President Clinton's Reasons for Vetoing the Republican Budget:

82 Selected Issues

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SUMMARY

The Republican budget makes extreme, unnecessary cuts in Medicare and Medicaid, education, and environmental protection to pay for excessive tax cuts, largely for the wealthiest in our society. President Clinton believes we must balance the budget in a way that is consistent with American values: honoring our commitment to our seniors, helping working families, providing a better life for our children.

Following are the most extreme elements of the Republican budget.

HEALTH CARE. The bill contains $433 billion in Medicare and Medicaid cuts, four times the largest ever, forcing many rural and urban hospitals to close and reducing quality of care for all Americans.

MEDICARE. The Republican budget would turn Medicare into a second-class health care program, slowing annual per capita spend growth to 5.5%, compared to 7.1% for the private sector. It raises premiums by $264 for an elderly couple in 1996 alone and nearly doubles premiums by 2002.

MEDICARE FOR POOR ELDERLY AND DISABLED. The bill eliminates the requirement that Medicaid pay premiums, deductibles, and copays for 5.4 million poor elderly and disabled.

MEDICAID. The bill limits annual per capita Medicaid growth to 1.6%, compared to 7.1% for the private sector, denying coverage for nearly 8 million people by 2002. Its block grant eliminates the national guarantee of defined, meaningful coverage for the sick, elderly, poor, blind, and disabled.

MEDICAID FOR CHILDREN AND ELDERLY. The bill could deny coverage to 3.8 million children; 330,000 elderly could be denied nursing home care.

NURSING HOMES. The bill would repeal key enforcement measures that protect nursing home residents from abuses and inadequate treatment.

MASSIVE TAX CUTS. The bill provides $258 billion in tax cuts, exploding to over $400 billion over ten years because key provisions are written to expand dramatically after seven years.

UNFAIR TAX BREAKS. The bill takes from the poor to give to the wealthy. According to the Treasury Department, families in the lowest 20% of income distribution as a group (and those with incomes under $30,000, according to Joint Tax Committee), face a net tax increase. The top 12%, with incomes above $100,000, receive nearly half the benefits, with the highest 1%, those over $349,000, receiving $8,500 a year. Retroactive capital gains cuts provide a $13 billion windfall to those who have already sold their assets.

TAX INCREASE ON WORKING FAMILIES. The repeal of the Earned Income Tax Credit hits 12.6 million working families (14.5 million children) with an average $332 tax increase in 1996.

BREAKS FOR CORPORATIONS. The bill permits corporations to raid pension funds, risking pensions for millions of workers, and allows many profitable corporations to pay no income tax.

CHILDREN. The bill cuts benefits for disabled children and school lunch and other nutrition benefits.

EDUCATION. The bill provides a gift to special interests by denying direct college loan opportunities for 2.5 million students in 1,350 colleges and universities. It would lead to $30 billion in education cuts over seven years, denying opportunities to millions of young Americans, including cuts in Head Start, Safe and Drug-Free Schools, basic and advanced skills for disadvantaged students, and Pell Grant scholarships. In addition, Goals 2000 reforms and the AmeriCorps community service program would be repealed.

ENVIRONMENT. The bill would open to oil drilling the rare, pristine Arctic National Wildlife Refuge, and its cuts would lead to massive reductions in enforcement of clean air and drinking water laws and dramatically slow down clean-up of toxic waste dumps.

COMBINED CUTS TO MEDICARE AND MEDICAID

1. MAGNITUDE OF $433 BILLION MEDICARE AND MEDICAID CUTS:

The Republican budget cuts Medicare and Medicaid combined by $433 billion over 7 years -- four times greater than anything ever enacted by *any* Republican or Democratic President -- to fund a tax cut for the wealthy. These cuts will deny health care coverage for nearly 8 million people by 2002, threaten urban and rural hospitals with closure, reduce the quality of care for everyone, and increase health care costs for the privately insured through cost shifting.

- ***$433 Billion Combined Medicare and Medicaid Cuts Could Force Many Rural and Urban Hospitals to Close.***

    - Hospitals will receive $1,025 less per admission on average than they would under current law, a drop of roughly 13%.

    - According to the American Hospital Association, nearly 700 hospitals *derive two-thirds or more* of their net patient revenues from Medicare and Medicaid. The combined Medicare and Medicaid cuts could force many of these nearly 700 vulnerable hospitals to close.

        - Over half of these vulnerable hospitals are rural, and 20% are in the inner city. Their closure will deny access to health care for many people in rural and urban communities across America.

        - With each hospital closure comes job lose, since hospitals are often one of the largest employers in rural communities.

- ***$433 Billion Medicare and Medicaid Cuts Will Reduce the Quality of Care for Everyone.***

    - The American Hospital Association, the Catholic Health Association, the National Association of Public Hospitals, and over 40 state hospital associations say: "the reductions in the conference report will jeopardize the ability of hospitals and health systems to deliver quality care, not just to those who rely on Medicare and Medicaid, but to all Americans."

- ***$433 Billion Medicare and Medicaid Cuts Will Increase Health Care Costs for the Privately Insured By Cost Shifting Billions of Dollars.***

  - A new analysis by Lewin-VHI for the National Leadership Coalition on Health Care concluded that the Medicare and Medicaid cuts in the reconciliation bill could lead doctors and hospitals to raise their fees on privately insured patients by *at least $85 billion* over 7 years through cost-shifting. Cost shifting is the process by which health care providers charge privately insured people more in order to make up for losses from serving Medicare and Medicaid beneficiaries and the uninsured.

  - $67 billion of the $85 billion in increased costs would be passed on to workers by employers in the form of lost wages and higher health care premiums. This cost shifting would effectively reduce wage increases for lower income workers by 10%.

  - 60% of the shift would be concentrated on the middle class -- families with incomes between $20,000 and $75,000.

MEDICARE

2. CUTS MEDICARE WELL BELOW PRIVATE SECTOR RATES:

- ***Their $270 Billion Cut Will Turn Medicare Into a Second Class Health Care Program.***

- The Republican budget reduces Medicare spending growth per beneficiary far below projected private sector growth rate. Based on CBO data, private sector per capita health care spending is projected to increase 7.1% per year over the next 7 years, but the Republican budget reduces Medicare spending growth per beneficiary to 5.5%, on average.

- Federal Medicare spending per beneficiary would be $1,700 less than under current law in 2002.

3. SLASHES FUNDING FOR POOR ELDERLY AND DISABLED MEDICARE BENEFICIARIES:

- Under current law, Medicaid pays all Medicare premiums, coinsurance, and deductibles for people below 100% of poverty (known as QMBs) and premiums for people with incomes between 100% and 120% of poverty.

- 5.4 million poor elderly and disabled people currently have their Medicare cost sharing covered by Medicaid. This assistance ensures that they can afford Medicare.

- ***Does Not Set-Aside Any Funds For Their Copayments and Deductibles.*** The Republican budget completely eliminates the requirement that states cover coinsurance and deductibles for poor elderly and disabled people, and does not set aside any money for this purpose.

    - More than 5 million elderly and disabled people would immediately lose their guarantee of assistance with copayments and deductibles.

- ***Sets Aside Less Than Half Of What Is Needed For Their Premiums.*** While Republicans claim to cover poor elderly and disabled peoples' premiums, they set-aside *less than half* of the money needed to cover their premiums by 2002.

    - 950,000 Could Lose Assistance With Their Premiums -- Just When Premiums Are Increased. HHS estimates that as many as 950,000 poor elderly and disabled people could lose funding for their Medicare premiums in 2002 -- at the same time that the Republican plan increases these premiums.

- ***Could Force The Poor To Leave Fee-For-Service Plans.*** Without assistance with premiums, copayments, and deductibles, poor Medicare beneficiaries may be forced to leave their fee-for-service plan and enroll in a managed care plan that does not require cost-sharing -- if one exists in their area.

4. ALLOWS DOCTORS TO OVERCHARGE:

- ***Allows Doctors to "Balance Bill" or Charge Medicare Beneficiaries Above the Medicare Payment Rates.***

- Without protections from balance billing, beneficiaries in the new Medicare plans would be subject to higher charges.

- The opportunity to balance bill in the new Medicare plans will give doctors incentives to leave the traditional Medicare fee-for-service plans, forcing many patients to change their doctor or leave the fee-for-service program.

5. INCREASES MEDICARE PREMIUMS:

- ***Increases Medicare Premiums and Burdens Older and Disabled Americans -- Just to Pay for a Tax Cut for the Wealthy.***

- The Republican budget increases premiums from 25% of Part B program costs to 31.5%. In 1996 alone, this change will increase costs for elderly couples by $264. These higher costs will place a large financial burden on Medicare beneficiaries -- three-quarters of whom have incomes below $25,000.

- Since 1984, the Part B premium has been set so as to finance 25% of program costs.

- In an effort to protect beneficiaries from excessive increases in Medicare premiums, premiums were set at specific dollar amounts for 1991-1995, rather than at 25% of program costs. The 1995 premium was set at $46.10 per month. As a result of the difficulties in estimating program costs far in advance, this premium actually financed 31.5% of 1995 program costs, even though Congress never intended to raise premiums above 25% of program costs.

- In OBRA '93, Congress returned to the traditional approach of setting premiums at 25% of program costs rather than writing fixed monthly premium dollar levels into the statute. Thus, OBRA '93 set premiums at 25% of program costs for 1996 through 1998. In 1996, 25% of program costs will amount to $42.50 a month.

- The Republican budget would set premiums at 31.5% of program costs for the next seven years. President Clinton's plan maintains the current policy and permanently sets premiums at 25% of program costs.

- Among the 36 million Medicare recipients who will face higher premiums, 8.8 million veterans -- one-third of all veterans in the United States -- will be forced to pay higher out-of-pocket costs for lower quality care.

6. **CONSTRAINS SPENDING IN TRADITIONAL MEDICARE MORE THAN IN NEW PLANS:**

- The Republican plan disadvantages the traditional Medicare fee-for-service program compared to the new MedicarePlus plans by constraining spending in the early years in the fee-for-service program far more than in the new plans.

- In 1996 alone, the Republican plan allows spending in the new plans to increase at an average per capita rate of 8.0% -- one third higher than the increase for traditional Medicare.

- This uneven treatment of MedicarePlus plans and traditional Medicare will harm quality and create incentives for doctors to leave traditional Medicare.

7. **MEDICAL SAVINGS ACCOUNTS:**

- The Republican Medicare plan allows beneficiaries to withdraw a set amount of money from the Medicare program to buy health insurance with a high deductible. Individuals may deposit any money left over after the purchase into a tax-preferred medical savings account (MSA).

- MSAs tend to attract only the healthiest individuals, who expect few medical expenses in the coming year and who typically cost the Medicare program little.

- To the extent that MSA vouchers are set at a level that exceeds the cost of these healthy beneficiaries under the current Medicare system, MSAs will increase spending on healthy beneficiaries.

- In fact, CBO estimates that MSAs will raise Medicare costs by nearly $5 billion over 7 years. A Lewin-VHI study concluded that MSAs would cost the Medicare system $15-$20 billion over 7 years.

- Since the Republican plan caps Medicare spending, MSA costs would have to be offset by further cuts in services for the less healthy beneficiaries remaining in the traditional fee-for-service plans.

8. **<u>LOCKS BENEFICIARIES INTO PLANS:</u>**

- Under current law, beneficiaries are permitted to leave a managed care plan at any time, with termination effective as of the first of the first month following the request to leave.

- Under the Republican budget, beneficiaries who enroll in one of the new MedicarePlus plans, including managed care plans, provider-sponsored organizations, or a high-deductible medical savings account plan, would generally be locked into that plan for a year. In general, they could not leave the program except during the annual open enrollment period.

- The President's proposal retains current law and allows beneficiaries to leave at any time.

9. **<u>INCREASES COSTS FOR BENEFICIARIES WITHOUT EXPANDING BENEFITS OR PREVENTION:</u>**

- The Republican budget increases beneficiary costs while only adding one new benefit: coverage of oral nonsteroidal antiestrogen for the treatment of breast cancer.

- Currently, Medicare does not cover the array of preventive benefits now offered by many private plans, particularly managed care plans. These preventative benefits can both increase beneficiary's health and reduce costs at the same time.

- President Clinton's proposal updates the Medicare benefit package to make it more comparable to private sector benefit packages, including:

  - ***Mammography.*** The President's proposal eliminates copayments for mammography services and provides annual screening mammograms to help detect breast cancer.

  - ***Certain Colorectal Screening.*** Early detection of cancers and other serious conditions can result in less costly treatment, enhanced quality of life, and, in some cases, a greater likelihood of cure. The President's proposal provides coverage for colorectal screening.

  - ***Preventive Injections.*** The President's proposal would increase payments for certain preventive injections provided in physician offices which will encourage providers to immunize beneficiaries.

  - ***Respite Benefit for Beneficiaries with Alzheimer's Disease.*** The President's plan creates a Medicare respite benefit for beneficiaries with Alzheimer's disease or other irreversible dementia, covering up to 32 hours of care per beneficiary per year, administered through home health agencies or other entities. Services could be provided in the home or in a day care setting.

MEDICAID

10. **<u>MAGNITUDE OF $163 BILLION CUTS:</u> Lowering average annual spending growth per recipient to 1.6% could cause millions to lose coverage.**

- The Republican budget cuts federal support for Medicaid by an unprecedented $163 billion -- over ten times anything ever enacted by *any* Republican or Democratic President.

- The Republican plan achieves these savings by capping overall spending. This means that spending growth per beneficiary would fall from the current 7.0 percent to 1.6 percent annually -- far below the rate of inflation.

- States cannot sustain coverage when federal funds are increasing at only 1.6 percent per beneficiary. States will be forced reduce benefits and/or provider payments and eliminate coverage for millions of people on Medicaid.

11. **<u>MEDICAID CUTS COULD DOUBLE IF STATES REDUCE THEIR SPENDING:</u>**

- ***The $163 billion reflects only the federal cuts.*** Yet, Medicaid is a federal-state plan, and if states only contribute the amounts that the federal government will match and provide no additional funding, the Center on Budget and Policy Priorities estimated the total reduction in federal and state Medicaid funds would *exceed $400 billion over seven years,* compared with current law.

- While states are unlikely to limit funding to the match, with the squeeze from other cuts, the overall federal-state cuts could total far beyond $163 billion.

12. **<u>ENDS NATIONAL GUARANTEE OF COVERAGE:</u>**

- The Republican plan repeals the Medicaid Program, replacing it with a "block grant."

- Completely eliminates Medicaid's guarantee of defined, meaningful coverage for Americans who are sick, elderly, poor, blind or disabled in other ways.

- Because the block grant constrains spending growth per beneficiary to 1.6% per year, providing 28% less funding than under current law by 2002, states will be forced to significantly reduce Medicaid eligibility and benefits.

- Under current law, all states are required to cover a minimum set of services, including hospital, physician, and nursing home services. States have the option of covering an additional 31 services, including prescription drugs, hospice care, and personal care services.

- States could eliminate almost any benefit currently covered by Medicaid. The <u>only</u> required services would be immunizations and limited family planning.

13. NO GUARANTEE OF EVEN MINIMAL HEALTH CARE COVERAGE FOR POOR CHILDREN UNDER THE AGE OF 13, PREGNANT WOMEN, AND PEOPLE WITH DISABILITIES:

- While the proposal includes language calling for States to provide Medigrant services to poor children under 13, pregnant women and people with disabilities, states could determine the levels of benefits provided and in defining the eligible disabilities. Financially strapped states could satisfy this requirement with de minimis coverage, which could mean millions fewer people receiving a meaningful benefits package.

- The President believes it is wrong to change the laws in ways that could lead to less coverage for poor children, pregnant women and Americans with disabilities.

14. DEEP CUTS PLUS ELIMINATION OF GUARANTEE COULD LEAD TO MILLIONS GETTING LESS COVERAGE OR NO COVERAGE:

With Federal Medicaid funding per beneficiary growing on average at one-fourth the rate of private health insurance spending per person, based on Congressional Budget Office data, states cannot continue to guarantee coverage.

- Of the 36 million Medicaid recipients, more than 18 million are children: one out of every five children in the nation.

- Another 6 million of the current Medicaid recipients are disabled. Medicaid functions as the primary insurer for many people with disabilities, since private insurance is generally not affordable for people with pre-existing conditions.

- About 1/3 of all babies born in the United States are covered by Medicaid.

- Over 90 percent of children with AIDS are covered by Medicaid.

Loss of Medicaid Coverage Under Republican Plan

- The reduction in Federal support under the Republican plan could force States to deny coverage for nearly 8 million Americans in 2002 alone, according to HHS estimates.

  These nearly 8 million people include:

  - 3.8 million children who could be denied coverage
  - 1.3 million people with disabilities who could be denied coverage
  - 850,000 elderly who could be denied coverage
  - 330,000 nursing home residents -- over 70% of them likely to be women.
  - 150,000 veterans could be denied coverage.

15. WEAKENS QUALITY PROTECTIONS FOR NURSING HOMES AGAINST ABUSE AND NEGLIGENCE:

- ***Current law:*** The landmark nursing home reform law of OBRA '87, approved with bi-partisan support during the Reagan Administration, sought to address at times deplorable treatment in nursing homes, including unjustified physical restraints, and gross negligence in caring for nursing home residents, by establishing the Federal quality standards in place today. Prior to the OBRA '87 reforms, the Institute of Medicine reported that all States had some facilities with serious deficiencies in nursing home quality of care.

- ***Progress:*** Since OBRA 1987 reforms were implemented, nursing home quality has improved dramatically. The use of physical restraints has declined 25%; dehydration has declined 50%; hospitalization rates have declined 31%. (Research Triangle Institute; HCFA).

- ***Federal Enforcement and Protections Would be Repealed:*** The Republican bill takes away key OBRA87 protections and enforcement. In addition, states would no longer be required to optimize individual residents' health and well-being. While states may want to maintain these guarantees, inadequate resources could lead them to fail to set and enforce quality standards that protect elderly and disabled people in nursing homes.

  - States could turn over their survey and enforcement responsibilities to private accreditation organizations with no Federal review, thereby reducing accountability and increasing variations in quality and enforcement.

  - Nursing homes would no longer be required to optimize individual residents' health and well-being. The bill repeals the current requirement that nursing homes provide services to "attain or maintain the highest practicable physical, mental, and psychosocial well being of each resident." Thus, residents could be denied skilled nursing and rehabilitative services necessary to improve their ability to function.

  - Residents would no longer be guaranteed the same comprehensive assessment of their health and functional status now required nationally.

  - Uniform data collection would not be required, making monitoring more difficult.

  - Federal training requirements for hands-on caregivers would be eliminated; each State could determine who would be trained and how.

16. NO ADEQUATE QUALITY OF CARE FOR MEDICAID MANAGED CARE PLANS:

- Unlike, the explicit protections in current law for residents of nursing homes and institutions caring for mentally retarded individuals, the current Federal Medicaid contracting rules for Medicaid managed care plans use proxy measures -- such as enrollment composition requirements (the "75/25 rule") -- that are vaguely, at best, related to quality of care for Medicaid beneficiaries who are enrolled in managed care systems.

- The Conference Agreement includes no quality of care standards for managed care systems -- even though 23% of all Medicaid enrollees received their health care through managed care programs in 1994, and an even greater proportion is enrolled in managed care in 1995.

  - States would not be required to establish or enforce quality standards for capitated managed care plans.

  - The Federal government would have no authority to enforce managed care access standards or quality requirements.

- The Administration's proposal would ensure quality of care for managed care enrollees and nursing home residents by replacing out-dated statutory rules with real quality of care protections for managed care enrollees -- quality improvement programs that have been field-tested in several states and were developed with extensive industry participation.

17. ELIMINATES QUALITY STANDARDS FOR FACILITIES THAT SERVE MENTALLY ILL AND MENTALLY RETARDED INDIVIDUALS:

- Federal law calls for explicit-outcome oriented quality of care protections for mentally ill and mentally retarded Medicaid beneficiaries who live in institutions.

- While the Republican Medicaid proposal maintains some protections for nursing homes, it *completely eliminates* the current statute that includes explicit, outcome-oriented quality of care protections for nursing home residents and mentally ill and mentally retarded beneficiaries who live in institutions.

18. WEAKENS PROTECTIONS AGAINST SPOUSAL IMPOVERISHMENT:

- ***The Republican budget undermines protections against spousal impoverishment that were signed into law by President Reagan in 1987.***

- The Republican budget leaves it entirely up to States to determine which persons in institutions receive Medigrant assistance. Individuals could be denied coverage for long-term care services altogether. Spouses of individuals denied coverage would receive no protection from the "spousal impoverishment" provisions. Because the Republican budget repeals the guarantee of nursing home coverage, it also effectively eliminates the guarantee of protection from spousal impoverishment.

- The Republican budget also repeals the right of individuals to enforce spousal impoverishment protections in court when they believe they have been wrongfully denied, making the protections unenforceable.

19. ELIMINATES FINANCIAL PROTECTIONS -- PUTS MEDICAID BENEFICIARIES' HOMES AND FAMILY FARMS AT RISK:

- Under the Republican budget, the sick could be forced to sell their homes, family farm, car, and all their savings in order to qualify for Medicaid. The Republican proposal repeals all Federal laws protecting a minimum level of income and assets (such as the family home or farm) in determining Medicaid eligibility.

    - It allows States to count the value of one's home or family farm in determining Medicaid eligibility.

- People whom States define as no longer "poor enough" to qualify for medical assistance would be faced with paying all their medical costs themselves, or seeking help from relatives or charity.

- In the worst cases, families would have to mortgage or sell their homes to be able to pay for care, or elderly people needing long-term care would have no choice but to turn to their children for help.

- Nursing facilities could require additional payments from residents or their families in order to be admitted, or in order to continue living in the facility.

- The Republican Medicaid plan would remove all restrictions on how large a share of the costs of medical care States can require from eligible individuals, other than children and pregnant women.

- Cuts in the scope of the nursing home benefits could mean that families of poor patients will have to pay for services such as personal hygiene, laundry, or various therapies, that States now pay.

20. REPEALS REQUIREMENT THAT ALL COMMUNITIES IN A STATE RECEIVE COMPARABLE BENEFITS:

- The Republican Medicaid plan eliminates all requirements that comparable services be provided across the different geographic areas of a State. Thus, people in politically weak communities could receive fewer benefits than those in more powerful communities.

21. HURTS URBAN AREAS:

- Approximately 75% of Medicaid recipients live in cities. Assuming a proportional allocation of the $163 billion in Republican cuts, Medicaid spending in urban areas will drop by $122 billion.

- The Republican budget will deny Medicaid coverage to 6 million people living in urban areas, according to HHS, including:

    - Almost 3 million urban children
    - 975,000 urban people with disabilities
    - 650,000 urban elderly

TAXES

22. **<u>THE SIZE OF THE TAX CUT, WHICH EXPLODES OUTSIDE THE BUDGET WINDOW, CANNOT BE JUSTIFIED</u>**

- At a time when we are working to balance the budget, the "Contract" tax cuts are too costly, forcing excessive cuts in Medicare, Medicaid, education, technology, and the environment, as well as the Earned Income Tax Credit.

- Over 7 years, these tax cut provisions, including capital gains cuts, estate tax cuts, and Individual Retirement Account provisions, cost $258 billion. Moreover, the cost of these tax provisions, particularly those for the most affluent, is designed to explode outside the 7 year budge window -- to more than $400 billion over 10 years.

23. **<u>IT IS WRONG TO SINGLE OUT LOW AND MODERATE INCOME WORKING FAMILIES EARNING UNDER $30,000 A YEAR FOR A SPECIAL TAX INCREASE.</u>**

- The Republican budget raises income taxes on low and moderate income working families by $30.8 billion through cuts to the Earned Income Tax Credit (EITC), a provision that President Ronald Reagan called "the best anti-poverty, the best pro-family, the best job creation measure to come out of the Congress."

- President Clinton expanded the EITC to move families from welfare to work and to help ensure that parents who work full-time do not have to raise their children in poverty.

- Under the Republican plan, 12.6 million working Americans with 14.5 million children would lose, on average, $332 of the EITC in 1996. Moreover, even after accounting for the fully phased-in Republican tax cuts, about 7.7 million families who earn under $30,000 a year would face an average net tax increase in 1996 of $318 per family under their plan.

- On average, families in the lowest 20% of income distribution would face a net income tax increase, not a tax cut, under their plan.

24. TAX CUTS ARE TARGETED TOO HEAVILY TO BENEFIT THE WEALTHIEST TAXPAYERS, AND NOT ENOUGH ON HELPING MIDDLE CLASS FAMILIES.

- At a time when we are all working to balance the budget, any tax relief must be focused on middle income Americans.

- Our plan targets 85% of the benefits to families earning under $100,000 a year.

- The Republican bill gives nearly half the tax benefits to the top 12% of families with incomes of $100,000 or more. The highest income 1% of families, those with incomes over $349,000, would receive an average tax break of almost $8,500 per family.

- Their bill provides $13 billion in retroactive capital gains relief, a huge windfall for past investments, with no conceivable economic purpose. This windfall cannot be justified in light of cuts on working families and the poor.

- Overall, they provide capital gains tax cuts costing $47 billion over 7 years and $77 billion over 10 years, cuts that overwhelmingly benefit the wealthy. In fact, 75% of the benefit of the capital gains cuts go to the wealthiest 12% of households earning over $100,000 a year.

25. SPECIAL INTEREST TAX LOOPHOLES.

- The American people elected this Congress and this President to balance the budget and move the country forward, not to provide special tax breaks for special interests.

- The Republican bill contains dozens of special tax breaks for particular taxpayers and special interests, costing the rest of American taxpayers more than $3 billion over 7 years. These special-interest provisions, both large and small, are designed to benefit, among others:

    - multinational corporations that stockpile assets overseas,
    - the airline industry,
    - certain coal companies,
    - real estate developers,
    - insurance companies,
    - certain convenience stores,
    - newspaper companies, and
    - certain pharmaceutical companies with operations in Puerto Rico.

- These special-interest favors for the well-connected are inappropriate in this deficit-reduction bill, especially since this bill would result in tax <u>increases</u> for many needy working families. These provisions have little or nothing to do with stimulating the economy or creating new jobs. Now is the time to close loopholes and special interest provisions, not open up new ones.

26. ALL PROFITABLE CORPORATIONS SHOULD PAY AT LEAST SOME INCOME TAX, BUT UNDER THE REPUBLICAN ALTERNATIVE MINIMUM TAX PROVISION, SOME PROFITABLE CORPORATIONS WOULD PAY NO INCOME TAX, WHILE MILLIONS OF WORKERS PAY THEIR FAIR SHARE.

- This Administration is committed to simplifying the Alternative Minimum Tax (AMT) without compromising fairness. The Congressional majority's bill goes too far.

- Under their bill, some profitable corporations would be able to pay little or no income tax, at a cost to the rest of America's taxpayers of $15 billion over 7 years and $18 billion over 10 years.

- Their provision rewards investments that are seven years old and makes the tax code more complex, not less.

27. A $90,000 PER ESTATE TAX CUT CANNOT BE JUSTIFIED.

- We ought to help farmers and small businesses whose heirs want to continue running the family business, but we should not provide tax breaks to the wealthiest estates at high cost when we are trying to balance the budget.

- Their provision would give an average of $90,000 in estate tax relief to the wealthiest one percent of decedents who owe estate tax each year -- about 30,000 wealthy estates -- costing $13 billion over 7 years and $27 billion over 10 years.

- Only the wealthiest one percent of taxpayers who die each year pay any estate tax. An estate that could take full advantage of proposed changes could save over $1 million in taxes, with some estates cutting their bill by over 75%.

- We believe that heirs who want to continue to run their family farm or small business should not be forced to liquidate in order to pay estate taxes, but this bill goes too far.

28. WEALTHY AMERICANS SHOULD NOT BE ABLE TO AVOID PAYING U.S. TAX ON THEIR GAINS BY RENOUNCING THEIR U.S. CITIZENSHIP.

- Wealthy Americans who seek to avoid their taxes by renouncing their citizenship should pay the same tax on income accrued while they were subject to U.S. tax laws that those who remain will pay.

- The Republican bill effectively leaves open a loophole for expatriates. Their provision would reward tax avoiders who are willing to wait 10 years before realizing gains; it rewards those who invest in foreign assets; and it makes enforcement very difficult.

29. <u>MULTINATIONAL CORPORATIONS SHOULD NOT BE ABLE TO AVOID PAYING THEIR FAIR SHARE OF INCOME TAXES BY SHELTERING PASSIVE ASSETS IN OFFSHORE TAX HAVENS.</u>

- This Administration put in place a new rule in 1993 to reduce the incentive for multinational companies to stockpile passive assets in excess of reasonable business needs, primarily to avoid taxes, not to invest, grow, and compete.

- The Republican bill repeals this provision, enhancing the incentive for these companies to move capital overseas and to keep their profits in passive assets there.

30. **ALL AMERICANS WHO WORK HARD AND PLAY BY THE RULES OUGHT TO BE ABLE TO COUNT ON THEIR PENSIONS WHEN THEY RETIRE.**

- During the 1980s, corporations removed more than $20 billion from employee pension plans, often to fund corporate takeovers, until Congress effectively put an end to this. And just last year, we took further steps to improve pension funding and reduce taxpayer risk through the Administration's 1994 Retirement Protection Act.

- Now, the Conference Agreement permits employers to transfer without any excise tax, pension assets in excess of 125% of a pension plan's "termination liability" to pay certain employee benefits. In effect, this would allow companies to use pension assets to free up other corporate funds for other purposes.

- Their provision would increase risk to the Pension Benefit Guaranty Corporation, and ultimately to American taxpayers. A plan's financial condition can change rapidly as interest rates and markets fluctuate. Today's "overfunded" plan can become tomorrow's underfunded plan, and experience shows that the financial condition of plans can deteriorate significantly prior to termination.

- Their provision would permit corporations to use valuable tax benefits granted to help American workers accumulate retirement savings for nonpension, corporate purposes.

- Their provision would permit corporations to remove billions from the retirement system at a time when it is critical to increase national savings and retirement security.

31. **<u>WE OUGHT TO BE HELPING LOW-INCOME WORKING FAMILIES RAISE THEIR CHILDREN IN AFFORDABLE HOUSING AND REBUILD THEIR COMMUNITIES.</u>**

- This Administration made the low income housing tax credit permanent in 1993. Since its enactment in 1986, state housing agencies report that the credit has been used to construct or rehabilitate nearly 100,000 units of low income rental housing per year.

- The Republican budget terminates the low income housing tax credit at the end of 1997, a cut of $3.5 billion over 7 years. Their budget also ends an incentive for community development that builds bridges between businesses and communities.

WELFARE REFORM

32. EXCESSIVE CUTS FOR DISABLED CHILDREN:

- The Republican budget cuts aid to severely disabled children by 25%, slashing $12 billion from disabled children's SSI benefits.

- The tightening of eligibility would apply to children currently receiving benefits, so that 160,000 children currently in the program would lose eligibility one year after enactment.

- The Republican provision make an illogical division between severely disabled children, making some of them eligible for only 75% of the federal benefit rate. The low income parents of all of these children experience special costs and reduced employment opportunities because of their responsibility for these children.

33. TOO LITTLE CHILD CARE FOR REAL WELFARE REFORM THAT WOULD MOVE PEOPLE FROM WELFARE TO WORK:

- ***The Republican Budget does not provide the child care that is essential to move people from welfare to work.***

- The bipartisan Senate welfare reform bill would have increased childcare funding from $3 billion over the next five years. The Republican budget cuts that funding by $1 billion, which will mean thousands of mothers will stay at home and on welfare instead of going to work.

- The Republican budget also weakens important bipartisan work provisions of welfare reform such as requiring states to maintain their stake in moving people from welfare to work, rewarding states for putting more people to work, requiring recipients to sign personal responsibility agreements, and providing a contingency fund for economic downturns.

34. EXCESSIVE CUTS IN NUTRITION ASSISTANCE FOR 14 MILLION CHILDREN IN 2002:

- The Republican budget cuts foods stamp benefits by about $35 billion over seven years. And it cuts child nutrition and the school lunch program by $5 billion. Everyone of the 14 million children now receiving food stamps would receive considerably less under the Congressional proposals.

- Current law states that families with children that pay over 50% of their income for housing will receive food stamps in order to keep these families from having to choose between food and shelter. The Republican Budget repeals this provision.

35. <u>REPUBLICAN PROPOSAL JEOPARDIZES IMMUNIZATIONS FOR CHILDREN:</u>

- 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.

36. <u>SLASHES CHILD PROTECTION BY 20%:</u>

- The Republican budget slashes child protection, including funding for foster care, adoption, and investigations of reports of child abuse and neglect. HHS estimates that total spending is slashed by about 20%, or about $4 billion over seven years. These cuts would occur at a time when GAO and others report that resources are already failing to keep pace with the need. Between 1983 and 1993, foster care caseloads mushroomed by two-thirds. Over 1,300 children die each year due to child abuse and neglect. Yet the Republican budget slashes and caps these programs, eliminating the guarantee of child protection services.

EDUCATION AND TRAINING

37. EDUCATION AND TRAINING FUNDING SHOULD BE STRENGTHENED: NOT CUT BY $30 BILLION

- While Republicans claim that they are balancing the budget to protect our children and grandchildren, their budget proposals would make devastating cuts in education that would deny many children the tools needed to rise to their full stature as human beings. These cuts would halt years of progress preparing children for learning, raising educational goals and standards, and making student loans more affordable.

- Republicans propose to sell our nation's seedcorn. They cut education and training by more than $30 billion over 7 years, denying millions of children and youths opportunities to succeed.

RECONCILIATION: **THE MAIN EDUCATION ISSUE IN DISPUTE IN THE RECONCILIATION PACKAGE IS THE REPUBLICAN PROPOSAL TO NEARLY ELIMINATE THE DIRECT LOAN PROPOSAL.**

38. DIRECT LOANS: CHOICE AND COMPETITION MUST NOT BE ELIMINATED:

The Republican budget cuts off direct lending opportunities for 2.5 million students in 1,350 institutions in 1996 alone.

- Their proposal effectively replaces the Direct Lending program with the more costly, inefficient guaranteed loan program by "capping" direct lending at 10% of total loan volume. 90% all schools will be denied the opportunity to choose the student loan program.

- On November 15, 1995, over 450 College Presidents wrote the President, Speaker and Senate Majority Leader making clear that direct lending was very popular, and the competition and choice were the best principle, and that arbitrary caps were counterproductive. The Presidents and Chancellors of colleges and universities currently using or planning to use the Direct Lending program wrote to oppose attempts to "arbitrarily limit the ability of schools to participate in direct lending."

- This year, 1,450 colleges and universities will offer direct loans, with an estimated loan volume of $12 billion. With 2 million borrowers, direct loans now account for 35 to 40 percent of total student loan volume.

- The reason is straightforward: Under the direct loan program it is easier for students to repay their students loans, is simpler to borrow, and saves money.

- A recent survey by Education Daily found that more than 90 percent of participating colleges and universities rates the direct lending program as "excellent."

39. <u>INCOME CONTINGENT -- PAY AS YOU EARN -- OPTION SHOULD NOT BE WITHDRAWN FOR MILLIONS OF STUDENTS:</u>

- The Republican budget also effectively eliminates one of the most promising features of the Direct Lending program, which gives students the options of adjusting their repayment to reflect their ability to pay. That simple change will make it more difficult for many students to take low paying public service jobs or start a new business or take a year off to raise a child.

40. <u>UNBIASED SCORING OF SAVINGS:</u>

- The Republicans claim that capping or eliminating Direct Lending will save taxpayer's money. But that conclusion is based on a scoring gimmick -- a special interest scoring rule imposed on the Congressional Budget Office by the Republicans.

- That biased rule requires CBO to include certain kinds of expenses when calculating the cost of direct lending but not when calculating the cost of ordinary guaranteed loans.

- Larry Lindsey, a member of the Federal Reserve, recently wrote that, "As long as it is necessary to provide a profit to induce lenders to guarantee students loans, direct lending will be cheaper."

- The Republican proposal puts the special interests -- the banks -- ahead of student interests. The Senate proposal to cap Direct Lending would increase loan volume under the guaranteed loan program by more than $100 billion. That would ensure as much as $6 billion in additional profit for banks, lenders and others who hold guaranteed student loans.

41. EDUCATION — DISCRETIONARY CUTS

- Nearly all Americans agree that investing in education is critical to our future economic prosperity.

- Despite this consensus, the caps on non-defense discretionary spending proposed by the Republicans would have a devastating impact on educational opportunity for children and students of all ages.

  - The massive cuts in education proposed in just the first year of the Republican budget plan constitute nothing less than a down payment on the elimination of effective Federal support for education.

  - The Republican plan is an attack on programs that will improve academic achievement, create safer school environments, improve the quality of our teachers, promote parental involvement, and provide innovative technology in our classrooms.

  - Moreover, the Republicans are proposing severe cuts in precisely those areas that parents, teachers, and business leaders agree are most important for making real improvement in our education system, such as improving basic skills, raising standards for all students, keeping schools safe and drug-free, raising the qualifications of teachers, and bringing technology into the classroom.

42. CUTS IN HEAD START WOULD LEAVE THOUSANDS OF CHILDREN WITHOUT A CHANCE:

- Republican budget proposals cut $135 million from Head Start in 1996 -- $535 million below the President's request for 1996.

- Assuming Republican spending on Head Start remains frozen at 1996 levels, their proposal would deny comprehensive education, health, a social services, to 180,000 children by the year 2002.

- These cuts would fall particularly hard on our most vulnerable children. Most of the children participating in Head Start are only 3 and 4 years old. 95% of these children come from families below the poverty line and 13% have a diagnosed disability.

- These cuts are a penny wise and pound foolish, for Head Start is a good investment in our nation's future. As the Council of Economic Advisors concluded, after reviewing the literature on Head Start, "Participants in Head Start-style programs are less likely to be held back in school and less likely to be classified as special-education students, and more likely to graduate from High School." [Council of Economic Advisors, "Educating America: An Investment in Our Future," September 1995)]

43. ENDING GOALS 2000 WOULD CRIPPLE STATE AND LOCAL EFFORTS TO RAISE ACADEMIC STANDARDS

- The Republican proposal to eliminate Goals 2000 would cut off 9,000 schools currently using Federal funds to raise educational standards, just as States and communities have completed their planning and begun to implement comprehensive reforms based on their own high academic standards.

- The President's proposal would extend funding to a additional 8,000 schools, for a total of 17,000 schools serving an estimated 8 million children.

- Goals 2000 has received widespread support because of its flexibility and its emphasis on high standards and accountability. The Wall Street Journal has reported that, Goals 2000 is viewed "by many political analysts as the most flexible education plan ever produced by the Federal government." Wall Street Journal, 8/30/95.

- IBM Chairman Lou Gerstner, for example, says that "Goals 2000 is only a small portion of what we need. But it is a very critical portion because it is the fragile beginning of the establishment of a culture of measurement standards and accountability in this country. We must go beyond Goals 2000. But if we lose Goals 2000, it is an incredibly negative setback for the Nation."

44. SLASHING FUNDS FOR BASIC AND ADVANCED SKILLS HITS THOSE STUDENTS WHO NEED HELP THE MOST

- The Republicans have proposed to cut more than $1 billion and 1 million students from the Title I Education for the Disadvantaged program that helps low-achieving poor children reach the same high standards expected of other students.

- More than 14,000 school districts and more than 50,000 schools rely on Title I funding to help improve basic skills for disadvantaged students.

- The President has requested increased funding and greater targeting of those funds on communities with the highest concentrations of poor children, but the Republicans would both cut funding and reject greater targeting.

45. **SHARP REDUCTIONS IN SAFE AND DRUG-FREE SCHOOLS WOULD CRIPPLE EFFORTS TO REDUCE DRUG ABUSE, PREVENT VIOLENCE, AND IMPROVE DISCIPLINE IN AMERICA'S SCHOOLS**

- The Republican budget cuts spending on Safe and Drug-Free Schools program by more than half, from $466 million to just $200 million.

- These funds currently support drug abuse and violence prevention activities for 39 million students in nearly all elementary and secondary schools.

- The Republican budget amounts to a surrender to the drugs and violence that plague so many of our communities, despite the fact that school safety and student abuse of drugs and alcohol are among the greatest concerns of parents and teachers.

- The President's budget rejects surrender and raises Safe and Drug-Free Schools funding to $500 million per year.

46. **TEACHERS WOULD BE DENIED THE TRAINING THEY NEED TO HELP STUDENTS REACH HIGHER ACADEMIC STANDARDS**

- The Republican budget cuts the Eisenhower Professional Development State Grant program by 80 percent, from $251 million to just $50 million.

- For all practical purposes, this would end Federal support for State and local efforts to prepare educators to teach to high standards in the core academic subjects — a key to reaching the National Education Goals.

- The President, by contrast, would nearly triple funding for the Eisenhower to $735 million, providing States and communities with substantial new resources for teacher training.

47. **EDUCATION TECHNOLOGY CUTS THREATEN TO LEAVE SCHOOLS, LIBRARIES, AND COMMUNITIES OFF THE "INFORMATION SUPERHIGHWAY":**

- The private sector will build, own, and operate the emerging National Information Infrastructure (NII). President Clinton has made clear, however, that he will not allow the emerging information superhighway to bypass middle-class Americans, to extend the gap between the well-off and the needy, or to let the United States become a nation of information "haves" and "have-nots."

- That is why he strongly opposes Republican plans to gut the National Telecommunications and Information Administration and its Telecommunications and Information Infrastructure Assistance Program (TIIAP). Cuts, like those proposed for TIIAP, would mean that hospitals, clinics, schools, libraries, local governments and non-profits may be excluded from the development of the advanced NII.

48. CUTS TO THE PELL GRANT PROGRAM DENY DESERVING STUDENTS A COLLEGE EDUCATION

- Pell Grants are one of the bedrock Federal student aid programs, providing assistance to more than 3.7 million financially needy students.

- Republican proposals in 1996 have cuts $450 million from Pell Grants. By 2002, these cuts would deny Pell Grants to 380,000 deserving students.

- Pell Grants remain a good investment for our country. A wealth of economic data show that college graduates earn more over their careers, making college education a good investment for individuals and the Nation. The Bureau of Labor Statistics estimates that between 1963 and 1992, improvements in education accounted for about 20 percent of the per-capita income growth over the period.

49. ELIMINATES AMERICORPS -- PREVENTING STUDENTS FROM LEARNING RESPONSIBILITY THROUGH COMMUNITY SERVICE:

- The Republican proposal would eliminate the Americorps national service program.

- These cuts would deny nearly 50,000 young people the opportunity to serve their communities while earning money toward college education next year.

- General David Jones, a former Chairman of the Joint Chiefs of Staffs captured the spirit of the National Service program best when he said: "AmeriCorps programs work. They show what we can accomplish when the government operates as a true partner of communities. Most important, they build partnerships by enacting an old truth that the men and women in our armed forces learn so well: to earn opportunity you must take responsibility for yourself and for others."

- In contrast to the Republican cuts, the President would increase funding for National Service by $345 million next year, providing nearly 50,000 community service and college aid opportunities next year.

50. ELIMINATES FUNDING FOR WOMEN'S EDUCATIONAL EQUITY ACT.

- The Republican Budget eliminates the Women's Educational Equity program, denying schools funding for research and training programs designed to promote educational equity for women and girls.

51. ELIMINATION OF THE SUMMER JOBS PROGRAM WILL HURT DISADVANTAGED YOUTHS:

- Republican proposals to eliminate the Summer jobs program would deny 600,000 disadvantaged young people meaningful work opportunities that prepares them to be active contributors to the workforce and the community.

- By eliminating the Summer Jobs program, Republicans deny nearly 4 million disadvantaged youth summer job opportunities by 2002, compared to the President's request.

- Contrary to some claims, studies show that the Summer Job program does not displace private market employment but, rather, employs youth who would otherwise be unemployed and on the streets. [Jon Crane and David Ellwood, The Summer Youth Employment Program: Private Job Supplement or Substitute, Harvard University, March 1984]

52. <u>CUTS IN EMPLOYMENT AND TRAINING PROGRAMS LEAVE WORKERS UNPREPARED FOR THE NEW ECONOMY:</u>

- The Republican budget proposed to cut employment and training programs by $1.6 billion -- or 26% below the 1995 funding levels.

- The Republican budget reduces funding to help dislocated workers find new jobs by $379 million -- or 31% -- compared to 1995 levels.

- For the dislocated workers program alone, Republican cuts would deny 155,000 workers help obtaining the skills they need to adjust to the new economy and to corporate downsizing.

- These cuts don't make sense. Education and training programs, including those for experienced workers, have been shown to offer significant economic benefits. One recent study concluded that each year of education provided through a Pennsylvania program for older displaced workers increased earnings by roughly 7 percent. [Jacobson, LaLonde, and Sullivan, "The Returns to Classroom Training for Dislocated Workers," unpublished manuscript, September 1994; reported in Council of Economic Advisers, "Educating America: An Investment in Our Future," September 1995)}

- Another recent study of the Job Training Partnership Act, a federal program that provides training to economically disadvantaged individuals, found that participation increased the earnings of adult males by 10% and the earnings of adult female participants by 15%. These earnings gains were one and a half times greater than the costs invested to produce them. [Bloom, The National JTPA Study: "Impacts, Benefits, and Costs of Title II-A," Abt Associates, March 1994].

ENVIRONMENT AND PUBLIC HEALTH

RECONCILIATION PROVISIONS:

53. OPENS THE ARCTIC REFUGE TO OIL DRILLING:

- The Arctic National Wildlife Refuge is a rare, pristine wilderness that the President supports protecting permanently, for the benefit of future generations.

- The Republican reconciliation bill would open the Arctic Refuge to drilling by the oil industry in hopes of generating $1.3 billion in federal revenues.

- The $1.3 billion estimate is overstated by several hundred million dollars due to oil price assumptions and other factors. It also assumes that the State of Alaska will not sue for 90 percent of the revenues (up from 50 percent in the bill) -- even though the Alaska statehood legislation gave them 90 percent.

- Exploration and development would disturb the area and create unacceptable risks of oil spills and pollution.

54. CONTINUES TO TURN OVER BILLIONS OF DOLLARS OF TAXPAYER-OWNED MINERALS FOR A PITTANCE, EVEN WHILE IT RAISES TAXES ON WORKING FAMILIES:

- The Reconciliation bill includes sham mining reform that provides for the sale of federal mineral rights at their "market value" -- defined as the value of the surface land, not the minerals. It's like selling Fort Knox for the price of the roof.

- The provision -- which sets a 5 percent royalty to be imposed after minerals are processed and after numerous deductions -- is so riddled with loopholes that the Congressional Budget Office estimates that it will produce less than $1 million per year for the Treasury for all federal hard rock mines in the nation.

- This, together with the mining provision in Interior appropriations, provides for the continued giveaway of public treasures under a law signed by Ulysses S. Grant in 1872. Just last Friday, Interior Secretary Bruce Babbitt was forced to turn over nearly $3 billion worth of copper and silver for less than $2000.

55. MANDATES TRANSFER OF WARD VALLEY (CA) SITE FOR A LOW-LEVEL RADIOACTIVE WASTE DUMP -- WITHOUT PUBLIC SAFEGUARDS.

- The Administration has engaged in negotiations with the state of California to transfer the site with conditions recommended by a distinguished panel of the National Academy of Scientists. This provision would bypass good science and mandate unconditional transfer.

56. FAILS TO TAKE ANY STEPS TO BUILD ON OUR EFFORTS TO PROTECT AND RESTORE THE FLORIDA EVERGLADES.

57. ENVIRONMENTAL BUDGET IS A CATCHALL FOR VARIOUS OBJECTIONABLE POLICIES, MANY HAVING NOTHING TO DO WITH BALANCING THE BUDGET.

- The Republican budget bill includes an uncompetitive approach for handing out national park concessions that would protect vender monopolies, weaken safeguards against price gouging and generally compromise efforts to bring pure competition to vender services.

- Other provisions in the bills pander to special interests at taxpayer expense, including special loophole water deals for corporate agriculture and certain water districts, and changes to federal oil and gas royalty collection that invite evasion by making collection more difficult and costly.

APPROPRIATIONS (VA/HUD & INTERIOR):

The President and Vice President believe that the impact of deep Republican cuts in non-defense discretionary spending imposed by the caps in the Republican reconciliation bill would have a devastating effect on public health and safety over seven years. In fact, the Republican multi-year budget resolution specifically called for cuts to clean and safe water infrastructure, land management and national parks. Furthermore, the addition of special interest riders and policy provisions severely limits EPA's ability to set and enforce environmental standards, and DOI's and USFS's ability to manage lands in a sound manner. Their budget also cuts the President's own environmental advisors, the Council on Environmental Quality, by more than 50 percent.

58. IRRESPONSIBLE ENFORCEMENT CUTS WOULD LEAD TO DIRTY WATER, UNHEALTHY AIR AND UNSAFE LAND:

- Cutting fair and consistent enforcement would hurt families who depend on clean air and water, and hurt companies that obey the law. Enforcement cuts would help only those companies who continue to evade environmental laws and pollute irresponsibly.

- The Republican budget contains a 25 percent cut in EPA's enforcement budget from the President's request.

- According to the Philadelphia Inquirer, budget cuts have already forced EPA to cut back on hundreds of inspections at toxic waste sites and for industrial air pollution and drinking water supplies; the Republican budget would put even more people at risk. (11/28/95)

59. CUTS FUNDS BY 17 PERCENT TO SET PUBLIC HEALTH STANDARDS FOR AIR POLLUTION, PESTICIDES, AND CLEAN AND SAFE WATER.

60. DRINKING WATER CUTS WOULD LEAD TO MORE CONTAMINATED WATER:

- Safe drinking water is the first line of defense for protecting public health. President Clinton believes that when Americans turn on their taps, there should be no doubt that the water is safe.

- The Republican budget cuts by 45 percent ($225 million) the money that goes directly to states to protect communities' drinking water. These funds are used by communities to upgrade facilities and better treat contaminants such as cryptosporidium, which in 1993 killed 100 people and sickened 400,000 others in Milwaukee.

- In the last two years, millions of residents of major U.S. cities, such as New York and Washington, DC, have been ordered to boil their drinking water.

61. <u>CLEAN WATER CUTS WOULD BLOCK EFFORTS TO KEEP RAW SEWAGE AND OTHER POLLUTION OFF BEACHES AND OUT OF WATERWAYS:</u>

- The Clean Water Act is a great American success story. Twenty-five years ago, the Cuyahoga River was so polluted it burned. Lake Erie was dead. Garbage floated in the Chesapeake Bay. Today, those waters are on the rebound.

- The Republican budget specifically cuts funds that go to states for waste water treatment -- making it difficult for states to comply with the Clean Water Act.

- The Republican budget cuts the President's request for waste water treatment support to the states by 30 percent. This money is used to construct and upgrade waste water treatment facilities that keep raw sewage from flowing into our rivers, lakes and streams.

- The bill also adds a particularly objectionable rider that will prevent EPA from stopping the dumping of harmful fill into rivers and wetlands.

62. <u>BUDGET CUTS WOULD STOP OR SLOW CLEANUP OF TOXIC WASTE DUMPS:</u>

- Fifteen years after Love Canal, one in four Americans -- and *five million children* under the age of four -- still live within four miles of a Superfund toxic dump site.

- The Republican budget cuts the President's request for the Superfund toxic dump cleanup program by nearly 25 percent ($382 million), needlessly exposing citizens living near these sites to dangerous chemicals.

- Meanwhile, Republicans in Congress continue separately to change Superfund to relieve polluters -- including the company responsible for Love Canal -- of the responsibility to pay for the pollution they caused and shift that burden to the American people.

63. EXTRANEOUS POLICY PROVISIONS THREATEN OUR WATER, AIR AND LAND -- AND THE PUBLIC'S RIGHT TO KNOW:

- On August 8, President Clinton signed an executive order on pollution disclosure to protect peoples' access to information about toxic emissions in their communities. He had once before expanded the public's "right to know" once before. The law is the most cost-effective pollution reduction program we have.

- The Republican budget originally included 17 separate special interest riders -- including one blocking the public's right to know. The conference budget contains several back door ways to include previously attached riders.

- The conference report threatens the next phase of the Clinton Administration's effort to expand information available to communities -- information not currently reported to the public about dangerous chemicals. The bill may prevent EPA from moving forward.

- Efforts to prevent the reduction of toxic pollutants from hazardous waste facilities and block upgraded pollution control facilities have also been transferred to report language.

- Echoing two riders on the House budget proposal, the report language advises EPA to delay for nearly one year the Clinton Administration's combustion strategy, which would issue overall protections to reduce toxic pollutants from hazardous waste incinerators.

64. REDUCES ENVIRONMENTAL RESEARCH AND TECHNOLOGY:

- Environmental research and technology funding is cut by nearly $1 billion or 20% from the President's request for FY 1996.

- The Republican cuts include a 92% reduction from the President's request for the Environmental Technology Initiative (ETI), which would thwart efforts to encourage the development of new technologies that reduce pollution and clean up the environment while creating new jobs and economic growth. America cannot expect to be the world's leader in environmental technologies -- a market that is expected to boom to $400 billion by 2000 -- if American industry does not make sufficient investments in this area today.

- The Republican budget also proposes to slash scores of other environmental research programs that provide objective information in forestry, agriculture, minerals management, global climate change, natural disasters, fisheries, weather forecasting, and other areas. This would stifle our efforts to better understand and cope with environmental change.

65. **INTERIOR APPROPRIATIONS BILL JOINS WITH RECONCILIATION BILL TO CONTINUE MINING GIVEAWAY.**

- The Interior appropriations report would allow the moratorium on new mining patents to be lifted prematurely.

- This, together with the mining provision in reconciliation, provides for the continued giveaway of public treasures under a law signed by Ulysses S. Grant. Just last Friday, Interior Secretary Babbitt was forced to turn over almost $3 billion worth of minerals to a foreign mining company for less than $2,000.

66. **WAIVES ENVIRONMENTAL LAWS AND OPENS TONGASS RAINFOREST TO CLEARCUTTING:**

- The Republican budget proposes to dictate timber cutting levels in Alaska's Tongass National Forest beyond sustainable levels. It would waive environmental laws and expand clearcuts, through an extraneous policy provision in the Interior appropriations bill.

- The Republican proposal could hurt sport and commercial fishing interests in the area and the region's tourism industry, which has grown 40 percent in four years.

- According to tour operators, the visitor industry is more profitable and has a higher payroll by far than the timber industry, but increased logging will directly hurt their business. (New York Times 9/12/95)

67. **BUDGET BLOCKS EFFORTS TO PROTECT PACIFIC NORTHWEST SALMON:**

- For centuries, salmon have been among the most valued resources in the Pacific Northwest, as the Oregonian says, "a treasured part of our natural heritage." (11/12/95 editorial.)

- The Republican Interior appropriations bill includes a policy rider that would block efforts to protect salmon and ensure sustainable economic growth in the Columbia River Basin, by terminating comprehensive planning for the management of public lands in that area.

68. UNDERMINES THE CALIFORNIA DESERT -- THE NATION'S NEWEST NATIONAL PARK:

- Last year Congress passed, and the President signed, the California Desert Protection Act, the largest single designation of parks and wilderness areas ever in the lower 48 states.
- The new reserve protects broad desert vistas, rugged mountain ranges and unique archeological sites.
- The Republican budget provides one dollar for the National Park Service to operate the new Mojave National Preserve.

69. WOULD COMPROMISE MANAGEMENT OF HEALTHY ANCIENT FORESTS:

- The Republican Interior appropriations includes a policy rider that would prohibit the Administration from using the most current and appropriate science to protect forests in the Pacific Northwest, a practice that could lead to expanded logging of healthy ancient forests.

70. SHORTSIGHTED BUDGET CUTS UNDERCUT EFFORTS TO HEAD OFF CHANGES TO THE EARTH'S WEATHER:

- Last week, a panel representing 2,500 scientists from 100 nations confirmed that human activity is affecting global climate. Earlier this year, scientists won a Nobel Prize for their work on ozone depletion.
- Climate change could bring an increase in heat waves, fires and pest outbreaks, increase the number of heat-related deaths and illnesses, and expand the range of infectious diseases like malaria, yellow fever and encephalitis.
- The Republican budget cuts by more than 40 percent the programs designed to slow global warming through innovative, voluntary energy efficiency programs and prevent depletion of the ozone layer.
- These programs reduce pollution, save money and create jobs.

71. BUDGET CUTS ENERGY EFFICIENCY, WILL CAUSE ENERGY USE AND ENERGY COSTS RISE:

- The Republican budget cuts DOE energy conservation by almost 40 percent ($187 million) from the President's request.

- Energy efficiency programs such as these and the programs listed above, save consumers money, create jobs, and reduce emissions that contribute to air pollution and climate change. The Department of Energy estimates that federal energy efficiency programs would save homeowners $17 billion and businesses $12.5 billion per year by the year 2005 and would create 57,000 jobs.

- In addition, the oil that could be saved by these programs is greater than the oil that can be recovered in the Arctic National Wildlife Refuge.

RESEARCH, TECHNOLOGY, AND INNOVATION

72. CUTS NON-DEFENSE R&D BY ONE-THIRD:

- The Republican budget plan would cut non-defense research and development (R&D) by *one-third* in real terms over the next seven years, from $34 billion in FY 1995 to $23 billion in FY 2002, according to independent analysis performed by the American Association for the Advancement of Science. This is an amount equivalent to eliminating all federal spending on university research.

- These cuts break with America's unwavering bi-partisan commitment to U.S. leadership in science and technology, and threaten our economic future.

- The Institute for Electrical and Electronics Engineers describes the proposed Republican cuts to R&D as "short-sighted, disproportionate, detrimental to the profession, and potentially harmful to our economic and technological competitiveness."

- The Industrial Research Institute predicts that "proposed cuts clearly will have a long-range impact on industry's capacity to carry on technological innovation and compete globally in the next century."

- The Competitiveness Policy Council warns that "Current plans for eliminating the budget deficit may sacrifice the nation's ability to generate new technologies and develop new products and processes."

- These cuts could not come at a worse time. Japan will surpass the United States in total government dollars spent on non-defense R&D if the Republican cuts are implemented and the Japanese government implements its plans to double R&D by 2000.

- Indeed, since World War II, innovation has been responsible for as much as half of the nation's economic growth, generating new knowledge, creating new jobs, building new industries, and improving the quality of life for all Americans.

- Americans hold millions of jobs in industries that have grown as a result of wise public and private investment in R&D, including (as of 1992): Biotechnology (79,000 jobs), Computers (479,000 jobs), Communications (366,000 jobs), Software (450,000 jobs), Aerospace (895,000 jobs), Semiconductors (317,000 jobs).

- In 1992 average pay for workers in these and other high-technology industries was 60% higher than the average for all American workers.

73. ELIMINATES PARTNERSHIPS WITH INDUSTRY THAT PROMOTE INVESTMENT IN HIGH-RISK RESEARCH WITH BROAD ECONOMIC POTENTIAL:

- American competitiveness in the 21st century depends on our ability to continue to fund the development of high-risk, innovative technologies. Yet, despite historical bi-partisan support, Congress has proposed to eliminate the Advanced Technology Program (ATP), a merit-based, competitive, cost-shared industry-led partnership that is enabling the private sector to invest in high-risk technologies with broad-based future economic potential.

- Meanwhile, public and private investment in R&D -- in particular long-term R&D -- has been anemic for more than a decade, with industry's R&D investment growth rate negative for the past four years. This trend has made the ATP a small, but critical, part of the nation's R&D portfolio that must be maintained.

- By eliminating the Advanced Technology Program, Congress will force the government to renege on its commitment to fund up to 250 ATP projects involving 700 different small and large companies, universities, and other organizations in 36 states, who have committed nearly a billion dollars of their own money to these projects. Perhaps more importantly, without the ATP, American companies will find it even more difficult to invest in the breakthrough technologies upon which this nation's future depends.

FIGHTING CRIME AND EMPOWERING COMMUNITIES

74. ABOLISHES COMMITMENT TO 100,000 NEW COPS ON STREET:

- The Republican plan calls for a block grant that would repeal the national commitment to fund 100,000 new police.

- President Clinton's Crime Bill is well on the way to placing 100,000 new police officers on the streets. The Republican plan would bring that program to a halt and not guarantee a single additional new officer on America's streets.

75. REDUCES THE EFFECTIVENESS OF THE VIOLENCE AGAINST WOMEN ACT

- Slashes $72 million from the domestic violence prevention and intervention programs in police stations, courthouses and homeless shelters reducing the effectiveness of the Violence Against Women Act.

- The Republicans Budget proposes $50 million less than the President for law enforcement and prosecution programs that fund domestic violence prevention programs in police stations and courthouses.

- The Republican budget also eliminates programs that attempt to reduce the sexual abuse of youth.

76. ABOLISHES NEW COMMUNITY DEVELOPMENT BANKS PROPOSAL TO LEVERAGE MORE PRIVATE SECTOR INVESTMENT IN DISTRESSED COMMUNITIES:

- The Republican budget eliminates the Community Development Financial Institutions Fund which was created to bring credit and growth to distressed communities by promoting the formation and expansion of community development financial institutions (CDFIs).

- provide credit, capital, equity, and technical assistance to thousands of promising small businesses, economic development projects, and new homeowners in distressed communities in urban and rural America. The Treasury Department estimates that each dollar of federal money generates $10 in new development activity, creating jobs and economic growth.

77. **SLASHES FUNDING TO DEMOLISH THE MOST SEVERELY DISTRESSED HOUSING PROJECTS.**

- The Republican budget cuts nearly in half the President's request for funding to reform public housing and revitalize communities by demolishing the most severely distressed housing.

FARMING / AGRICULTURE

78. THREATENS CONSERVATION BENEFITS ACHIEVED UNDER THE CONSERVATION RESERVE PROGRAM

- The Conservation Reserve Program is designed to achieve long-term conservation benefits by authorizing long-term contracts with farmers to keep environmentally sensitive land out of production..

- The bill would allow producers to withdraw from 10- to 15-year Conservation Reserve Program contracts -- which were entered into voluntarily -- simply by giving USDA 60 days notice.

- The main purpose of the CRP is to achieve long-term conservation benefits, This self-declared withdrawal process completely undermines that concept. It also invalidates the whole concept of a long-term contract between the public and the farmer.

- Currently, only the Secretary of Agriculture has the authority to grant such "early outs." He continues to use that authority judiciously to ensure that only those lands that truly belong in the CRP remain there. But a standing provision that allows contract holders to withdraw whenever they want and at no cost is bad public policy and should not become law.

79. PREVENTS FARMERS FROM GRANTING PERMANENT EASEMENTS UNDER THE WETLANDS RESERVE PROGRAM .

- The Republican budget would prevent permanent easements under the Woodlands Reserve Program.

- Right now this important -- and completely voluntary -- woodlands restoration program relies on 30-year or permanent easements. The response to the program from farmers has been overwhelming: For every acre USDA has agreed to fund, farmers have offered seven.

- Moreover, from the standpoint of protecting the interests of the American taxpayer, permanent easements offer the government its best value -- taxpayers only have to pay for woodlands protection once.

- The Republican budget would federally mandate the exclusive use of 15-year contracts or easements. This would require repeated renewals and additional costs to achieve permanent protection. The bill does not make sense -- either to farmers, who like the current program, or to taxpayers, who want the most for their money.

- The Clinton Administration also opposes the bill's prohibition on permanent easements and its exclusive reliance on 15-year easements for woodlands preservation. We believe that far sounder public policy would be to give farmers choices for protecting woodlands -- ranging from cost-share assistance to long-term and permanent easements.

80. SHREDS THE FARM SAFETY NET BY CUTTING THE LINK BETWEEN COMMODITY PAYMENTS AND FARM CONDITIONS

- The Republican Budget slashes the farm safety net. In contrast to the present system, which provides assistance to farmers only during periods of low prices, the Republican proposal provides a fixed payment to producers during good years and bad -- and then eliminates this critical safety net for American farmers altogether.

- Fixed payments do not respond to changing market conditions. By cutting the link between farm payments and market prices, the Republican budget leads to undesirable results. Producers could receive windfall profits in good years when prices are high, while family farmers' incomes would not be protected when prices are low.

- Fixed payments can mean producers get unnecessarily large amounts of money when market prices -- and profits -- are very high. This invites public criticism of all farm programs when budgets are tight..

81. CROP INSURANCE

- Last year's crop insurance reform produced a program that is cost-effective and reliable for both producers and taxpayers. The reform linked insurance benefits to farm program participation in order to insure maximum producer participation.

- Now, Congress wants to disrupt this program by eliminating the link between farm program benefits and insurance. If this happens, farmers who do not see the advantage of signing up for crop insurance will be financially vulnerable when disaster strikes.

- This will undoubtedly lead to producers asking Congress and taxpayers for crop disaster assistance money. It is bad public policy to ask taxpayers to pay for two programs designed for crop losses -- the crop insurance program and disaster assistance.

82. CUTS THE EXPORT ENHANCEMENT PROGRAM

- The bill cuts funding for the Export Enhancement Program (EEP) to levels well below those agreed to with our trading partners.

- EEP is designed to counteract the unfair pricing practices of trading competitors.

- EEP funding in FY 1996 is set at just $350 million, $633 million less than the level permitted under the Uruguay Round Agreement in 1994. Should our producers need the EEP in future years, lack of funding could hinder U.S. farm export efforts.