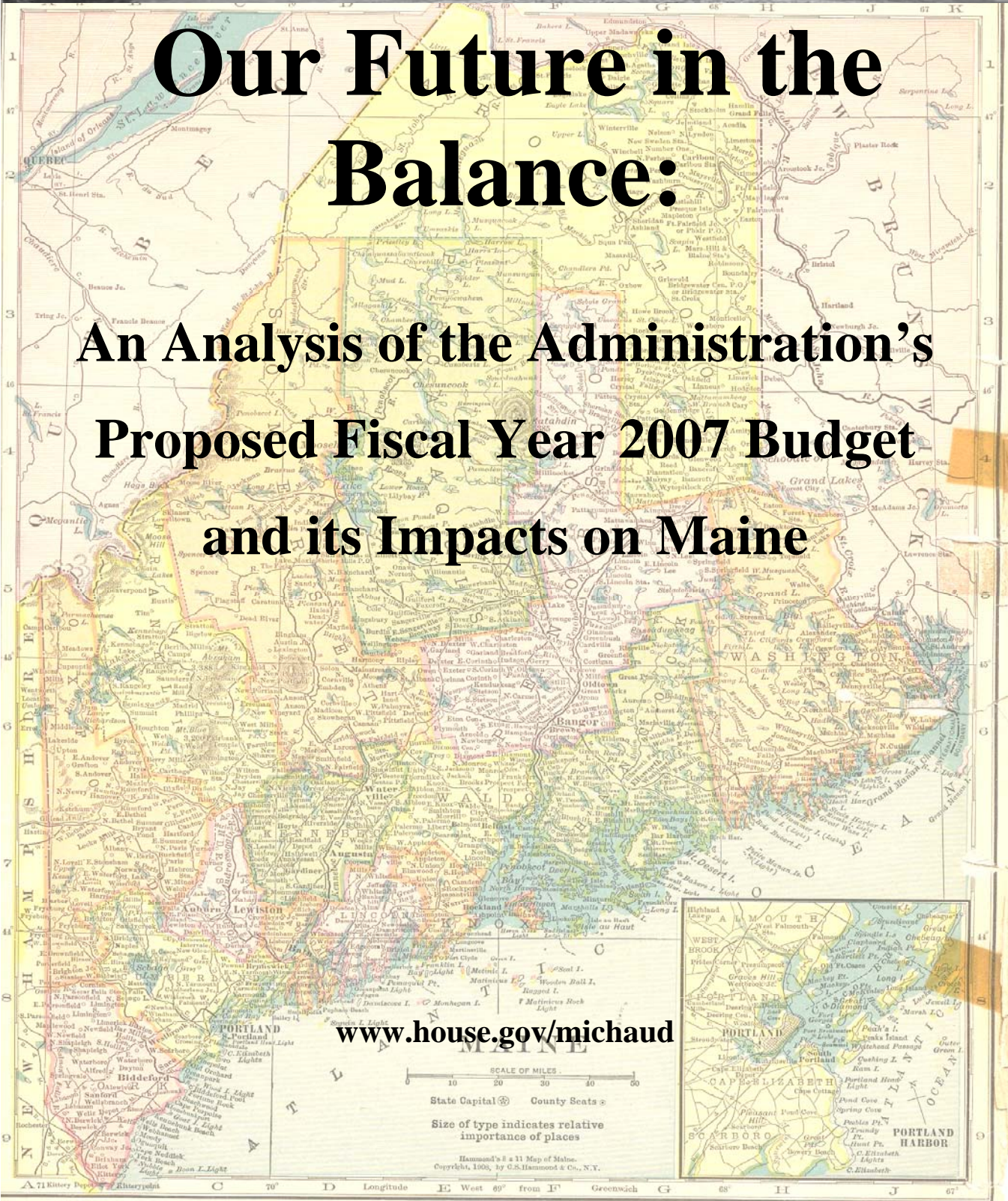




# Our Future in the Balance:

## An Analysis of the Administration's Proposed Fiscal Year 2007 Budget and its Impacts on Maine

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## Executive Summary

In his 2006 State of the Union address, President Bush laid out his vision for the future. The President focused much of his speech on **improving education, increasing competitiveness, making healthcare more affordable, and addressing the country's addiction to oil** — all positive goals. But in order to see the substance behind these goals and to understand the actual blueprint for where the Administration sees our nation going in the next five years, one must examine the President's budget plan, which shows the funding and policies involved.

On February 6<sup>th</sup>, 2006, President Bush presented Congress with the Administration's *Fiscal Year 2007 Budget of the U.S. Government*. The budget contains funding for some programs that will clearly benefit the State of Maine, including **increased funding for the Coast Guard and shipbuilding at Bath Iron Works**, among others. The budget also continues a number of tax cuts that are important for Maine families and businesses. However, the budget also poses many daunting challenges for Maine. It continues **record deficits, omits many costs, and proposes large cuts in programs that will have significant impacts in Maine**. This report will examine both the beneficial and harmful changes that the Administration has proposed, and define how those changes would impact Maine citizens, as well as our state and local governments.

### Program Changes

The Administration has used cuts in domestic spending as its primary way to reduce the deficit. The budget also increases spending on defense and homeland security. The budget proposes the following significant spending changes that impact Maine, among others:

- **A \$35.9 billion cut to Medicare** over five years and a \$105.0 billion cut over ten years.
- **A \$17.2 billion cut in Medicaid** over five years and \$42.3 billion over ten years.
- **The elimination of 42 education programs**, a total cut of 2007 of \$2.1 billion.
- **Funding for two DD(X) destroyers** as part of a \$28.4 billion increase in defense spending.
- The creation of **private accounts within Social Security**.
- **Environmental Protection Agency cuts** of \$304 million below the 2006 enacted level.
- A complete **elimination of the Small Business Administration Microloan program**.
- **Cuts of 79 percent in 2007 for Community Oriented Policing Services (COPS)**.
- **Reduces veterans programs** \$10.1 billion below 2006 purchasing power over 5 years.
- **Reduces baseline funding for state homeland security programs by \$5.6 million**.

And the following revenue changes:

- Permanent extensions of tax cuts for capital gains and dividend investment income.
- **Extension for only one year of the Alternative Minimum Tax (AMT) relief**.
- **Stiffening of the eligibility for the Earned Income Tax Credit and the Child Tax Credit**, reducing the benefit of these tax credits by \$2.1 billion over five years.

In seeking spending cuts, the Administration proposes cuts to both entitlements spending as well as many domestic discretionary programs. While some of these cuts are useful choices that eliminate waste, many will have an extremely negative impact on Maine families.

The budget proposes to achieve savings in Medicare through cuts in payments that would negatively impact healthcare providers, particularly in rural areas. The budget proposes to **cut payments to physicians, skilled nursing facilities, home health providers, inpatient rehabilitation facilities, and hospice providers**. The President also proposes raising Medicare premiums for higher income recipients, but it does not index the income level to inflation, meaning that **more seniors will face increasing premiums in the future**.

The budget assumes enactment of the President's proposal to **privatize Social Security**. The budget details the Administration's plan to divert billions from the Social Security Trust Fund to pay for private accounts and to cut middle-class benefits. Over ten years this proposal has a cost of \$712 billion and results in benefit cuts of \$6.3 billion. The budget also greatly **expands the number of people that would be subject to the Government Pension Offset (GPO) and Windfall Elimination Provision (WEP)**, instead of trying to reduce the number of people subject to this penalty that hurts teachers and municipal employees.

In discretionary spending, the following cuts will noticeably reduce funding for Maine people and communities: **cuts to the Community Block Grant Program**, which funds housing projects and restores downtowns throughout Maine; **cuts for the Manufacturing Extension Partnership**, which will slow job growth in Maine; **elimination of 42 education programs that will shift the burden to state taxes and local property taxes**; **cuts in Land and Water Conservation Funding** that will negatively impact Maine's budget and ability to fund environmental initiatives; and **weatherization assistance cuts**, which will make it harder for low-income families to pay their bills through coming winter heating seasons.

A review of these budget changes shows that, unfortunately, many of the choices in this budget do not work in the best interests of Maine. Most of the program cuts will have significant, negative impacts on the state — and they seem to outnumber and outweigh the changes in the budget with positive effects in Maine.

On the surface, these choices are made for the important purpose of controlling spending. But unfortunately, these cuts will not be an effective tool for deficit reduction compared to other approaches, and will disproportionately impact many vital needs in our state. The cuts that the President makes in non-defense appropriations and entitlement programs (totaling \$181 billion) impose real harm on working families but, together, their impact is smaller than that of the tax cuts alone, which cost \$285 billion over five years. **We could also achieve these kinds of budget savings far more effectively by allowing the Medicare program to negotiate fairer drug prices with pharmaceutical companies.**

Rather than pushing to privatize Social Security and enacting harmful cuts in programs that are working well and are vital to Maine, the Administration should examine ways to promote accountability in Iraq and Katrina reconstruction funds, apply Pay-As-You-Go (PAY-GO) budget rules to all future spending and revenue, include negotiation for fair drug prices in the Medicare prescription drug law, and require the 16 of 23 federal agencies that cannot produce an audit of their books to do so or face a funding freeze. These approaches would offer far more budget savings and avoid many of the negative impacts of the proposed budget cuts.

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Prepared by the Office of Congressman Mike Michaud. Sources unless otherwise noted: Center for Budget and Policy Priorities; Centrists.org; The Concord Coalition; Congressional Budget Office; Federal agency estimates; The Heritage Foundation; House Budget Committee, Majority reports; House Budget Committee, Minority reports; President’s Fiscal Year 2007 Budget of the U.S. Government; State of Maine agency estimates; University of Maine.

## **Overview of the Budget**

### *Budget Picture: Will the Budget Move Toward Balance Under the Administration Plan?*

The Administration projects a deficit for 2006 of \$423 billion. This will mark the fourth year in a row that the deficit has set the all-time record. Reducing the deficit is an important goal and should remain a national priority. The Administration has proposed to cut the federal budget deficit in half over five years (by 2009). On the surface, this budget accomplishes this goal. However, a closer examination of the budget demonstrates that the claims of deficit reduction are not supported by the evidence. Because of critical omissions and unrealistic assumptions, it is highly unlikely that the policies in this budget would reduce the deficit by half.

The most glaring budgetary omission is the lack of a realistic estimate for money for operations in Iraq and Afghanistan after 2006. In 2006, the cost of these operations will equal approximately \$120 billion. The Administration is assuming that the cost for 2007 will be \$50 billion and \$0 after 2007. While it is not possible to know what the exact costs will be for each year, it is very likely that the total costs for all years in Iraq and Afghanistan beyond 2006 will equal more than \$50 billion — and definitely not \$0 after 2007 — even if there is a draw down of forces. The budget should include realistic numbers; otherwise, it is hiding the facts.

Beyond the war in Iraq, there are a number of key elements left out of this budget that skew our picture of the future. The budget looks ahead for only a five-year window, instead of the traditional ten. This serves to obscure most of the long-term deficit impact of the Administration's proposals. The budget also includes only a one-year patch for the Alternative Minimum Tax (AMT). However, a bipartisan majority in Congress agrees that something must be done about the AMT beyond just one year: if the AMT is not adjusted, an estimated 31 million taxpayers will be subjected to a big tax hike tax in 2010 — most of them in the middle class — making reform a vital priority. This would cost \$844 billion over the next ten years — a realistic cost that must be included in any realistic estimate of the future.

There is also only a partial accounting of the true cost of the Administration's Social Security privatization. The budget acknowledges \$81.6 billion in costs to create Social Security private accounts; however, these costs will skyrocket in the five years immediately following the budget window, costing an additional \$631 billion from 2012-2016. Beyond the issue of privatization being bad policy, the American people should be able to see its true cost to our budget.

When these omitted costs, including debt service, are factored into the estimates, the true deficit over the next ten years (2007-2016) is \$3.9 trillion, with triple-digit deficits never falling below \$294 billion per year. It is essential that the President and Congress make real progress towards reducing the deficit. Deficits impact the state of Maine in a number of critical ways, perhaps the most important of which is by crowding out desperately-needed federal support for programs that the Congress has mandated, but not funded. This, in turn, substantially increases Maine's property taxes and sends the state's own budget out of balance. The President's goal of cutting the deficit in half by 2009 sounds good, but it is not nearly enough. A deficit of nearly \$200 billion a year is still a monumental cost to our economy, our state, and future generations. We must balance the budget and begin to pay off the \$8 trillion in debt that the country now owes.

## Going Forward

As the FY 2007 budget process goes forward, it is important that Congress actually work to cut the deficit. In addition, Congress should advance an honest budget that includes real costs of operations in Iraq and Afghanistan, all of the tax cuts that will be enacted, as well as other major legislation relating to Social Security. Only a budget that is an actual representation of the United States' fiscal picture will allow members of both political parties to move forward with budget reforms, and examine expenditure and revenue changes that will bring the budget toward balance.

Congress should begin this process by enacting sensible budget reform proposals such as those proposed by the Blue Dog Coalition, including: enacting Pay-As-You-Go (PAY-GO) rules, requiring that every bill include a cost estimate, requiring that any bill authorizing \$50 million or more in new spending be put to a roll call vote, requiring votes on debt ceiling increases, requiring a three-day layover of committee reports before they come to a vote on the floor, and penalizing agencies that can't produce a clean audit of their books. These policies will greatly assist in creating budgets that contain targeted tax cuts, support important programs, and move the budget toward balance.

A reduction in federal deficits would cut the payments we must make to service our debt. This would allow the federal government to fund many of the vital programs in this report and to support targeted tax relief, and would reduce unfunded mandates on Maine which raise property taxes. A reduction of the national debt would reduce the amount of Debt Tax paid by every taxpayer in Maine just to service interest on the debt.

## Funding, Policy Priorities and Impacts

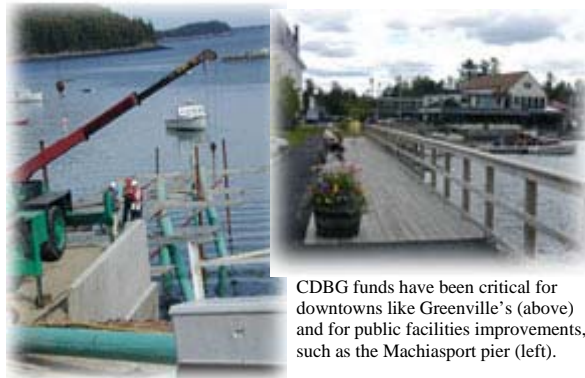
### Community Development and Rural Communities

Federal community and regional development programs provide financial and technical assistance to improve economic conditions among low- and moderate-income communities and aid areas impacted by disasters. Major agencies and programs in this function include the Community Development Block Grant program, the Economic Development Administration, rural development programs in the Department of Agriculture, the Bureau of Indian Affairs, Empowerment Zones and Enterprise Communities, the Disaster Relief program, and the Emergency Preparedness and Response program. The President's budget provides \$11.7 billion in discretionary appropriations for the Community and Regional Development function for 2007, a \$1.5 billion (11.1 percent) cut below the non-emergency 2006 enacted level.

***Community Development Block Grant (CDBG) Program Cut*** — The CDBG program enables states and localities to target federal formula grants and other financial assistance toward improving housing and economic conditions in low- and moderate-income neighborhoods. Last year, the Administration proposed completely eliminating the CDBG program, and I joined with my colleagues in Congress on a bipartisan basis to restore the funding. This year's budget cuts CDBG formula grants and either cuts or eliminates CDBG set-aside programs. The budget proposes a cut of \$736 million below the 2006 non-emergency level, and eliminates Economic Development Initiative grants, putting future projects in Maine in jeopardy.




**IMPACT** — In FY 2006, a total of \$14 million of CDBG funds will come into the State of Maine. Maine CDBG programs have contributed to the Dover-Foxcroft Center Theater, the Jonesport Memorial Library, the Washington County Community Learning Center, and the Unity Head Start Center, among many. In 2004, Ellsworth, Norway, Waterville, and Wilton received money for downtown improvement programs, and Etna, Greenville, Limestone, Palmyra, Caribou, Van Buren, and Waterville received money for housing rehabilitation.




CDBG funds have been critical for downtowns like Greenville's (above) and for public facilities improvements, such as the Machiasport pier (left).


***Eliminates Community Services Block Grant*** — The Community Services Block Grants (CSBG), funded through the Department of Health and Human Services, provides funds to states, territories and Indian tribes for activities and services designed to reduce poverty. Funds are used for employment services, education, housing assistance and other activities designed to address the needs of low-income individuals. The budget eliminates the Community Services Block Grant and other community services programs, cutting \$670 million.

 **IMPACT** — Community Services Block Grants are particularly important in Maine for addressing issues of poverty and the concerns of low- and middle-income families. In FY 2006, Maine received more than \$3.3 million through this program. The CSBG funds activities in many local agencies and supports initiatives including Head Start, Low Income Home Energy Assistance Program (LIHEAP), and a variety of housing, job training and education, economic development, nutrition, and emergency assistance programs.

***High Energy Costs Grants Eliminated*** — Despite the President's focus on energy in the State of the Union Address, the budget eliminates the High Energy Costs Grants program, which provides funds to improve energy facilities among communities that have residential energy costs equal to at least 275 percent of the national average, and which is funded at \$26 million for 2006. The budget does not consolidate this program with any other initiative.


 **IMPACT** — The Fox Islands Electric Cooperative of Vinalhaven was a 2003 selection for \$2,633,522 in High Energy Cost Grant funds. The funds were targeted for Vinalhaven to improve reliability as the island only had one power connection to the mainland and experienced frequent loss of power. Under the proposed budget, other communities in Maine would not have the opportunity to receive money through this important rural program.

***Rural Housing and Economic Development Program Eliminated*** — The Rural Housing and Economic Development program provides funds to improve housing and economic development among rural communities. The budget eliminates the Rural Housing and Economic Development program, which is currently funded at \$17 million.


 **IMPACT** — In FY 2005, the most recent year for which project information is available, Maine received more than \$500,000 from this program including a grant of \$398,824 to the Four Directions Development Corporation. This award will be used to make 21 mortgage and home improvement loans to low-income families of four Maine Indian tribes (Maliseet, Micmac, Penobscot, and Passamaquoddy). The Four Directions Development Corporation is a Native American Community Development Financing Institution recognized by the U.S. Treasury which proposes a comprehensive program to improve the affordability of homes for Native Americans in Maine by reducing their energy costs.



***Slashes the Social Services Block Grant*** — The budget cuts the Social Services Block Grant (SSBG) by \$500 million for 2007. This grant provides states with broad discretion to use these funds for social services such as child care, child welfare, home-based services, employment services, adult protective services, prevention and intervention programs, and special services for the disabled.

 **IMPACT** — In FY 2006, Maine received a Social Services Block Grant allocation of \$7,590,360. Maine would likely see this funding cut by more than \$2.2 million if this cut is enacted, meaning that if the state wants to continue to provide these services, it will have to stretch its budget to pay for them.


***Cuts Funding for U.S. Department of Agriculture (USDA) Rental Assistance Program*** — The budget provides \$486 million for the rural rental assistance program – a cut of \$161 million, or 24.9 percent, below the 2006 enacted level. The budget amount reflects a shift from four-year contracts to two-year contracts. Rural rental assistance payments bridge the gap between what low-income tenants of USDA housing projects are expected to pay for rent – 30 percent of their income – and the operating costs of the projects where they reside.

 **IMPACT** — USDA states the following about the Rental Assistance Program: “Rental Assistance is essential to those very low income residents who, without assistance, could not afford decent, safe and sanitary housing. Therefore, preserving affordable rental housing is crucial to many Maine residents.” The program supported the sale of the Hunnewell Apartments in Pittsfield in which, through the USDA Rental Assistance Program, a subsidized loan was offered that assured that eight low-income families could continue living in their apartments and that the apartments would remain available to very low income families for at least 30 years.

***Cuts National Service Programs***— The budget provides \$851 million for the Corporation for National and Community Service, a cut of \$49 million from the 2006 enacted level and \$85 million below the amount needed to maintain purchasing power at the 2006 level. The Corporation for National and Community Service includes AmeriCorps, which engages more than 40,000 Americans in intensive, results-driven service each year. AmeriCorps workers teach children to read, make neighborhoods safer, build affordable homes, and respond to natural disasters through more than 1000 projects.




Under the proposed budget, the Corporation for National and Community Service, which includes AmeriCorps, will see its funding cut.

 **IMPACT** — This year, the Corporation for National and Community Service will commit more than \$5,200,000 to support Maine communities through three national service initiatives. This funding could be cut if the Administration’s budget is adopted. In recent years in Maine, more

than 350 full and part-time Maine AmeriCorps members have completed service hours in their communities and have generated an additional volunteer force of more than 2,500 individuals for education, housing, and service learning projects. Since 1994, more than 2,400 Maine residents have qualified for AmeriCorps Education Awards totaling more than \$8,000,000.


***Cuts Corporation for Public Broadcasting*** — By custom, the Corporation for Public Broadcasting receives an appropriation two years in advance. In 2005 and 2006, Congress enacted \$400 million in funding for 2007 and for 2008. The 2007 budget now rescinds \$54 million of the already enacted 2007 funding and \$50 million of the enacted funding for 2008. The budget also ends the practice of such “advance appropriations” and therefore does not include any additional funding for any future year.

 **IMPACT** — Public Broadcasting is a valuable resource for Maine communities, particularly those in rural areas that have less media options and less local coverage. The President’s proposed cuts would mean a decrease of \$137,727 for grants available to Maine Public Broadcasting Network for television funding and would likely mean a loss of more than \$90,000 to Maine Public Radio.


## **Economic Development and Job Creation**

While not a designated category within the federal budget, economic development and job creation is a task that the federal government must take very seriously. Clearly economic development and job creation is the goal behind the small business loans and manufacturing competitiveness programs discussed below. However, NIH funding and creation of research jobs, as well as vocational education that make Maine’s workforce more competitive, are programs that also can have a significant impact on economic development in Maine and that are discussed elsewhere in this report.

***Eliminates Microloans and a Variety of Other Aid to Small Businesses*** — The budget again zeroes out microloans, a program that will provide an estimated \$20 million in loans in 2006 mainly to low-income entrepreneurs.

 **IMPACT** — Last year, 62 businesses in Maine received \$1.1 million from the Microloan Program. Without funding, organizations like the Eastern Maine Development Corporation and the Northern Maine Development Commission would not be able to make these loans to local small businesses. This is particularly significant because approximately 95% of Maine businesses are small businesses, and the Microloan program is designed to help budding entrepreneurs that may not qualify for traditional financing. The Eastern Maine Development Corporation alone has used the MicroLoan Program to create or retain 226 jobs since 1993. Clearly this is a successful program that has proven its job creation potential. Cutting it would take away an important economic development tool for our local communities.

***Slashes Funding for the Manufacturing Extension Partnership*** — The budget provides \$46 million for the MEP, a 56.2 percent cut from the 2006 enacted level of \$105 million. This program, which also receives state, local, and private funding, provides information and consulting services to help small businesses adopt advanced manufacturing technologies and business practices that will help them compete in a global market. Funding for the program has fluctuated dramatically in recent years, going from \$106 million for 2003 to \$40 million for 2004, and back to \$108 million for 2005 and \$105 million for 2006 before the budget slashes funding once again for 2007.


 **IMPACT** — According to a survey of Maine MEP client businesses, the sum of direct, indirect, and induced effects of participation in the MEP program suggests that the Maine MEP is responsible for: creating or retaining 666 jobs that paid a total of \$21.0 million in employee wages and benefits; increasing or retaining economic output worth \$73.6 million; contributing or retaining \$32 million of gross state product; generating or retaining \$7.2 million in additional tax and non-tax revenues at the federal, state, and local government levels, including \$2.1 million at the state and local levels.



The MEP performs critical work, helping small manufacturers adopt advanced manufacturing technologies to remain competitive in the global marketplace.

The MEP is the only program within the federal government that is specifically charged with helping our country's small and medium-sized manufacturers compete in the global economy. Cutting MEP funding hurts small businesses and manufacturers in Maine and it slows job growth at a time when we should be investing in the manufacturing sector and in small businesses. Client companies of MEP that have benefited from the program include New England Castings in Hiram, Katahdin Forest Products in Oakland, AM Wood Designs in Bingham, Sappi Fine Paper in Westbrook, Kennebec Tool and Die in Augusta, and Maine Street Flour in Limestone, among many others.

***Job Corps*** — Last year, Congress moved the Job Corps program within DOL to the Office of the Secretary. The 2007 budget moves Job Corps back into the Employment and Training Administration and cuts its funding by \$63 million.

 **IMPACT** — Maine is home to the Loring Job Corp Center and the Penobscot Job Corps center. Reducing funding for Job Corp centers will slow Maine's ability to recover from manufacturing job losses.


## Education

For the fifth year in a row, the Administration is failing to provide the resources promised for the No Child Left Behind Act (NCLB) — bipartisan K-12 education reform legislation signed into law four years ago. The NCLB Act authorizes \$39.4 billion for elementary and secondary education programs for 2007, including \$25.0 billion for Title I grants to states. Yet the President's budget cuts overall funding for existing NCLB programs, freezes Title I at \$12.7 billion, adds its new high school and math programs, and still provides only \$24.0 billion for NCLB programs – \$15.4 billion below the authorized level.


**Higher Education Cuts** — The President's budget eliminates the \$65 million Perkins loan program that allows colleges to cancel Perkins loans for certain students who pursue public service careers following graduation. It also recalls all prior federal capital contributions to the revolving funds from which colleges currently make new Perkins loans, for 2007 discretionary savings of \$664 million. Congress rejected both these proposals last year. In addition, the budget freezes the Pell grant at \$4,050 for the fifth year in a row, despite the fact that tuition has increased 46% since 2001. The budget also eliminates the Byrd Honors Scholarships.



Education cuts will make it more difficult for Maine students to attend the University of Maine and other colleges.

 **IMPACT** — In recent years, Maine has received approximately \$10,000,000/year in Perkins Loan funding which has been distributed to approximately 7,000 students each year to help them attend college. In 1975, the Pell Grant covered 80%, on average, of the cost of a four-year public education. Today, it covers only 40%. In 2005, 109 Maine students received \$163,500 in scholarships through the Byrd Honors Scholarship Program, which the Administration proposes eliminating.

**Safe and Drug Free Schools State Grants Eliminated** — The purpose of the Safe and Drug Free Schools and Communities Act is to prevent violence in and around schools and to strengthen programs that prevent the illegal use of alcohol, tobacco and other drugs. This program (Title IV-A of No Child Left Behind) requires parental involvement and coordination with related federal, state, and local efforts and resources; and makes federal assistance available to states, local educational agencies, public and private nonprofit organizations, and institutions of higher education for selected programs, services, and activities. The President proposes eliminating this program.

 **IMPACT** — If this program is eliminated, Maine will lose an additional \$1,681,535 in federal NCLB funding. In Maine, this program has gathered substance abuse data from more than 660 schools and standardized information on prevention and cessation programs.

***GEAR UP, Talent Search, and Upward Bound*** — The Administration’s budget jeopardizes college attendance for more than 1 million students, while increasing the cost of college for teachers, military service members and law enforcement officers. The President’s FY 07 budget eliminates the GEAR UP, Talent Search and Upward Bound programs — which ensure that millions of high risk students succeed in high school and move on to college.



**IMPACT** — Eliminating Talent Search and Upward Bound programs would represent a 31% reduction in total TRIO students served annually and a 43% reduction in TRIO funds received by Maine. UMaine’s Talent Search projects have provided services to more than 15,000 Maine youth since 1977. More than 9,000 of these “at risk” youth enrolled in college. Maine’s Upward Bound projects have also produced excellent results throughout the life of the program.

***Vocational Education State Grants*** — The Vocational Education State Grants provide funds to support state-sponsored vocational education programs. These programs, which are implemented in high schools and postsecondary schools, provide students with job-focused education and occupational training. President Bush’s education budget eliminates funding for this program.



**IMPACT** — In FY 2006, Maine will receive \$5,779,511 under this program. Future funding would be eliminated in this proposal.

***Comprehensive School Reform (Title I)*** — The Comprehensive School Reform program is designed to increase student achievement by assisting public schools across the country with implementing comprehensive reforms that are grounded in scientifically based research and effective practices.




**IMPACT** – In FY 2005, Maine received \$703,775 under the Comprehensive School Reform Initiative. This program in Maine has helped the state to ensure that the high standards of Maine Learning Results are implemented in middle schools and high schools. The President has again proposed terminating this funding in FY 2007.

## **Environment, Energy, Forestry, and Agriculture**

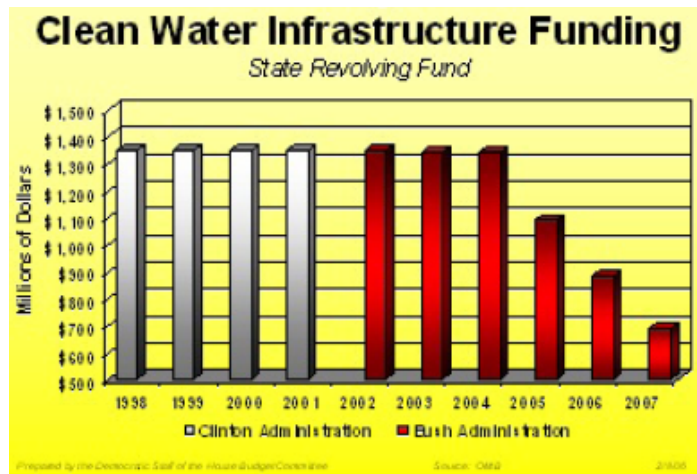
In the area of natural resources and the environment, the President’s 2007 budget repeats the pattern of each of the last five years. The President’s budget cuts investments in clean air, safe drinking water, and conservation measures that affect American families every day. For 2007, the President’s budget once again significantly cuts funding for programs that protect public health and the environment. The budget provides \$27.9 billion in discretionary funding for these programs, which is \$2.4 billion (7.8 percent) below the 2006 enacted level, excluding supplemental funding, and is \$3.4 billion (10.7 percent) below the level needed to maintain current services. Over the 2007- 2011 period, the budget is \$28.1 billion (16.9 percent) below

the level needed to maintain current services. These drastic cuts undermine the public’s demand to meet certain environmental priorities, and they jeopardize our nation’s most treasured resources.


**Energy Efficiency and Renewable Energy** — Despite citing America’s “addiction to oil” in his State of the Union Address, the President’s budget provides \$1.2 billion for the Office of Energy Efficiency and Renewable Energy, which is \$24 million less than the 2006 request and \$58 million less than the amount provided for 2005. Despite the Department of Energy’s assertion that “It’s a fact: weatherization works!” weatherization assistance grants, which help low-income households make their homes more energy-efficient, are cut by \$78 million (32.3 percent) from the 2006 appropriated level. In total, all weatherization and intergovernmental activities are cut by \$92 million from the 2006 appropriated level.

 **IMPACT** —Through the Weatherization Assistance Program, the Maine State Housing Authority operates the Weatherization and Central Heating Improvement Programs, which have assisted low-income Maine families in reducing their energy bills by over 30% and energy consumption by over 20%. At this year's fuel prices, weatherized homes will have winter heating oil bills that are about \$500 lower than they would have been without Weatherization investments. Since 2000, these grants have provided more than \$19 million in funding to Maine, including \$3,264,128 in FY 2006, and have been used to weatherize between 700 and 900 homes in Maine each year.


**Clean Water and Drinking Water Needs Ignored** — The budget provides the Clean Water State Revolving Fund (SRF) with only \$688 million for 2007, a cut of \$199 million, or 22.4 percent, from the 2006 enacted level. More significantly, this represents a \$403 million (36.9 percent) decrease in funding over the last two years and a \$654 million decrease (48.7 percent) since 2004. The Drinking Water SRF is provided \$842 million, a mere \$5 million (0.6 percent) increase from the 2006 level. These low funding levels dramatically diminish the nation’s ability to meet current needs, as well as reduce pollution, establish a sound wastewater treatment infrastructure, provide safe drinking water for millions of Americans, and protect against potentially deadly water contamination.



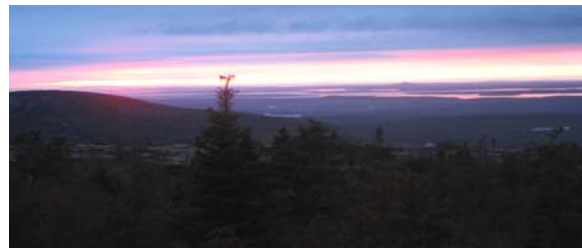
Inadequate funding for clean water infrastructure and continued need to comply with federal clean water laws burdens Maine communities with an increasing, unfunded federal mandate.

 **IMPACT** — To date, the Maine CWSRF has provided low interest loans totaling \$351 million to improve Maine’s wastewater infrastructure and clean up Maine’s surface waters in Augusta, Auburn, Bangor, Bethel, Brewer, Lewiston, Mount Desert, Sanford, Scarborough, Skowhegan and many other communities. A 22% cut in this funding would likely cut \$1.1 of Maine’s \$5.2 million in FY 2007; however, it is important to note that funding is not higher than \$5.2 million because of previous cuts.


**Hurts our Farmers** — The President once again cuts vital Farm Bill programs that would help farmers protect and enhance natural resources by over \$450 million for 2007 alone. This is in addition to the \$249 million in conservation cuts for 2007 in the 2005 spending reconciliation bill. The budget cuts the Environmental Quality Incentives Program (EQIP) by \$270 million (21.3 percent), the Wildlife Habitat Incentives Program (WHIP) by \$30 million (35.3 percent), the Agriculture Management Assistance program by \$14 million (70.0 percent), and Farmland Protection by \$47 million (48.5 percent). The budget also eliminates the remaining Watershed Rehabilitation Program funds (\$65 million).

 **IMPACT** — Through EQIP, Maine allocated \$7,702,827 through 317 contracts in 2005. This same year, the number of acres managed for the protection and enhancement of habitat for species with declining populations was 184; conservation was applied to more than 1,700 acres of grazing land to protect the resource base; the number of acres of cropland soils damaged by erosion was reduced by 2,400 acres; and soil erosion was reduced by more than 3,900 tons. EQIP in Maine has produced many success stories. For example, Onelio and Virginia Lopez have operated a 50-cow dairy farm in Smithfield since 1979. With assistance from the Natural Resource Conservation Service (NRCS), Onelio and Virginia signed up for EQIP. They now have a contract to control barnyard runoff and construct a waste storage facility. Along with that, they will also be doing a nutrient management plan and pasture and hayland management programs. These practices will assist the Lopez family to meet new state environmental laws.

**Land and Water Conservation Fund (LWCF)** — The Land and Water Conservation Fund Act of 1964 was established to assist federal, state and local governments in the acquisition and/or development of public outdoor recreation facilities. The program currently consists of a state and federal component. The administration proposes to completely eliminate the state portion of the LWCF program.



LWCF funding has been used to purchase and upgrade numerous recreational and conservation projects such as land around Acadia National Park (above) and, in 2005, Crescent Beach State Park (left).

 **IMPACT** — State LWCF funding has accounted for millions of dollars coming to Maine since its inception. LWCF funds projects that small communities rally behind and could not begin by themselves. A 2004 LWCF project award to replace an unsafe playground in Buckfield was completed this past August and has transformed this corner of that community. In the most recently completed FY 2005 projects, Maine awarded \$842,922 through State LWCF grants, which included funding for Camden Snowbowl snowmaking upgrade, public beach improvements in Strong, a Community School playground in Appleton, a playground in Jackman, park renovations in Brewer, river side park renovations in Rumford, and a tennis court project in St. Agatha, among many others.

## Healthcare, Medicare, and Medicaid

The President’s budget provides \$50.8 billion for appropriated programs, excluding emergency appropriations for pandemic influenza, in Function 550 (Health) for 2007. This amount is a cut of \$126 million (0.2 percent) below the 2006 enacted level, and a cut of \$1.4 billion (2.6 percent) below the amount needed to maintain purchasing power at the 2006 enacted level. In addition to these amounts, appropriated health programs received \$3.3 billion in supplemental appropriations for pandemic influenza for 2006, and the budget provides an “allowance” of \$2.3 billion for 2007. The Administration intends to transmit a formal request for these emergency funds to Congress later this year. The budget makes legislative cuts to Medicare of \$35.9 billion over five years and \$105 billion over ten years by reducing payments for providers in traditional Medicare. The budget also includes regulatory cuts of \$7.9 billion over five years and \$19.0 billion over ten years. Excluding already published regulations, the regulatory savings are \$5.4 billion over five years and \$13.2 billion over ten years.

***Legislative Cuts to Medicare of \$105 Billion Over Ten Years and Increased Medicare Premiums for Certain Beneficiaries***


— The budget makes legislative cuts to Medicare of \$35.9 billion over five years and \$105 billion over ten years by reducing payments for providers in traditional Medicare. The budget also includes regulatory cuts of \$7.9 billion

<b>Medicare Legislative Cuts of \$105 Billion Over Five Years</b> (dollars in billions)		
	2007 - 2011	2007 - 2016
Cut Inpatient Hospital Update	-6.6	-17.4
Cut Skilled Nursing Facility Update	-5.1	-12.4
Cut Home Health Update	-3.5	-9.0
Cut Inpatient Rehabilitation Facility Update	-1.6	-3.9
Cut Hospice Update	-0.6	-1.5
Adjust Payment for Hip and Knee Replacements in Post-Acute Care Settings	-2.4	-5.8
Cut Outpatient Hospital Update	-1.5	-4.6
Cut Ambulance Update	-0.3	-0.9
Expand Competitive Bidding to Laboratory Services	-1.4	-5.2
Pay for Short-Term Power Wheelchairs Based on Actual Use	-0.5	-1.1
Limit Oxygen Rental Period to 13 Months	-6.6	-18.0
Eliminate Payments for Bad Debt	-6.2	-22.5
Expand Application of Medicare Secondary	-1.6	-3.8
Eliminate Indexation of Income-Related Premium Thresholds*	-1.9	-10.1
Premium Interactions	3.8	11.2
<b>Total Medicare Legislative Cuts</b>	<b>-35.9</b>	<b>-105.0</b>


\* This proposal includes savings from (1) beneficiaries not signing up for Medicare (-\$40 million over five years, and -\$350 million over ten years) and (2) increased premium collections (-\$1.9 billion over five years, and -\$9.8 billion over ten years), for total savings reflected in the table.




over five years and \$19.0 billion over ten years. Excluding already published regulations, the regulatory savings are \$5.4 billion over five years and \$13.2 billion over ten years. The budget also accepts provisions under the Medicare Prescription Drug, Improvement and Modernization Act of 2003 (MMA) that will result in certain seniors paying higher premiums for Medicare Part B starting in 2007.

 **IMPACT** — Cutting provider payments will likely mean reduced services and availability in Maine for inpatient hospitals, skilled nursing facilities, home health providers, inpatient rehabilitation facilities, and hospice providers. Increased fees will, at first, only affect upper-middle income Mainers; however, these fees are not indexed for inflation and will continually affect more and more citizens in Maine who will be forced to pay higher premiums for Medicare.

***Slashes Rural Health Activities*** — The budget provides \$27 million for rural health activities, a \$133 million (83.1 percent) cut from the 2006 enacted level.

 **IMPACT** — This is a serious cut for Maine’s rural healthcare network. In 2005, funding administered through the Office of Rural Health Policy funded projects with the Healthy Community Coalition in Wilton and funded hospital projects at the Blue Hill Memorial Hospital, the Bridgton Hospital, the Cary Medical Center in Van Buren, the Charles A. Dean Memorial Hospital in Greenville, the Down East Community Hospital in Machias, the Houlton Regional Hospital, the Mayo Regional Hospital in Dover-Foxcroft, the Miles Memorial Hospital in Damariscotta, the Millinocket Regional Hospital, the Mount Desert Island Hospital, the Penobscot Valley Hospital in Lincoln, the Rumford Hospital, the St. Andrews Hospital in Boothbay Harbor, the Sebecook Valley Hospital in Pittsfield, and the Waldo County General Hospital in Belfast. With an 83 percent funding cut, these types of programs will be severely limited in the future.

***Cuts Substance Abuse and Mental Health Services Administration (SAMHSA)*** — The budget funds SAMHSA at \$3.1 billion for 2007, a decrease of \$71 million from the 2006 enacted level.

 **IMPACT** — Maine youth continue to have rates of drinking, smoking, and drug abuse higher than the national average, and drug use continues to be a problem in Maine, particularly with the growing OxyContin problem. Among its other purposes, SAMSHA provides grants to treat opiate addiction in rural areas, and cutting funding for SAMSHA could adversely impact Maine.

***Freezes Funding for NIH*** — One of the major successes in science and health research funding in the last quarter century was the doubling of the NIH budget from 1998 to 2003. However, despite the State of the Union focus on science and math education and competitiveness (and health care), the budget provides \$28.4 billion for 2007, virtually a freeze at the 2006 enacted level, and a cut of \$642 million below the amount needed just to maintain purchasing power at the 2006 level.



**IMPACT** — As the primary Federal agency for conducting and supporting medical research, investing in the NIH is an investment in the future health of people throughout America and the world. In addition, the NIH is critically important to the future economic well being of Maine as efforts continue to diversify the state's economy and create jobs. The NIH is an indispensable funding source for members of the Maine Biomedical Research Coalition, whose members include the Mount Desert Island Biological Laboratory and The Jackson Laboratory. The Jackson Laboratories received \$57,773,791 from NIH in 2005, which it used to employ 1,274 people in Hancock County, and advance its mission as one of the leading institutions in the world in genetics and cancer research.



The Jackson Laboratory's campus, seen above, is home to 1,274 employees, making Jackson one of Maine's ten largest employers.


***Eliminates the Universal Newborn Screening Program*** — The President's budget eliminates the \$10 million Universal Newborn Screening Program.




**IMPACT** — Maine has received funding for a Universal Newborn Hearing Screening Program, which could be eliminated if this proposal is accepted. With this Universal Newborn Screening funding, and passage of state legislation, Maine will require birthing hospitals to inform new parents of the importance of hearing screening and intervention. If a birthing hospital does not provide screening, it is required to refer parents to a provider who does. Hospitals and other screening providers are required to report the results of screening to the Maine Newborn Hearing Program (MNHP).

Newborn hearing information and reports from hospitals and audiologists will be linked monthly with electronic birth certificates and newborn bloodspot screening data. Birth defects program data will be used when available. The project will collaborate with the University of Maine at Orono (UMO) to develop the surveillance and tracking system. UMO is developing the Children At-Risk Database (CARD) and will establish linkage with the Maine Hearing Program surveillance in the electronic birth certificate/newborn bloodspot screening activities. Methods for screening and follow up will be developed to ensure accurate data collection and tracking of infants screened for hearing impairment for use by birthing hospitals and by audiologic diagnostic centers.

***Budget Fails to Address Medicare Physician Payment Cut*** — Notably, the budget does not address the Medicare payment formula for physicians that will result in cuts to physician payments for 2007 and further cuts for the following years.

 **IMPACT** — According to the American Medical Association and the American College of Physicians, from 2006-2011, the Medicare program's trustees are predicting that Medicare physician payment rates will be cut by 26%. From 2006-2011, Medicare payments in Maine will be cut by \$300 million. For physicians in Maine, the cuts over this period will average \$12,000 per year for each physician. This comes on top of a 5.4% payment cut which cost Maine doctors a total of \$11.3 million or about \$4,437 per physician in 2002. One in four Maine physicians either has restricted or plans to restrict the number or type of Medicare patients treated. One in three has stopped or intends to stop delivering certain services to Medicare beneficiaries. Additional payment cuts over the next three years could worsen these problems and cause significant health care access problems in Maine. While payment cuts are likely to affect patient access nationwide, problems could be especially acute in Maine, where 36% of family physicians are over the age of 50 and 16% are over 60. These cuts also make it more difficult to attract and retain doctors in our state.

***Eliminates the Preventive Health Block Grant*** — The budget eliminates the CDC's Preventative Health Block Grant program. In 1981, Congress authorized the Preventive Health and Health Services Block Grant to give states the "autonomy and flexibility to tailor prevention and health promotion programs to their particular needs." The PHHSBG is awarded through the Centers for Disease Control and Prevention and provides and enhances essential health services across the country. The budget eliminates all of the \$99 million from this program

 **IMPACT** — In Maine, this grant allows the state to use dollars to provide vital services such as laboratory testing for Hepatitis and Sexually Transmitted Diseases, enhance surveillance for rabies, coordinate oral health programs for the state's children, assure access to preventive health services, improve the collection of disease and health data, provide education to improve public health, and target resources to assist populations at high risk for disease and injury. Funding for this important resource has been fluctuating. In 2005, Maine received \$1,112,447 in PHHSBG money, a reduction from previous years.


## **Homeland Security and Defense**

The President's budget includes \$459.7 billion for all non war-related national defense appropriated activities. The budget also sets aside an additional \$120 billion for costs associated with the wars in Iraq and Afghanistan to account for the Administration's intention of submitting future war supplemental requests. Of this amount, \$70 billion is for additional funding for 2006, and \$50 billion is for 2007. Funding levels for National Defense, excluding emergency funding,


remain relatively unchanged as compared to the future projections of the 2006 budget. For 2007, the budget reflects a \$2.9 billion reduction below the projected amount in the President's 2006 budget. This reduction is more than offset in the following three years, however, which reflect increases of \$1.1 billion in 2008 and \$1.2 billion in each of 2009 and 2010. From year to year, the budget still maintains significant increases above inflation.

The Administration re-categorized some of the Department of Defense and Coast Guard programs as homeland security. Consequently, the budget's funding totals are approximately \$7 billion greater in each year than they otherwise would be. The President's budget includes a total of \$58.3 billion for all homeland security activities for 2007, \$3.4 billion more than the amount enacted for a similar category of programs for 2006. These totals include mandatory and discretionary programs, including homeland security funding for the Department of Defense and homeland security activities that are fee-funded. The \$3.4 billion increase is partially attributed to the budget's inclusion of increased aviation security fees on both passengers and air carriers. The budget assumes collections over five years totaling \$9.7 billion from these fees. Net appropriations for domestic homeland security activities (a total that excludes all national defense and international affairs funding as well as fee-funded activities) for 2007 total \$29.3 billion. The 2007 domestic total reflects a \$1.7 billion (6.1 percent) increase above the enacted amount for 2006. However, the President's budget changes the baseline funding appropriated to individual states from 0.75% to 0.25%. Under this funding change, the baseline funding for Maine's state emergency management programs would decrease from \$7.1 million in FY06 to \$1.5 million in FY07, severely limiting operational capabilities including successful homeland security initiatives like Operation Stonegarden.

***Shipbuilding*** — The budget includes procurement of seven new ships in the shipbuilding budget, which is one more than the number of new ships being built in 2006. They include: one Virginia class submarine, two DD(X) destroyers, two Littoral Combat Ships, one LHA(R) amphibious assault ship, and one T-AKE dry cargo/ammunition ship. Six of the seven ships are funded from the Shipbuilding and Conversions, Navy account.

 **IMPACT** —As America's premiere shipyard for surface combatants, Bath Iron Works will benefit from the President's proposed investment in two DD(X) destroyers. The budget includes \$2.568 billion for the first of a two year split funding plan for the two lead DD(X) destroyers. The approved plan would send half of this funding to BIW to build one of these ships.

***First Responders*** — The budget includes a total of \$1.7 billion within the Department of Homeland Security for first responder funding, which is \$573 million (24.9 percent) less than the amount enacted for 2006. Within this total, the budget decreases firefighter assistance grants by \$355 million and eliminates all funding for law enforcement terrorism prevention, a reduction of \$385 million. These decreases are partially offset by an \$87 million increase for formula-based grants and an \$80 million increase for specific high-threat urban areas.


 **IMPACT** — The Fire Grant is often the only way for rural fire departments to amass enough funding to buy expensive fire trucks and equipment. In FY 2005,

Assistance to Firefighters Grants for Maine totaled \$6,124,183. These grants included \$130,973 for protective equipment in Livermore Falls, \$198,000 for vehicle acquisition in Bangor, and \$106,780 for protective equipment in Caribou, among 76 other projects throughout the state. In addition, with less funding through the Assistance to Firefighters Grants, more fire departments will be turning to the State Homeland Security Grant program for more funding, increasing pressure on the state.


**Coast Guard** — The President’s budget provides \$8.4 billion for the Coast Guard, also now part of the Department of Homeland Security. Of this amount, \$7.1 billion is appropriated funding and \$1.3 billion is mandatory spending, consisting mostly of retirement pay. The 2007 appropriated funding is \$305 million (4.5 percent) higher than 2006 enacted level, excluding supplemental funding. As was the case with recent budgets, the funding increase is attributable to the Coast Guard’s expanded role in homeland security.




Increased funding for the Coast Guard will allow for the continued operation of vessels like the Thunder Bay, based in Rockland.

 **IMPACT** — Increased resources for the Coast Guard will help Maine secure its borders and is a clear positive for many aspects of the State’s marine economy.

**Port Security Grants** — These grants were authorized as part of the port and maritime security legislation passed by the Congress and signed into law in November 2002. Port security grants from the Department of Homeland Security provide funds for port agencies to install the fencing, surveillance technologies, and other measures needed to prevent terrorists from gaining access to docks and other port facilities. The President’s 2007 budget once again does not include any funding for grants to port authorities for security upgrades. However, the budget does include \$600 million in grants to supplement state and local infrastructure protection efforts that could include, among other things, port security measures. In 2006, the President proposed the same measure. Congress rejected that request and provided \$173 million in port security grants for 2006. The Coast Guard reports port physical security needs of \$4.4 billion over ten years.

 **IMPACT** — The President’s budget pits port security against other security concerns. Port Security grants have been important to Maine ports, such as Portland. Ports remain particularly vulnerable as a point of entry for terrorists and terrorist weapons and should have their own dedicated funding stream.


**Increased Taxes on Airline Passengers** — The President’s budget increases airline security passenger fees to cover a larger portion of screening costs. The current fee is assessed at \$2.50 per segment, capped at \$5 per one-way flight and \$10 for a round-trip flight. The budget replaces this with a single flat fee of \$5 per one-way ticket. This will raise \$1.6 billion in 2007 and \$9.7 billion over five years (2007-11). Congress rejected a slightly different proposal last year.

 **IMPACT** — Total enplanements and deplanements in Maine numbered 2,017,499 last year. The proposed airline tax would add additional fees to people traveling to and from Maine by plane. Any tax that increases the cost of visiting Maine could hurt tourism and therefore could hurt Maine's economy.


## Law Enforcement and Justice

The Administration of Justice function consists of federal law enforcement programs, litigation and judicial activities, correctional operations, and state and local justice assistance. Agencies within this function include: the Federal Bureau of Investigation (FBI); the Drug Enforcement Administration (DEA); Border and Transportation Security (BTS); the Bureau of Alcohol, Tobacco, and Firearms and Explosives; the United States Attorneys; legal divisions within the Department of Justice; the Legal Services Corporation; the Federal Judiciary; and the Federal Bureau of Prisons. The President's budget provides \$39.7 billion in discretionary funding for this function, \$262 million above the 2006 enacted level. The budget increases several federal law enforcement programs that are tied to homeland security. However, the 2007 budget, like previous budgets submitted by the Administration, significantly cuts state and local law enforcement programs.

***Violence Against Women Programs Cut*** — Violence Against Women programs provide varied assistance to prevent and prosecute abuse committed against women. The budget provides \$347 million for Violence Against Women programs for 2007, a \$35 million (9.2 percent) cut below last year's level.


 **IMPACT** — According to the Maine Department of Public Safety, the crime of domestic assault, as reported to police, occurs every 1 hour, 37 minutes in Maine. VAWA programs have been a key source of funding for the nine domestic violence shelters in the state, providing \$3,545,478 in FY 2005 for Violence Against Women grants. The uses of the funding have been varied and successful, encouraging great innovation and expansion of existing efforts to stop violence. This funding has created domestic violence courts, held batterers accountable for their criminal actions, and provided more safety to victims of domestic violence through shelters and help lines. Less funding will stifle the gains made by these successful programs and could even cause them to close their doors.

***Byrne Memorial Justice Assistance Grants*** — The Administration proposes to eliminate the Edward Byrne Memorial State and Local Law Enforcement Assistance Grant Program, a \$529 million reduction. The Edward Byrne grants are a partnership among Federal, State, and local governments to create safer communities. The grants have a particular focus on combating violent and drug-related crime.

 **IMPACT** — In the past, Maine has been awarded \$3 million under this program. Under the Administration's proposed budget, the program would be eliminated. Maine continues to battle an increasing drug problem in some

regions, and these grants are necessary to assist local police departments in this capacity.


***The Community Oriented Policing Services (COPS) Program Nearly Eliminated*** — COPS provides grants and other assistance to help communities hire, train, and retain police officers and to improve law enforcement technologies. The budget provides \$102 million for COPS for 2007, most of which is funding that is carried over from previous years. This represents a \$376 million (78.7 percent) cut below the 2006 enacted level. The budget also permanently reduces unobligated balances in the program by \$128 million for 2007, thus setting the program on the path for elimination.

 **IMPACT** — In recent years, Maine has received over \$4.5 million/year in COPS grant funding, and the COPS program has put hundreds of police officers on Maine streets since its inception including in Bangor, Lewiston, and other communities. Reducing funds for police officers provides another burden on Maine municipalities at a time when they are working to reduce property taxes.


## **Social Security, Seniors, and Low-income Families**

***Privatization Plan Weakens the Social Security Trust Fund*** — The President again proposed to privatize Social Security and cut guaranteed benefits for workers – with repeated references to his proposals throughout the document and, for the first time, the inclusion of the cost of the accounts in his budget. The budget revealed that the accounts would drain the Social Security Trust Fund of three-quarters of a trillion dollars in just the next decade.


Because the Administration's plan to divert payroll taxes to private accounts would worsen Social Security's finances, his plan could force large benefit cuts. Moreover, these benefit cuts would apply to everyone, not just the workers who opt for the private accounts. These across-the-board benefit cuts would be especially harsh for disabled workers and survivors of workers who die young, because the workers would not have had a full career's worth of contributions to their private accounts to help soften the blow.

 **IMPACT** — Maine's 2nd Congressional District ranks 14th out of 436 for its rate of return on Social Security investment, according to the Heritage Foundation. Most Mainers depend on their full Social Security benefits for retirement. The Administration's privatization plan would weaken the system, reduce benefits, and add trillion of dollars to the national debt. In fact, a report from the Committee on Government Reform shows why the proposal is specifically a bad deal for Maine. The report found that the plan would result in significant benefit cuts for over 171,000 workers in Maine's Second Congressional District alone. Maine workers currently between the ages of 35 and 55 would suffer an average benefit cut of \$1,225 per year, while workers younger than 35 would lose an average of \$2,770 annually.


***Elimination of Death Benefit*** — Dependent spouses or eligible children are entitled to a one-time lump-sum payment of \$255. This benefit has been part of the Social Security insurance package since 1950 and has been earned by workers through their payroll tax contributions. While the savings are modest, the proposal illustrates the Administration's willingness to cut guaranteed Social Security benefits, even those, quite literally, paid to widows and orphans. Elimination of such benefit saves \$989 million over five years.

 **IMPACT** — This benefit has been part of the Social Security insurance package since 1950 and has been earned by workers through their payroll tax contributions. Although this benefit no longer comes close to covering all burial expenses, eliminating it is a blow to families who have lost a primary wage-earner. Mainers will be worse off for this benefit cut; it is shortsighted to look for budget savings that punish widows and orphans.

***Enforcement of Windfall Elimination Provision/Government Pension Offset*** — Public sector workers who are not covered by Social Security are subject to offsets that are designed to prevent them from earning higher overall benefits than if they had spent their entire careers covered by one system or the other. Tightening of the reporting requirements for such pensions beginning in 2010 would save \$427 million through 2011.


 **IMPACT** — Hundreds of thousands of Americans – teachers and other public school employees, firefighters, police, social workers, and other civil servants – are affected by these provisions. The problem in Maine, and over a dozen other states, is the unequal treatment that is paid by the Social Security Administration to certain beneficiaries. Currently, many beneficiaries are caught in the middle between their pension plan and Social Security and never receive all of the benefits that they deserve. If the expansion proposed in this budget becomes law, over the next ten years, nearly 500,000 people in the U.S. will be subject to these harmful provisions, precisely the opposite course that we should be taking.

***Changes Eligibility Rules for Food Stamps*** — The budget includes two provisions affecting food stamp eligibility. One provision cuts food stamp spending by \$656 million over five years relative to current law by making it more difficult for certain low-income families receiving TANF non-cash assistance to qualify for food stamps. Roughly 225,000 people will lose food stamps under this provision. In addition, 40,000 children who lose food stamps will also lose access to free school lunches, thereby cutting child nutrition spending by \$50 million over five years. A similar provision passed the House as part of the 2005 spending reconciliation bill, but it was rejected by the Senate and ultimately dropped from the conference report.

 **IMPACT** — These cuts affect households in about 40 states that have taken the categorical eligibility state option. Maine would be one of the hardest hit states under this proposal, with thousands of Maine residents losing their food stamp eligibility.




***Increases Total Funding for Low-Income Energy Assistance*** — The budget provides \$1.8 billion in appropriated funding for the Low-Income Home Energy Assistance Program (LIHEAP). The reconciliation spending cut bill provides \$1.0 billion of mandatory funding for 2007, resulting in a total funding level of \$2.8 billion, an increase of \$621 million from the 2006 enacted level (including contingency funding).

 **IMPACT** — It is important to recognize that the Administration’s budget will do nothing to help families facing higher heating bills this winter. However, there are 124,000 families in Maine who are eligible to receive financial assistance with home heating costs through the federal Low Income Heating and Energy Assistance Program (LIHEAP). Any increase in funding for LIHEAP next year is a positive development, but actions must be taken to increase funding this year.

## Transportation

The President’s budget provides \$63.6 billion in appropriated budgetary resources for 2007. This is \$1.8 billion (2.9 percent) above the 2006 enacted level, excluding supplemental funding. In addition, the budget increases airline security passenger fees to cover a larger portion of screening costs.

***Funding Cuts for the Essential Air Service (EAS) and Small Community Air Service Programs*** — The EAS program provides financial assistance to rural communities geographically isolated from hub airports so that they may operate smaller airports. The President’s 2007 budget once again cuts funding more than 50 percent for the EAS program by establishing a \$50 million cap. The proposal would also create three categories of communities based on distance to a hub airport and establish cost-sharing criteria. Congress has consistently rejected this Administration proposal. In addition, as in previous years, the President does not include any funds for the Small Community Air Service Program, which helps communities that suffer from infrequent service and high air fares. Congress authorized \$35 million per year for this program as part of the 2004 Federal Aviation Administration (FAA) reauthorization bill.

 **IMPACT** — EAS has enabled continued passenger service at the Augusta State Airport, Hancock County-Bar Harbor Airport, Knox County Airport in Rockland and Northern Maine Regional Airport in Presque Isle. Through the first 11 months of 2005, those airports handled 70,975 passengers. It is very likely that one or more of these airports could not support commercial air service without EAS funding.


***Amtrak Funding Deeply Cut Again*** — The Administration continues to press for the privatization of

	Federal Grants to Amtrak (budget authority in millions)					
	2002	2003	2004	2005	2006	2007
President’s Request	\$521	\$521	\$900	\$900	\$360	\$900
<b>Enacted</b>	<b>\$831*</b>	<b>\$1,043</b>	<b>\$1,218</b>	<b>\$1,207</b>	<b>\$1,294</b>	<b>--</b>

*\*includes \$310 million in supplemental appropriations.*

The President continues to request less funding than is necessary to adequately operate and invest in Amtrak.

Amtrak. The President’s budget provides only \$900 million for Amtrak, a cut of \$394 million, or 30.4 percent, from the 2006 enacted level. The Administration has proposed cutting Amtrak funding in previous years while pressing for its privatization, but this year’s budget goes further. The budget provides \$500 million for Amtrak’s capital expenses (a \$272 million cut from the 2006 enacted level), but it does not provide any guaranteed funding to cover Amtrak’s operating expenses.

 **IMPACT** — This level of Amtrak funding will allow for continued operations along the Northeast Corridor, including Maine; however, with so little commitment to Amtrak’s future there is no movement toward expanding the Downeaster service from Portland to Brunswick.


## Veterans Benefits and Services

The budget provides \$35.8 billion for appropriated veterans programs, which is \$2.6 billion above the enacted amount for 2006 and \$1.5 billion above the amount needed to maintain purchasing power at the


Total Appropriated Funds for Veterans						
(Budget Authority in Billions)						
	2007	2008	2009	2010	2011	Total 2007-11
2007 Budget Request	35.8	34.4	34.1	33.4	33.6	171.3
Current Services Level	34.3	35.2	36.3	37.3	38.4	181.5
<i>Amt. Above/Below Current Services</i>	+1.5	-0.8	-2.2	-3.9	-4.7	-10.1

2006 level. Beyond 2007, however, veterans funding is cut in almost every year. Over five years, the budget cuts funding \$10.1 billion below the level estimated to maintain purchasing power at the 2006 level. Almost all appropriated funding for veterans goes to provide medical care and hospital services.


**Requires an Enrollment Fee for Priority Level 7 and 8 Veterans** — For the third straight year, the President’s budget imposes a \$250 annual enrollment fee for medical care on Priority 7 and Priority 8 veterans. These are veterans without service-connected disabilities rated above zero percent who also have incomes above VA means-tested levels.

 **IMPACT** — There are over 12,000 Priority 7 and Priority 8 veterans in Maine. The VA has estimated that a \$250 enrollment fee will reduce the number of Priority level 7 and 8 veterans in the VA health care system by nearly 200,000, or 16 percent, as compared to the 2006 level. The remaining veterans would pay a total of \$1.65 million/year in enrollment fees. Veterans who have served the country should not have to pay hundreds of dollars simply to participate in the VA healthcare system.


**Increases Co-payments for Priority Level 7 and 8 Veterans** — Once again, the President’s budget attempts to increase pharmacy co-payments for Priority 7 and 8 veterans from \$8 to \$15. Congress rejected this proposal in the last three budgets.

 **IMPACT** — The burden of budget cuts should not fall on Maine veterans who need prescription drugs. The Federal Government should do everything in its power to lower the costs of prescription drugs, not force more than 12,000 veterans to nearly double their drug co-pays.

***Continues Denial of New Priority 8 Veterans*** — On January 17, 2003, the VA stopped enrolling new Priority 8 veterans for medical care. The President's budget continues this policy. According to the VA, this restriction has prevented 1 million veterans from enrolling in the VA health care system.

 **IMPACT** — Since the implementation of this policy, 2,403 Priority 8 veterans in Maine have been denied enrollment. All veterans who have served the country should be allowed to participate in the VA healthcare system. If this policy is continued, it is likely that future Priority 8 veterans, who are currently fighting in Iraq and Afghanistan, would be refused enrollment as well.

***Increases Co-payments and Enrollment Fees for Military Retirees in TRICARE*** – The President's budget includes changes to the TRICARE benefit system for military retirees under the age of 65 and their dependents including new or increased enrollment fees and increases in co-payments. TRICARE would be restructured into a three-tiered system for retired junior enlisted (E6 and below), retired senior enlisted (E7 and above), and retired officers. These increases would not impact active duty personnel.

 **IMPACT** — Approximately 19,300 TRICARE-eligible retirees under age 65 or family members of retirees live in Maine. The proposed increases would have an immediate affect on these individuals. Maine is also home to approximately 15,300 individuals eligible for Department of Defense benefits through TRICARE. These individuals would also pay increased fees upon retirement.



*The veterans' budget continues to place new fees on veterans and refuse service to some new veterans. These policies do not honor the service of our veterans and increase the cost to many veterans seeking services at VA hospitals such as Trours (above)*

**SUMMARY OF PROPOSED CHANGES  
TO TRICARE BENEFIT**

Enrollment Fee and Deductible Changes * Two Year Phase-In (FY07-08)			
	TRICARE Prime Annual Enrollment Fees	TRICARE Standard	
		Annual Enrollment Fees	Annual Deductible
Retired Junior Enlisted (E-6 and Below)			
Current (FY 06)	\$230/\$460	\$0	\$150/\$300
FY 07	\$275/\$550	\$75/\$150	\$175/\$350
FY 08	\$325/\$650	\$140/\$280	\$185/\$370
FY 09+	Adjusted		
Retired Senior Enlisted (E-7 and Above)			
Current (FY 06)	\$230/\$460	\$0	\$150/\$300
FY 07	\$350/\$700	\$100/\$200	\$175/\$350
FY 08	\$475/\$950	\$200/\$400	\$185/\$370
FY 09+	Adjusted		
Retired Officers			
Current (FY 06)	\$230/\$460	\$0	\$150/\$300
FY 07	\$500/\$1,000	\$150/\$300	\$225/\$450
FY 08	\$700/\$1,400	\$280/\$560	\$280/\$560
FY 09+	Adjusted		

\* Applies ONLY to eligible retirees under age 65; no changes to active duty, active duty family members, or TFL

**Changes in Pharmacy Co-payments \*,\*\***

	Generic	Brand	Non-Formulary
Current Co-pays			
Military Clinic	\$0	\$0	\$0
Mail Order	\$3	\$9	\$22
Retail	\$3	\$9	\$22
Co-pays in FY07 and after			
Military Clinic	\$0	\$0	\$0
Mail Order	\$0	\$9	\$22
Retail	\$5	\$15	\$22

\* 100% co-pay for a few certain medications

\*\* Applies to ALL eligible beneficiaries, except active duty