magnitude. Nearly 17 percent of rural Americans live below the poverty level, and across all major racial, ethnic, and age groups, these residents are poorer than those in metropolitan areas and have less opportunity. While most of the rural poor are working, their wages are at or below minimum wage. The rural poor also face a bleak housing situation—one in four poor rural families live in substandard housing, and nearly half pay over 50 percent of their income for rent. A lack of human and financial capital, as well as an inadequate physical and communications infrastructure, compound the economic and housing difficulties that face the rural poor.

Earlier this month, I chaired a hearing before the Senate Committee on Small Business which focused on proposals to revitalize rural and urban communities and Paul Grogan, president of LISC, provided insightful testimony at that time. At this hearing, we had the opportunity to discuss legislation I am drafting to target Federal contracts to small businesses that locate in economically distressed communities, which I call HUBZones. To be eligible, small businesses would need to hire at least 35 percent of its work force from the HUBZone to receive valuable preference in bidding on Government contracts. I believe this is one way the Federal Government can provide a significant incentive to encourage small businesses to provide a value added in terms of jobs and investment to economically distressed rural communities.

I applaud the efforts and commitment of LISC for establishing the rural LISC initiative which will be responsible for a public-private partnership that will commit over $300 million to 68 nonprofits in 39 States and Puerto Rico for community revitalization efforts in rural areas. LISC has a longstanding commitment to finding new approaches and strategies to address the problems of distressed communities through public-private partnerships. Moreover, LISC has long operated as a linchpin to successful community-based investment in urban areas through community development corporations. I emphasize that I support the need to develop public-private partnerships as the primary vehicle to implement positive and community-based policies to address distressed communities, in both urban and rural areas. For too long, the Federal Government has acted as a ‘‘Mother-May-I’’ that has lost touch with the individual needs of individual communities. Most of the current housing reform legislation, whether in through the appropriation or authorization process, recognizes the need to consolidate housing and community development programs and to redirect the responsibility for decisionmaking from the Federal Government to State and local governments.

In particular, like many urban areas, the Federal Government has been unable to establish effective policies to meet the many and unique needs of rural areas. LISC deserves particular praise for taking a leadership role in organizing and focusing its expertise, resources, and the marshalling of public and private sector capital on the unique and individual needs of rural areas. Rural LISC represents a major and significant new public-private partnership which will direct critical new investment to rural CDC's. I emphasize these CDC's are committed to transforming rural distressed communities from the grassroots up.

Finally, the Federal Government has failed to understand the needed dynamic to solve local problems in distressed communities. Instead of mandating one-size-fits-all policies at the Federal level, Congress and the Federal Government need to refocus the decisionmaking for local communities from the Federal Government back to States and localities. LISC brings to the table expertise and a history of commitment of listening and responding to local needs. I expect the rural LISC public/private partnership approach to provide a powerful tool and model for how best to address the needs of rural areas effectively and efficiently.

HHS REPORT ON THE SENATE AND HOUSE WELFARE BILLS

Mr. MOYNIHAN. Mr. President, a September 14, 1995, report by the Department of Health and Human Services concludes that the Senate welfare bill would push 1,100,000 children into poverty, and that the House bill would force 2 million children below the poverty line. The report, which has not been officially released by HHS, was the subject of a front-page news story in the Los Angeles Times on Friday, October 27. The New York Times and Washington Post ran their own stories about the report the next day.

I first learned of the existence of this report 2 weeks ago, but was unable to obtain a copy until last Friday. The administration had previously refused to acknowledge that any such report existed.

Mr. President, over the years Congress has on occasion missed opportunities to help our Nation's dependent children, but never before in our history have we calculatedly set out to injure them. The administration's own analysis shows that this is precisely what will occur under either bill now before the conference committee on welfare. Surely we will not permit this to happen. Surely the President will not permit this to happen.

I urge all Senators to read the administration's report, and I ask unanimous consent that it be printed in RECORD.

There being no objection, the report was ordered to be printed in the RECORD, as follows:

THE PRELIMINARY IMPACT OF THE SENATE REPUBLICAN WELFARE PROPOSAL ON CHILDREN (THE WORK OPPORTUNITY ACT OF 1995 (S. 1120))

THE IMPACT ON POVERTY AND INCOME DISTRIBUTION

On Child Poverty:

S. 1120 will push 1.1 million more children into poverty, an increase of almost 11 percent in the number of children living below the poverty line.

The child poverty rate will rise from 14.5 percent to 16.1 percent. (See methodology for a description of the poverty measure used.)

On Poverty in Families:

An additional 1.9 million persons in families with children will fall below the poverty line.

The poverty gap for families with children will increase $4.1 billion, or 25 percent. As a result, a total of $4.1 billion in additional income will be required to bring these families up to the poverty threshold.

On Income Distribution:

The poorest families will face the largest program cuts under S. 1120. In families with children, those in the lowest income quintile will lose an average of almost $800 of their annual income, or 6 percent.

Eleven percent of families with children in the lowest income quintile will face significant losses in annual income of 15 percent or more. For families in the lowest quintile, who have an average income of $13,400, this represents a loss of more than $2,000 in annual income.

The severity of the impact of S. 1120 on poor families exacerbates the deteriorating economic situation for these families who have lost a greater share of their income in the past 15 years than families with higher income. Income for families with children in the lowest income quintile has declined by 20.7 percent over the period 1979–1990, compared to 24 percent growth for families in the highest income quintile.

TABLE 1.—THE IMPACT OF THE SENATE WELFARE REFORM PROPOSAL ON CHILD POVERTY

[Simulates effects of full implementation in 1993 dollars]

	Current law	Senate proposal	Change current
CHILDREN UNDER 18			
Number of people in poverty (in millions)	10.1	11.2	1.1
Poverty rate (in percent)	14.5	16.1	1.6
FAMILIES WITH CHILDREN			
Number of people in poverty (in millions)	17.1	19.0	1.9
Poverty rate (in percent)	11.8	13.2	1.5
Poverty gap (in billions)	$16.3	$20.4	$4.1
ALL PERSONS			
Number of people in poverty (in millions)	29.2	30.5	2.3
Poverty rate (in percent)	10.9	11.7	0.8
Poverty gap (in billions)	$45.9	$52.0	$5.1

85tes: Senate Republican welfare reform proposal simulations include the impact of S. 1120, as amended, on AFDC, SSI, and Food Stamps. Model incorporates a labor supply and state response.

This definition of poverty utilizes a measure of income that includes case income plus the value of food stamps, schools lunches, housing programs, and EITC, less federal taxes to compare to the poverty thresholds.

Source: TRIM2 model based on data from the March 1994 Current Population Survey. Prepared on Sept. 14, 1995.

TABLE 2.—THE IMPACT OF THE SENATE WELFARE REFORM PROPOSAL ON FAMILY INCOME

[By Income Quintiles and Family Type Stimulates effects of full implementation in 1996 dollars]

	Total reduction in income (in billions)	Average income under current law	Average income reduction per family	Percent change	Percent of families losing 15% or more of their income
FAMILIES WITH CHILDREN					
Lowest	−$6.0	$13,441	−$798	−5.9	10.9
Second	−3.2	21,838	−422	−1.9	4.2

TABLE 2.—THE IMPACT OF THE SENATE WELFARE REFORM PROPOSAL ON FAMILY INCOME—Continued

[By Income Quintiles and Family Type Stimulates effects of full implementation in 1996 dollars]

	Total reduction in income (in billions)	Average income under current law	Average income reduction per family	Percent change	Percent of families losing 15% or more of their income
Third	−1.1	32,016	−150	−0.5	0.9
Fourth	−0.4	45,868	−50	−0.1	0
Highest	−0.4	79,154	−52	−0.1	0
Total	−11.2	38,735	−292	−0.8	3.2

Notes: The comparison shown is between the Senate Republican Leadership welfare reform proposal and current law. The simulations include the impact of the provisions in S. 1120, as amended, on AFDC, SSI, and Food Stamps. Model incorporates a labor supply and state response.

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 by the poverty level for the appropriate family size.

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

METHODOLOGY

These preliminary results are based on the TRIM2 microsimulation model, using data from the March 1994 Current Population Survey. Overall, these estimates tend to be a conservative measure of the impact of S. 1120 on poverty and income distribution. The analysis assumes that states will continue to operate the program like the current AFDC program (i.e., they will service all families eligible for assistance); that states will maintain their 1994 spending levels; and that recipients are not cut off from benefits prior to the five year limit. Additionally, the results are conservative because not all provisions are included and because the data do not identify all persons who would potentially be affected by the program cuts. The model also assumes dynamic change in the labor supply response for those affected by the time limit provision, based on the best academic estimates of labor supply response.

The results compare the impact of the Senate Republican welfare reform proposal with current law. The computer simulations include the impact of the fully implemented provisions in S. 1120, as amended, on AFDC, SSI, and the Food Stamp Program in 1996 dollars and population. S. 1120 will decrease spending on AFDC-related programs by $8.8 billion, in 1996 dollars. Spending on children formerly eligible for SSI will decline by $1.5 billion. The Food Stamp Program will be reduced by $1.5 billion.

The poverty analysis is displayed in 1993 dollars. The definition of poverty in this analysis utilities a measure of income that includes cash income plus the value of food stamps, school lunches, housing programs, and the EITC less federal taxes. This income is then compared to the Census Bureau's poverty thresholds, adjusted for family size. For example, a family of three today (1995), is living in poverty with the income below $12,183; a family of four with income below $15,610.

The following are the specific provisions of S. 1120 that were modeled (these provisions may not reflect the final version of the Senate welfare reform bill):

AFDC

Reduce AFDC spending as a result of the block grant; Limit receipt of AFDC benefits to five years with a 15 percent hardship exemption; Deny benefits to immigrants; and Eliminate $50 child support disregard.

Deny benefits to immigrants; and Deny benefits to some children formerly eligible because of changes in the definition of disabilities.

STAMPS

Reduce the standard deduction; Reduce benefits to eligible households from 103 percent of the cost of the Thrifty Food Plan to 100 percent; include energy assistance as income in determining a household's eligibility and benefits; Eliminate indexing for one- and two-person households; and Lower age cutoff for disregard of students' earned income from 21 to 15 years; Require single, childless adults to work.

TABLE 1.—THE IMPACT OF CONGRESSIONAL PROPOSALS ON CHILD POVERTY

[Simulates effects of full implementation in 1993 dollars]

	Current law	House proposals	Change from current law
CHILDREN UNDER 18			
Number of people in poverty (in millions)	10.1	12.1	2.0
Poverty rate (in percent)	14.5	17.4	2.9
FAMILIES WITH CHILDREN			
Number of people in poverty (in millions)	17.1	20.6	3.5
Poverty rate (in percent)	11.8	14.2	2.4
Poverty gap (in billions)	16.3	24.5	8.1
ALL PERSONS			
Number of people in poverty (in millions)	28.2	32.2	4.0
Poverty rate (in percent)	10.9	12.4	1.5
Poverty gap (in billions)	46.9	55.8	9.9

Notes: The comparison shown is between Congressional House Republicans proposals and current law. Simulations include the impact of the House of Representatives welfare plan, HR 4 on AFDC, SSI, food stamps, and housing programs; the EITC proposal adopted by the Committee on Ways and Means; the House of Representatives proposal affecting LIHEAP appropriations; and the Budget Resolution proposal concerning federal employee pension contributions. Model incorporates a labor supply and state response to the welfare block grant.

This definition of poverty utilizes a measure of income that includes cash, the EITC, less federal taxes, to compare the poverty threshold.

Source: TRIM2 model based on data from the March 1994 Current Population Survey. Dated on Oct. 2, 1995.

EXPENDITURE LIMIT TOOL

Mr. CONRAD. Mr. President, I rise in strong opposition to the budget expenditure limit tool, known as the BELT, that would place artificial price caps on Medicare and jeopardize the quality of the health care received by millions of senior citizens. I ask unanimous consent to have printed in the RECORD at the conclusion of my remarks several letters of support for the motion I had planned to make to strike the BELT. It is imperative that the Senate strike this ill-advised provision in order to preserve Medicare beneficiaries' ability to choose their own doctor and health plan.

The PRESIDING OFFICER. Without objection, it is so ordered

(See exhibit 1c)

Mr. CONRAD. In the interest of time, the point-of-order I had planned to make against the BELT provision has been included in the omnibus Byrd rule point of order being made by Senator EXON. However, I believe it is important to highlight the impact of the BELT, because it is a potential disaster for the Medicare Program and has not received anywhere near the attention it deserves.

The BELT amounts to what many of us have called a noose around the necks of older Americans. The BELT imposes artificial price caps on Medicare for the first time in history. And rather than work in a balanced fashion, the BELT only attacks fee-for-service Medicare. It cuts fee for service and ultimately forces seniors to use health plans they don't want and doctors they don't know.

The reconciliation bill allows seniors to choose coverage options other than traditional Medicare fee-for-service. I support that. But I only support it as an option. Seniors should not be forced into managed care. Unfortunately, the BELT could ultimately make managed care the only option for Medicare beneficiaries.

The BELT renders the so-called choice under Medicare an illusion. There will be more choice for a short time. But then the noose will tighten. It will slowly bleed fee-for-service Medicare dry. And if we learned anything from last year's health care debate, it is that health plans with insufficient resources will wither on the vine. And given yesterday's remarks by the Speaker of the House, that seems to be what some of my Republican colleagues have in mind for the Medicare Program.

The BELT promises to make even more draconian cuts in Medicare fee-for-service than the Republicans have already proposed. As the BELT tightens, Medicare will have fewer resources to provide needed health care to our parents and grandparents. The quality of Medicare fee-for-service will deteriorate and seniors will have little choice but to move into managed care. Medicare fee-for-service will wither on the vine.

During last year's health debate, we heard a great deal about artificial government cost controls. Harry and Louise told the Nation that arbitrary cost controls could bankrupt the insurance plans on which millions of Americans depend, leaving people without adequate insurance coverage.

The BELT provision does to Medicare what Harry and Louise said artificial cost controls would do to the national health care system. It inflicts arbitrary cost controls on Medicare at a moment's notice, and without congressional oversight. And it will force seniors into health care plans that may not meet their needs.

The letters I have entered into the RECORD expressed the concern of beneficiaries and providers, alike, that the BELT will erode the integrity of Medicare. The American Association of Retired Persons, National Council of Seniors Citizens, American College of Physicians, Healthcare Association of New York State, and North Dakota Hospital Association are only a handful of those who have expressed opposition to the BELT. The Congressional Budget Office has also said the BELT is unworkable and unwise, and I ask unanimous consent that CBO's analysis also be included in the RECORD.

Mr. President, the BELT has no place in this bill. It promises to erode and eventually destroy the integrity of Medicare fee-for-service. I hope my colleagues will support the point of order and strike the BELT provision from the bill.