



New Strategy for the War on Poverty

Housing and Urban Development Secretary Jack Kemp outlines the Bush Administration's agenda to help low-income people combat poverty and despair

“...let us stand with pride, integrity, and courage in our hearts, and expand the freedoms of all Americans. It’s up to each of us to secure the triumph of ‘the American idea.’ That idea is opportunity.”

President George Bush



“Our greatest assets are not in the wealth we see around us but the potential which is unseen...in the minds yet to be educated, in the businesses not yet opened, the technologies not yet discovered, the jobs waiting to be created...let’s unleash the greatest wealth our Nation has, the pent-up talents and potential of our people.”

Secretary Jack Kemp

First, President Bush wants to cut the capital gains tax not to help the rich but to help the poor get rich – or richer – in terms of opportunity. President Bush has asked Congress to cut the capital gains tax rate and to establish Enterprise Zones as a national policy to generate jobs, opportunities and minority enterprises in our Nation's most distressed communities.

- From budget message: "...the budget places special priority on policies that will enhance America's potential for long-term economic growth..."
- Between 1978 and 1985, when the top capital gains tax rate was reduced from 49 percent to 20 percent, the number of new business start-ups more than doubled, rising from 270,000 to 640,000 – creating 15 million new jobs.
- President Bush has called for a reduction of long-term capital gains tax rate to 19.5 percent. In his State of the Union address, the President asked Alan Greenspan to chair a study on the impact and effects of reducing capital gains.
- Budget authorizes HUD to designate 50 Federal Enterprise Zones (awarded competitively). Major EZ tax incentives include:
 - A 5-percent refundable tax credit for the first \$10,500 of wages, up to \$525 per worker. Credit phases out between \$20,000 and \$25,000. In many cases this credit will cut the taxes of low-income workers to zero.
 - Expensing of investor purchases of newly-issued corporate stock for businesses located in EZ. This is an upfront deduction for up to \$50,000 per year, with a \$250,000 lifetime limit. This will make Zones attractive to new capital by giving an immediate tax savings to investors as well as providing seed capital for would-be entrepreneurs.
 - Zero capital gains rate for firms operating in Zones for at least 2 years.

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Second on the President's agenda is resident management and urban homesteading in public housing to empower tenants with control of their housing communities and to fulfill their dreams of homeownership. The Administration has set a goal of creating more than 1 million new homeowners by 1992 through FHA and the President's HOPE initiative, Homeownership and Opportunity for People Everywhere.

- Budget calls for HOPE to be funded at \$155 million in 1991 and \$855 in 1992 to promote homeownership opportunities in public and assisted housing.
- Resident management is a grassroots movement that is exploding: At the start of the Administration there were 13 Resident Management entities in training, there are currently 100 and this is expected to grow to 250 by the end of 1992.
- Resident management and ownership of public housing represent a savings of taxpayer dollars. For example: On September 12, 1989 an independent accounting firm presented its findings on the sale of Kenilworth/Parkside in Washington, D.C. They estimated a savings of \$6 million after 10 years; \$11 million after 15; and \$26 million after 40 years.
- Since the April announcement of the goal to create 1 million new homeowners by 1992 there have been 426,909, nearly 43 percent of our goal.
- Budget proposes \$718 million to preserve low-income housing units threatened by mortgage prepayment through a program that emphasizes right of first refusal for tenants to buy the projects.

Third, to create greater choice and independence, housing rental vouchers should be significantly increased and expanded. Low-income families should have greater opportunity to live where they want and better access to affordable housing.

- Almost all of the new rental assistance requested in the budget is for vouchers. A voucher can be provided to a family at about one-half the cost of assisting the same family through new construction subsidies.
- Until 1974, all housing subsidies were attached to buildings. Families benefit from these funds only when they reside in the building, no matter how deteriorated the building or its neighborhood becomes. If they wish to move, residents lose the subsidy. By comparison, vouchers permit assisted families to exercise the same kind of choice as other families in deciding where to live and when to move.
- HUD programs are assisting some 4.4 million families to obtain affordable housing. By the end of 1991 an estimated 150,000 additional families will receive assisted housing payments.
- The National Affordable Housing Act replaced several categorical housing development and rehab programs with the more flexible HOME grant funds. Budget requests \$500 million in 1991; \$1 billion in 1992 for the HOME program.
 - In 1991, \$500 million in HOME (requested in supplemental) would serve more than 35,000 families. These same funds in public housing would create only 7,000 new units some 5 years after the commitment of funds.

Fourth, tax reform is needed now to help remove more low-income families from the tax rolls and dramatically increase the net income of welfare mothers and unemployed fathers who get jobs.

- Budget proposes refundable tax credits (\$26 billion from 1992-96, including a \$2.4 billion increase in 1992).
- The 1981 tax cuts removed some 6 million poor from the tax rolls entirely.

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Fifth, it is essential to expand the earned income tax credit, enhance the exemption for children under 16 and pass the President's child care tax credit to roll back the huge tax burden on low-income families and unemployed parents.

- To keep pace with inflation, the exemption for children would have to be \$6,000 to be at the same level as in 1948.
- Three major new provisions of EITC will provide low-income families with children in which at least one parent works with refundable credits equaling up to 36 percent of their earned income. Over the first 5 years of their implementation, these new provisions will provide low-income families with \$26 billion in additional income.
 - The 14-percent credit that previously was provided is expanded and adjusted for family size, so that children are not a penalty. (\$21 billion from 1992-96). By 1996, the maximum credit available to families with two or more children will have increased 80 percent.
 - Five-percent credit (\$1 billion from 1992-96) for children under one-year-old, not claimed under Dependent Care Tax Credit. This is aimed to enhance families' option to have one parent stay at home to care for a child during its first critical months of life.
 - New credit for health insurance (\$4 billion for 1992-96) to help families defray the cost of the health insurance that covers their children. In 1992, the maximum credit will be about \$453.
- \$732 million for the first Federal grant program that requires parents be given the option of receiving a voucher which can be used to select the child care arrangement of their choice, including care by family, friends, neighbors, religious organizations.

Sixth, for homeless people, the Administration's new Shelter Plus Care plan will expand community-based mental health facilities, drug abuse treatment, job training, and day care. Linking shelter with support services is the key to helping homeless Americans re-enter the mainstream economy.

- The budget proposes \$535.7 million for HUD's homeless programs, including \$257.7 million for Shelter Plus Care. This represents an 89-percent increase since FY 90. This is the first time that Federal homeless programs are being directly linked with supportive services.
- With other funds proposed for HHS, FEMA, USDA, VA, and the Interagency Council, the total budget request for funding for the homeless is \$1 billion.
- To simplify programs for the homeless, the budget proposes to consolidate funding from several small homeless programs operated by HHS, DOL, and DOE into a new program. This \$57-million HUD initiative will provide States, localities, and nonprofit providers greater flexibility to develop their own comprehensive programs.
- The National Affordable Housing Act includes a new initiative combining Single Room Occupancy (SRO) shelter with supportive services. Budget proposes a supplemental appropriation shift of \$24 million for 1991 into this important program.

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Seventh, to improve education and opportunity, we must
expand true choice and competition through magnet schools,
education vouchers, tuition tax credits, and other choice-
enhancing policies.

- To provide incentives for school districts to establish certificate programs that enable parental choice of schools, budget proposes \$200 million per year for a Certificate Program Support Fund.
- \$30 million in budget is sought to finance demonstration programs on choice.
- Budget proposes increasing the use of Education Block Grant funds for choice. Amendments will be proposed to expand the amount reserved to States from 20 to 50 percent – States would then have up to \$225 million to support choice programs.
- For existing magnet schools, budget requests \$110 million.
- For new magnet schools, budget requests \$100 million.
- To provide low-income students seeking post-secondary education with greater financial resources to expand the range of their educational choices, budget proposes targeting Pell Grants to lower-income students. (Overall, grants will total \$5.8 billion, a 7-percent increase over last year).

Eighth, Congress should fully fund HOPE, which includes IRA's for first-time homebuyers, the low-income housing tax credit, and Operation Bootstrap which links housing vouchers to strategies for gaining self-sufficiency.

- The President's FY 1992 budget requests \$2.1 billion for HOPE funding. To address the immediate needs of low-income families, the Administration is proposing a supplemental budget request for HOPE totalling \$263 million in 1991.
- Budget proposes that beginning January 1991, first-time homebuyers can withdraw funds from tax-deferred IRA's without penalty.
- National Affordable Housing calls for the low-income housing tax credit to be funded for one year.
- Family Self-Sufficiency (Operation Bootstrap) was authorized by the National Affordable Housing Act. At least 10 percent of housing vouchers, certificates, and public housing in 1991 and '92 will be combined with child care, job training, and education to promote self-sufficiency. It is expected that by the end of 1992, over 30,000 Section 8 and public housing families will be participating in the program.
- Budget proposes \$46 million for HOPE for Elderly Independence.