new prisons and costs tied to a growing population of violent criminals.

-- Republicans would not provide specific increases for these programs.

• The President would increase funding by $500 million a year by 2002 for the Federal court system to adjudicate violent criminal cases.

-- Republicans would not provide any increases for the Federal Judiciary.

• The President would terminate several unnecessary or redundant programs, such as the State Justice Institute, the Administrative Conference of the U.S., and the U.S. Parole Commission.

THE PRESIDENT'S PLAN:
STRENGTHENING OUR COMMITMENT TO SCIENCE AND TECHNOLOGY

The President proposes to significantly improve the Nation's global economic competitiveness through a balanced mix of basic research, applied research, and technology development, much of it through cooperative projects with private industry. Republicans would significantly reduce investments in basic research, applied research, and technology development.

• The President proposes to add $2.5 billion a year by 2002 for biomedical and behavioral research at the National Institute for Health.

-- The House would cut biomedical and behavioral research at NIH by $542 million.

• The President proposes that the National Science Foundation's investments in basic research and education programs keep pace with inflation, adding $500 million a year by 2002.

-- Republicans would invest significantly less, with the Senate cutting $100 million and the House adding $240 million.

• The President would provide $100 million more a year by 2002 for the science facilities utilization initiative, ensuring more research time for scientists working on "cutting edge" research facilities.

-- Republicans would force many of these valuable facilities to close their doors.

• The President proposes to add at least $500 million a year by 2002 for NASA's investments in basic research, including Mission to Planet Earth, which will provide the first global study of the impact of man on the Earth's environment.

-- Republicans would cut these important research programs significantly.

• The President is proposing to increase the Advanced Technology Program (ATP) million and the Manufacturing Extension Partnership (MEP) by almost $500 million a year by 2002. ATP invests in partnerships with industry to accelerate the development of high-risk technologies with significant commercial potential. The MEP is a nationwide, locally managed network of manufacturing centers to help the nation's 381,000 small manufacturers adopt modern manufacturing technologies.

-- Republicans would eliminate both programs.

The President is proposing to increase funding by $100 million from 1996-2002 for the Defense Department's DOD Technology Reinvestment Project (TRP), which invests in partnerships with industry to accelerate the development of technologies that are critical to national security but can also benefit civilian purposes (i.e., dual use).

-- The House would eliminate it in the draft 1996 authorization bill.

**THE PRESIDENT'S PLAN:
TARGETING TAX RELIEF TO MIDDLE-INCOME AMERICANS**

The President also proposes to raise living standards with a tax cut for middle-income Americans. The President proposes to help average Americans to save, and to meet the cost of raising and educating their children. Republicans would provide a huge tax cut whose benefits flow disproportionately to wealthy people and corporations and whose costs must be offset by deep cuts in Medicare and other priorities.

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

-- House Republicans also include a $500 child tax credit, but phase it out between incomes of $200,000 and $250,000. Because Republicans propose a tax cut for people of high incomes -- about 6 times that of the typical family -- they must cut deeply into Medicare and other priorities.

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

-- Republicans have offered no such incentive for education.

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

-- House Republican have a similar proposal but would allow back-loaded contributions with no income limit -- again, forcing deep cuts in Medicare and other priorities.

* * *

• House Republicans also have proposed enormous tax cuts for wealthy persons and corporations, forcing them to cut deeply into Medicare and other priorities. The tax cuts include: the virtual end of the alternative minimum tax for large corporations, costing $35 billion over 10 years; a liberalization of tax depreciation laws that would save large corporations over $150 billion between 1999 and 2005; a cut in estate taxes for persons with at least $600,000 of accumulated wealth, costing $20 billion; and a capital gains tax cut, costing $90 billion and providing 58 percent of its tax benefits to the 2.5 percent of taxpayers with incomes over $200,000 per year.

REACH TARGET BY 2005

(In billions of dollars)

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	10-Year Total
Outlays:												
Discretionary:												
Defense........................	272	262	258	255	260	268	276	281	282	283	283	2,709
Non-Defense................	280	285	287	286	284	281	286	293	297	303	308	2,911
Total discretionary.................	552	547	545	541	545	550	562	574	579	586	591	5,619
Mandatory:												
Health:												
Medicare..................	154	172	186	199	213	227	243	260	282	303	326	2,411
Medicaid..................	88	92	100	109	117	127	138	150	163	177	193	1,367
Other.......................	---	---	3	4	4	4	4	5	5	6	6	40
Subtotal, health............	243	264	290	312	334	358	386	415	450	486	524	3,818
Other...........................	508	533	566	594	626	659	690	718	754	791	830	6,760
Subtotal, mandatory............	751	796	856	906	960	1,017	1,075	1,133	1,203	1,277	1,355	10,579
Net interest..........................	234	256	266	272	277	280	282	282	279	277	273	2,745
Total, outlays...........................	1,537	1,599	1,667	1,719	1,782	1,847	1,919	1,989	2,062	2,139	2,219	18,943
Receipts..................................	1,346	1,416	1,473	1,550	1,626	1,712	1,804	1,904	2,007	2,119	2,236	17,849
Deficit.....................................	190	183	194	169	156	135	116	85	54	21	-18	1,094

Year-by-Year Savings

(In billions of dollars)

	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Baseline deficit	201	218	209	221	229	235	240	248	255	266
Entitlements	-11	-16	-22	-26	-35	-46	-62	-70	-82	-95
Medicare savings	-4	-6	-10	-16	-23	-30	-39	-45	-55	-67
Medicaid savings	-4	-4	-6	-7	-9	-11	-13	-15	-17	-19
Reform of poverty programs	-2	-4	-5	-6	-6	-7	-8	-8	-8	-9
Other	-2	-2	-1	3	3	3	-2	-2	-2	-1
Discretionary	-8	-11	-16	-28	-41	-45	-51	-65	-77	-92
Defense	---	---	---	---	---	---	-3	-10	-18	-27
Nondefense	-8	-11	-16	-28	-41	-45	-48	-54	-59	-65
Interest	-1	-5	-12	-22	-35	-47	-62	-79	-97	-117
Corporate Subsidies	-1	-2	-3	-4	-5	-5	-5	-6	-6	-6
Revenue changes	3	11	12	16	21	23	25	26	28	26
Deficit or surplus	183	194	169	156	135	116	85	54	21	-18

A COMPARISON OF DEFICIT REDUCTION PLANS
(Seven year totals compared to OMB capped baseline, in billions of dollars)

	'96 Budget	House	Senate	President's Plan
Spending:				
Discretionary............................	-198	-463	-522	-200
Defense...............................	---	43	-24	-3
Nondefense..........................	-198	-506	-497	-197
Mandatory...............................	-44	-669	-626	-216
Medicare:				
Extenders.........................	-28	-28	-28	-28
Additional savings.............	---	-258	-226	-99
Medicaid..............................	1	-187	-176	-54
Health reform (net)..............				(-125)
Farm....................................	-3	-17	-12	-4
Veterans...............................	-6	-6	-10	-6
Civil service..........................	---	-3	-7	---
Poverty................................	-4	-131	-116	-38
Spectrum.............................	-8	-15	-25	-15
Other....................................	4	-23	-27	3
Net interest	-27	-272	-346	-172
Revenues....................................	96	340	-9	96
Corporate subsidies.....................	---	-25	---	-25

1/ President's plan includes major increases in key education and training programs.

THE PRESIDENT'S ECONOMIC PLAN:
A BALANCED BUDGET THAT PUTS PEOPLE FIRST

I. **FRAMEWORK TO BALANCE THE BUDGET**: Building on his 1993 plan that reduces the deficit by $1 trillion over seven years, the President today is releasing his economic framework for balancing the budget by the year 2005 while still investing in education and training; taking serious steps toward health reform while strengthening the Medicare Trust Fund and protecting beneficiaries; and targeting tax cuts only to working families. The President's plan builds on the savings and investments in his FY1996 budget and calls for real cuts in most areas of government spending other than Social Security.

II. **THREE FUNDAMENTAL DIFFERENCES:** While the President shares the goal of reaching a balanced budget with the Republican Congress, there are three fundamental differences in what the President will call for to make this a balanced budget that puts working families first.

1. **FIRST STEPS TOWARD HEALTH CARE REFORM WHILE STRENGTHENING THE MEDICARE TRUST FUND**:

Republican Plan: The Republican plans call for deep Medicare savings that would require a senior couple to pay $1500-$2000 a year more by the year 2002 -- only to pay for unjustifiable tax cuts.

President's Plan: The President's plan calls for half the Medicare savings of the Republican plans ($130 billion), no new Medicare beneficiary cuts, and takes the first steps toward serious health reform. The President calls for one-third the level of Medicaid savings ($55 billion) of the Republican plans, gives states additional flexibility, and protects Medicaid coverage by including a per person cap. Elements of the health reform plan include:

- **Protecting the Medicare Trust Fund to 2005**
- **Health Security for Working Families After a Job Loss: (6 months of health coverage for families who lose insurance when they lose a job)**
- **More Options for Medicare Managed Care that Protects choice**
- **Prevention: No Co-payments for Medicare Mammography Screening**
- **Alzheimer Respite Benefit**
- **Downpayment on Home and Community-based Long-term care**
- **Insurance Reforms including Portability and Limits on Exclusions for Pre-existing Conditions**
- **Give Small Businesses Pooling Options, including Participation in FEHBP**
- **Self-Employed Tax Deduction Increased to 50%**

2. **PROTECTING INVESTMENT IN EDUCATION AND TRAINING:**

Republican Plans: The Republican plans cut investments in education by $43 billion over seven years, cutting Head Start and seeking to eliminate or dramatically cut GOALS 2000, Safe and Drug-Free Schools, AmeriCorps, student aid, and job training at all levels.

President's Plan: The President's plan puts people first by preserving investments in education and training, with significant increases in Head Start, Goals 2000, AmeriCorps, student aid, a new GI Bill of Rights for Workers that increases training through Skill Grants, and a $10,000 education tax deduction.

3. **A TAX CUT THAT IS TARGETED ONLY TO WORKING FAMILIES:**

Republican Plans: The Republican House plan calls for a $630 billion tax cut over ten years that would give a $20,000 tax cut to the top 1% of taxpayers, and the Senate budget calls for increasing taxes on 14 million working families.

President's Plan: The President's plan keeps his full Middle Class Bill of Rights tax cuts: a $500 tax credit for children under 13; a $10,000 education deduction, and an expanded IRA that allows more working families not only to save for retirement but also to use the savings for education, a first home, or long-term care for a sick relative.

III. **COMPONENTS OF SAVINGS FOR BALANCING THE BUDGET:** The President's plan does not change the basic budget for FY1996, but it extends the savings pattern in domestic discretionary spending through 2005 while calling for serious, but reasonable entitlement savings.

- Medicare savings are $130 billion over seven years, less than half of the Republican plans, while protecting beneficiaries, securing the Medicare Trust Fund through 2005 and taking the first steps toward health reform.

- Medicaid savings are $55 billion in over 7 years -- one-third the size of the Republican proposals -- and include a per person cap to protect coverage, rather than an aggregate block grant.

- Welfare reform has savings of $35 billion which is less than half of the Republican proposals and essentially consistent with major Democratic alternatives.

- Corporate contribution of $25 billion over seven years through a bipartisan effort to close corporate loopholes, special interest tax breaks, and unwarranted corporate subsidies.

- Other than education, research and selected investments in the environment and other areas, domestic discretionary spending is cut by over 20% in real terms near the end of the plan.

- Defense outlays in the President's plan are above both the House and Senate levels in FY2002, yet savings are achieved by keeping budget authority constant from FY2002-2005.

IV. A MORE BALANCED APPROACH TO BALANCING THE BUDGET:

Republican Plan: The Republican plan calls for deep Medicare cuts and education cuts in order to pay for a tax cut going largely to the most well-off. A top national forecaster, WEFA, (formerly Wharton Econometrics) has projected that this seven-year path would slow growth, increase unemployment to over 8.5%, and delay their deficit projections by at least two years.

President's Plan: By limiting a tax cut to working families and by calling for a moderately longer time path to balance the budget, the President's plan avoids the necessity of cutting education or calling for new Medicare beneficiary cuts. This 10-year plan has the benefits of a solid balanced budget path with less of the downside, contractionary risks of the Republican seven-year proposals.