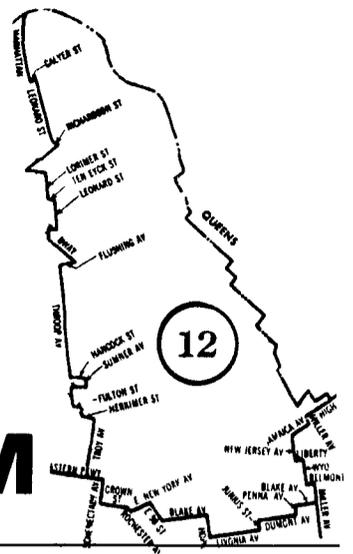


SPECIAL BUDGET ISSUE

A REPORT FROM your Congresswoman SHIRLEY CHISHOLM



2182 Rayburn Building, Washington, D.C. 20515

Spring 1981

THE REAGAN BUDGET: MASTERPIECE OR DISASTERPIECE?

Dear Friend,

This newsletter concentrates on President Reagan's "Program for Economic Recovery." No other issue of today affects the Congress, the nation, or the people of Brooklyn so directly.

We all can agree that serious problems exist in our economy. We all can accept the same goals of reducing inflation, lowering unemployment, eliminating poverty, and defending our country.

Many of us, however, have basic questions about 'Reaganomics.' Will federal spending cuts drop the inflation rate? Will tax cuts and new tax 'loopholes' result in productive business investments? Will cutting into the bone of social programs stop waste and fraud or put an end to welfare dependency?

My voice has been heard, and will continue to be heard as the Congress considers the President's program. I hope the information on these pages will help you understand my position on these vital issues.

Sincerely,

SHIRLEY CHISHOLM
Member of Congress

TESTIMONY...

Since the President first announced his budget plan on February 18th, I have testified four times to Congressional committees. Here are a few of the things I said:

— February 24th, House Subcommittee on Postsecondary Education —

"... When considering reductions in postsecondary programs, we must bear in mind that the most important purpose of federal support is to ensure equal education opportunity. If reductions in student assistance occur we must take pains to insulate the neediest who depend primarily on the federal government for these opportunities..."

— March 2nd, House Subcommittee on Postsecondary Education —

"... At this time in our nation's history, the minority artist will absolutely not accept a reduction of the recognition and acknowledgement of their overwhelming contributions to the American art fabric..."

— March 11, House Subcommittee on Public Assistance and Unemployment Compensation —

"... The same families who will experience a reduction in low-income energy assistance and AFDC benefits will also face cutbacks in food stamps, Medicaid and CETA. Thus, the truly needy will, contrary to the President's statements, be severely hurt by budget reductions in these areas..."

— March 25th, House Education and Labor Subcommittee —

"... Any budget proposal which gives states total discretion to establish their own priorities for social service programs would be a disaster for the poor... Even at current program levels, poverty has not been eliminated. Everyone is not insured against total deprivation, and some go without necessary food, shelter, and health care because of gaps in current programs. These are the pressing issues to be addressed, not program cutbacks..."

— THE PROGRAMS, THE PLANS, THE PROBLEMS —

EDUCATION IN LOCAL SCHOOLS

President Reagan plans to drastically reduce the federal role of assisting state and local education institutions.

He would cut aid to state and local education agencies by up to 25%; he would eliminate funding by category and instead rely on a block grant approach; and he has already begun a process of allowing states to be the sole determinant of education policy.

For the nation, this means that special school services would be curtailed, and that state and local educators would spend federal education dollars for any educational purposes they choose.

For our community, this could mean the end of compensatory programs — including Title I of ESEA and Bilingual Education — which have been meeting some of the unique needs of our children. Classroom instruction and learning would suffer, teachers would be laid off, and paraprofessionals in the schools would also lose their jobs.

Medical-dental, psychiatric diagnostic, transportation, speech and hearing therapy, social work, and other support services would also be dropped.

New York State would lose \$11.5 million in federal funds for elementary and secondary education in the coming year, and up to \$300 million in 1983.

FOOD STAMPS AND AFDC

The Administration proposes to tighten the eligibility standards for Food Stamps and AFDC benefits, resulting in the loss of up to \$130 million in federal income support to New York City residents.

The changes would hurt the working poor — those who report some form of earned income — and those who need public assistance because of a sudden and unexpected loss of earnings.

The New York City Human Resources Administration has reported that at least 50,000 Food Stamp recipients in our city would no longer be eligible for assistance. This would also mean a substantial loss of income for retail merchants whose customers have enjoyed increased buying power from their Food Stamps and AFDC payments.

HEALTH CARE

The deepest cuts in health care programs would be in Medicaid. The Administration's plan would impose a 5% cap on its annual growth, and almost certainly lead to a reduction in the scope and quality of health care provided to poor people.

Reimbursement schedules could not rise as fast as the cost of medical services, so either a reduction in services or an increase in the City's Medicaid contribution would have to occur.

It is not clear how this would affect Governor Carey's plan to have the State gradually assume the local share of Medicaid expenditures. The Governor has said that the State cannot fill the budget gaps created by federal cutbacks.

The President also proposes to lump together a variety of categorical health programs into two block grants — one for general health and the other for preventive health services — and cut funding by 25%.

Cutbacks would include an end to federal support for state and local health planning agencies, elimination of federal grants to health maintenance organizations, no new National Health Service Corps scholarships, and no funds for maternal and child health research and training.

In Brooklyn, Charles Drew Community Health Clinic and Bedford-Stuyvesant Community Mental Health Clinic would be directly impacted by these cuts.

CETA PUBLIC SERVICE EMPLOYMENT

Under the Comprehensive Employment and Training Act (CETA), local government and private non-profit organizations hire inexperienced or unskilled workers as well as those unemployed because of a downturn in the national economy.

300,000 CETA jobs would be abolished by the Administration. Nearly twelve thousand jobs in New York City would be lost; three-fourths of them in City agencies serving our sanitation, public safety, health care and education needs.

I believe that no investment or reindustrialization policy for our nation can work without investing in our human resources. More public service jobs, not fewer, should be created, at least until we see whether the Reagan plan is going to work.

SOCIAL SERVICES

The Administration plans to consolidate 40 separate social service and community health programs into a block grant system, and to reduce their combined budget by 25%. Our city receives more than \$490 million annually in federal aid for these 40 programs.

Cuts in Title XX social services, which alone provide \$145 million to New York City, would threaten day care and senior citizen centers, as well as reduce public health and child development services.

For example: 24,500 children of low-income families would lose day care services; 32,000 older people would lose senior citizens services; and the special services needed to respond to 29,000 cases of child abuse or neglect would be eliminated.

CHILD NUTRITION

Proposed cutbacks in child nutrition programs would result in an \$81 million loss to New York State for school lunch, WIC, child care feeding and summer feeding programs. New York City will bear almost 30% of these cuts.

Mr. Richard Reed, our State's chief school feeding program administrator, estimates that about 3,400 schools in New York State will be forced to end their lunch programs which depend on federal support for free and reduced-price meals.

HOUSING ASSISTANCE

HUD money helps build new housing, rehabilitate older homes, pay rent for 'Section 8' tenants, and redevelop run-down neighborhoods.

The Administration proposals would cut and consolidate federal housing programs. New public housing construction would drop by one-third. Tenants in subsidized housing would pay up to 30% — raised from 25% — of their total income in rent. New development projects, like the Albee Square Mall that created 588 new jobs, would probably not be begun.

It is clear that more housing aid is needed. Many of our houses and apartments still need repair, are too expensive, or are not adequate for our families. After years of 'decent

housing' promises, now is not the time to reverse the progress we have made in upgrading the homes in our community.

ECONOMIC DEVELOPMENT

Through the Economic Development Administration (EDA), grants, loans and loan guarantees have helped businesses in distressed areas.

The Administration wants to abolish EDA. \$68 million in New York City applications are endangered. Help for the Brooklyn Economic Development Corporation and other local enterprises would be withheld.

These cuts do not make sense. Each EDA dollar invested brings in four dollars of private investment. Last year's EDA spending created over 200,000 permanent private-sector jobs. EDA does now what the Reagan tax cut plan hopes to do two years from now or later.

MASS TRANSIT

Money from Washington helps build, maintain and run our bus and subway systems. The New York City public transportation system, which each day carries one-third of the nation's mass transit riders, would get no more operating assistance after five years. This could raise fares by 15¢ or more, even as service deteriorates.

We know that our transit system needs more help from Washington. To get to work, to reduce street traffic and air pollution, and to save energy we must have modern and efficient mass transit.

LEGAL SERVICES AND CSA

The Legal Services Corporation, which provides legal aid to the poor, would be phased out entirely.

Also targeted for extinction is the Community Services Administration. CSA offers low-income energy assistance, and provides grants to community development corporations such as Bedford-Stuyvesant Restoration.

VETERANS' BENEFITS

The Administration is moving to do away with hospitalizing veterans in V.A. hospitals, and instead would like to place them in private hospitals. Construction of two new V.A. hospitals has been stopped, and several other projects have been delayed. The D.A.V. says that the V.A. hospital system will lose a large proportion of its health care personnel. Overall, medical care programs suffered the largest budget reductions in veterans programs.

Unemployment compensation would be done away with for veterans who cannot find work right after leaving the service — if they left voluntarily, were separated for cause, or did not reenlist when possible.

The Veterans Cost of Instruction Payment Program, aiding veterans who are not taking advantage of the G.I. Bill and not going to college, would also be ended.

Vet Centers have also been slated for termination, although they are still needed to help Vietnam-era veterans readjust to civilian life. This would close the Vet Center in downtown Brooklyn, at 165 Cadman Plaza East.

ARTS PROGRAMS

The Administration proposes that funding for the arts and humanities be reduced by 50%. This means funding for the two federal endowments — National Endowment for the Arts and National Endowment for the Humanities — will be cut to \$88 million and \$85 million respectively. Last year, New York City received nearly \$30 million from the Endowments.

These are some of the community arts organizations whose federal support is endangered: The New Muse Cultural Center; Brooklyn Center for the Performing Arts; Brooklyn Philharmonica; Weeksville Society; Billy Holiday Theater; Brooklyn Library; and Brooklyn Children's Museum.

TAX PROPOSALS:

THE RICH GET RICHER, THE POOR STAY POOR

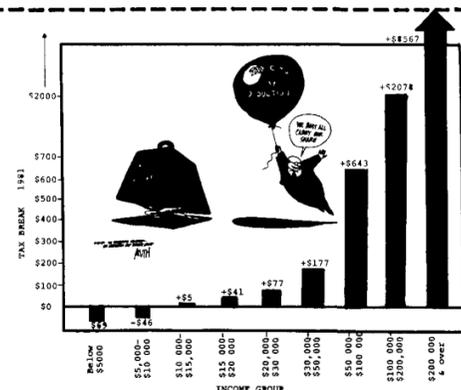
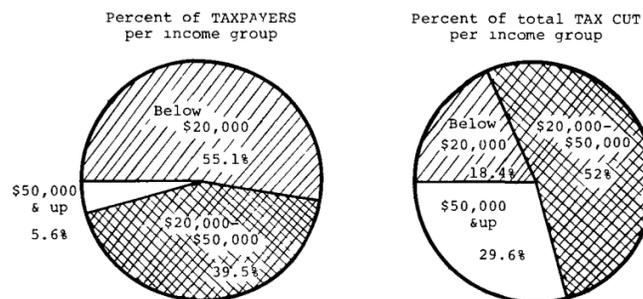
The Administration believes that more corporate tax breaks are necessary so that business will have more money to invest, so productivity will increase and so inflation will go down. However, statistics indicate that there has already been more investment in the past few years than during the last two decades. Although the Administration claims that the tax cut would increase jobs, most of the benefits would go to industries which have provided only 4% of new jobs over the last 20 years. One Half of the cuts would go to companies such as utilities and big oil, not those businesses most in need of help.

For individual taxpayers, the Administration would cut taxes by 10% this year and by a total of 30% over the coming three years. They believe that increased savings and investment will result, and that tax breaks for well-off Americans will 'trickle down' to those less fortunate.

Unfortunately, there is no reason to expect that those with more money will save and invest it. Worse, many economists believe that the plan would actually increase inflation: *Business Week* contends it "would touch off an inflationary explosion that would wreck the country and impoverish everyone on a fixed income."

TAX CUTS NOT EQUITABLE

The President's plan is a highly inequitable way to deal with our economic problems. As these two charts show, taxpayers earning below \$20,000 make up 55% of all taxpayers, but they will receive only 18% of the benefits from the tax cut in 1981. In contrast, those taxpayers earning \$50,000 and more make up less than 6% of all of us, yet they will receive almost 30% of the benefits.



TAX CUT: WHO GETS WHAT?

This chart shows the amount of the tax break that a taxpayer can expect this year, taking into account the Reagan plan, the increase in Social Security taxes, and inflation. As you can see, those earning \$10,000 or less will actually be paying more taxes, those earning between \$10,000 and \$30,000 will get only a slight break, and only those making \$50,000 and over will reap any substantial gains.