INFORMED BUDGETEER

Did You Know....Some Facts About the Uninsured

- The debate on health insurance coverage is picking up again, so it may be time to review some of the data on the uninsured. The following are some important facts about the uninsured that are sometimes lost in the debate and are important for designing appropriate responses to reduce the number of uninsured Americans.

- ***The Long-Term Uninsured Is a Relatively Small Group:*** A large number of Americans go in and out of insurance coverage as their life circumstances change, but relatively few Americans remain without insurance coverage for long periods.

- According to the Census Bureau, over a 36 month period between 1993 and 1996, only 4% of the population lacked health insurance for the entire 36 month period, and only 6% of the population was without insurance for at least 30 months. During this period, the median length of time without health insurance was 5.3 months.

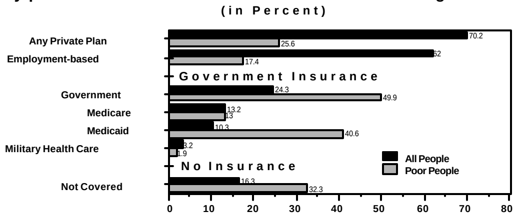
- ***A Significant Portion of the Uninsured Are Not Poor:*** In 1998, the Census Bureau estimates there were 44.3 million uninsured Americans. 12 million of the uninsured, or 27%, lived in households with incomes exceeding 300 percent of poverty, and 20 million or 46%, had incomes exceeding 200 percent of poverty.

- ***Young Adults and Non-Citizens Are Frequently Uninsured:*** Most Americans get their private insurance coverage through their employers, and so it should not be surprising that a large portion of the uninsured population is young adults who are often getting a higher education and holding less than full-time jobs. In fact, in 1998 some 7 million or 16% of the uninsured, were age 19 to 24, which represented an uninsured rate of 32% for this age group.

- Another group prone to lack of health insurance is non-citizens In 1998, some 7 million non-citizens, or 45% of all non-citizens, lacked health insurance coverage.

- ***Many Uninsured Americans Are Eligible for Public Coverage:*** In 1998, there were at least 5.3 million Americans eligible but not enrolled in either Medicaid or the State Children's Health Insurance Program (S-CHIP). As S-CHIP eligibility levels have increased in recent years, the number of eligible but not enrolled persons has likely grown. Another 2 million of the uninsured are eligible for care under the VA medical system.

Type of Health Insurance & Coverage Status
(in Percent)



Source: Dept. of Commerce

TAX CUTS TO DATE
$257 BILLION OVER TEN YEARS

- The House Ways and Means Committee, by a 23-13 party line vote, approved a bill (H.R. 6) on Feb. 2 that would provide marriage penalty tax relief for almost 25 million married couples. The bill would:

  < Raise the standard deduction for married couples to an amount equal to twice the standard deduction provided for single filers.
  < Broaden the 15 percent income tax bracket for married couples filing joint returns to twice the income level for single filers in the same bracket.
  < Raise the income phase out limit in the earned income tax credit by $2,000, so that low income couples who get married would not see a reduction in their benefits.

- The Ways and Means reported bill costs $50.6 billion over five years and $182.3 billion over ten years.
- Also on February 2, the Senate passed the bankruptcy reform bill (S. 625) by a vote of 83-14. The bankruptcy bill included an amendment offered by Senator Domenici (co-sponsored by Senators Abraham and Santorum) to increase the Federal minimum wage by $1.00 per hour over three years and protect small business through tax relief provisions.

- The small business tax relief in the bankruptcy bill includes increased expensing, a repeal of the Federal unemployment insurance surtax, deductions for long-term care insurance and health insurance expenses, and dozens of pension tax relief provisions. Small business tax relief in the bankruptcy bill totals $18 billion over five years and $75 billion over ten years.

- In total then, the 2nd session of the 106th Congress has adopted nearly $260 billion in tax cuts.

FARM INCOME CRISIS ??

- USDA projects 2000 net farm income to fall below averages for both the previous five and ten years, but that is not the entire story.

- Direct government payments to farmers, including Agricultural Market Transition Act (AMTA) payments, marketing loan deficiency payments, crop and market loss assistance payments, and other income assistance, were estimated to total a record $22.7 billion in calendar year 1999. (See table below.)

- During the same year, estimated net farm income will be the fourth highest in history, $1.5 billion above the latest five-year average, and $2.3 billion above the ten-year average. Meanwhile, average farm operator household income remains above the national average household income.

Farm Income Statistics
$ in Billions

	1998	1999	2000	90-99	95-99
Cash Income Statement:					
Cash receipts	196.8	191.9	189.9	185.1	196.7
Direct government payments	12.2	22.7	17.2	10.5	11.4
Farm-related income	13.8	14.4	14.1	10.5	12.4
Gross cash income	222.8	229.1	221.1	206.1	220.5
Cash expenses	167.8	170.0	171.5	150.9	164.0
Net cash income	54.9	59.1	49.7	55.1	56.5
Farm income statement:					
Gross cash income	22.8	229.1	221.2	206.1	220.5
Noncash income	113.0	11.5	11.6	9.5	10.7
Value-inventory adjustment	-1.0	-1.4	-0.1	1.3	0.2
Gross farm income	233.1	239.1	232.7	216.9	231.5
Total production expense	187.4	191.1	192.3	171.1	184.7
Net farm income	44.1	48.1	40.4	45.8	46.6
Farm operator household income:	$ in thousands				
Earnings: farm activities	7.1	6.5	3.0	6.1	6.5
Avg farm household income	59.7	60.9	59.4	47.9	53.6
Avg US household income	51.9	n/a	n/a	44.4	48.4
Farm avg as % of US avg.	115.2	n/a	n/a	103.9	106.7

SOURCE: Economic Research Service: USDA; Totals may not add due to rounding. Values for last two years are preliminary or forecast.

- Although earnings from farm activities is expected to be below the ten-year high of $7,900 in 1996, off-farm income has steadily risen, and average farm operator household income for 2000 is projected to be $11,000 higher than the US overall average of the most recent years on which data is currently available (1995-98).

- Farm income support will continue to be a hot issue for both Republicans and Democrats, even though USDA projects that the average farm household is doing better than the average

American.

THE PRESIDENT'S $34 TRILLION INCOME TAX HIKE

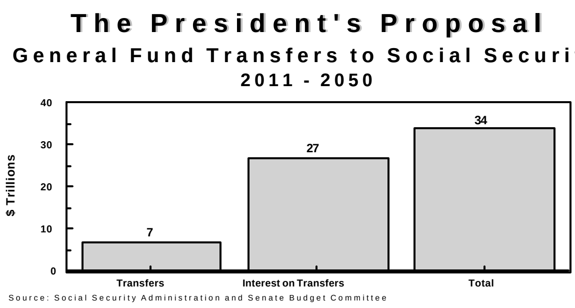
- The President has proposed to radically transform the financing of Social Security without ever saying so to the American people. Since its enactment in 1935 under President Franklin Roosevelt, Social Security has always relied on payroll taxes deposited into the Social Security trust funds to pay benefits.

- As predicted by President Roosevelt, this direct link between payroll taxes and benefit payments has made Social Security different than welfare programs. With Social Security, workers can rightly feel as if they earned their benefits by making payroll contributions to the trust fund.

- President Clinton, with a massive shell game, proposes to undo this 65 year record of success and radically change how Social Security is financed.

- Instead of proposing changes in Social Security to keep payroll taxes and benefits balanced, as other Presidents have done, President Clinton chose a sleight of hand. Between 2011 and 2050, the President proposes to transfer $34 trillion in general funds to the Social Security trust funds.

- These transfers are simply IOUs that the general fund will have to buy back with cash at a later date when the trust funds need the money to pay benefits.



- The President says these transfers are equal to the interest savings in the budget from debt by the amounts of the Social Security surpluses. But, of course, Social Security already earns interest on its surpluses, so this is just another form of the "double counting" that went on in last year's budget.

- Moreover, the President says that the transfers are related to debt reduction, but that is not true. **In the legislation he has sent to Congress, these transfers will occur independent of the debt or budget surpluses.**

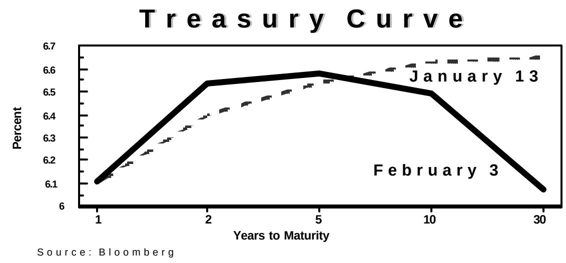
- The only real effect of this proposal is to effectively impose a hidden, $34 trillion tax hike on future taxpayers who will be asked to redeem the IOUs given to Social Security. This income tax infusion would forever break the link between payroll taxes and benefits that has made Social Security strong and resilient for over six decades, perhaps undermining Social Security's strong political support across all generations.

ECONOMICS

THE IMPACT OF RISING SURPLUSES

- Both the Administration and the Congress have pledged to save the Social Security surplus – such action would eliminate the publicly held debt by 2013, even if all the remaining on-budget surpluses were spent.

- A debt-free America would be wonderful. However, such a transformation will have significant effects on US financial markets – effects that will be felt well before 2013 comes around.
- Indeed, Wall Street is already concerned about the dwindling supply of Treasuries. Over the last two weeks, there has been a massive surge of Treasury purchases as pension funds and investors adopted the attitude "get them while you can". Such sentiment drove the 30 year yield down from 6.75 percent to 6.07 percent.
- There were several catalysts for this move. First, on January 13, the Administration announced that it would buy back roughly $30 billion in outstanding Treasuries as part of its debt management strategy. Second, CBO announced even larger budget surplus projections for the next 10 years. Third, the Treasury announced last Wednesday that it was scaling back future auction sizes and that it would target longer-dated maturities for its buy-back program. This latter announcement was the straw that broke the camel's back, unleashing a torrent of Treasury purchases at the end of last week.



- This Treasury surge was all the more remarkable, since it came on the heels of Fed tightening and rising inflation fears, the bane of fixed income instruments. This was a case where supply factors overwhelmed economic fundamentals.

- The plunge in Treasury yields is an undeniable plus for government finances, since it will lower our net interest costs. However, illiquidity in the 30 year Treasury may also lead Wall Street to look for an alternative benchmark and hedging security. Already, many are starting to view the 10 year Treasury as the new benchmark. (This is the benchmark in most other nations).

- However, as more & more federal debt is paid down, it is conceivable that Wall Street may turn away from Treasuries altogether, and use either high-grade corporate issues, GSE securities (like Fannies and Freddies) or swaps as their new benchmark.

- Thus, we should expect significant changes in the financial markets as our surpluses mount. These issues need to be considered in the context of any debt reduction strategy.

CALENDAR

February 7: President's FY2001 Budget released. Chairman Domenici and Kasich will hold a press conference; 3:30 pm- Senate Radio- TV Gallery. Senate Budget Committee will release analysis of President Clinton's budget by COB.

Senate Budget Committee 2000 Hearing Schedule

All hearings will be held in Dirksen 608 at 10:00 am unless otherwise noted.

February 8: President's FY 2001 Budget. Witnesses: Education Secretary, Richard Riley; and Treasury Undersecretary, Stu Eisenstat.
February 9: President's FY 2001 Budget. Witness: OMB Director, Jack Lew.
February 10: Spectrum Auctions, Technology and the Federal Budget. Witnesses: FCC Chairman, William Kennard; Peter Cramton,

Professor of Economics, University of Maryland; Daniel Pegg, Senior Vice President of Public Affairs, LEAP Wireless International; Tim Donahue, CEO, Nextel Communications, Inc.; Allen Salmasi, Chairman, NextWave Telecom, Inc.

February 11: President's FY 2001 Budget. Witness: Secretary of State, Madeline Albright.