



A Wisconsin Perspective on President Bush's FY2007 Budget

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Prepared by the staff of Senator Herb Kohl

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Dear Friends:

Yesterday the President released his proposed budget for fiscal year 2007. This budget will be the focus of much debate in the weeks and months ahead.

As we get ready for that debate, I asked my staff to prepare the following "instant analysis" of the President's budget from a uniquely *Wisconsin perspective*. Their mission was *not* to provide a detailed review of every account in the budget. Rather, I asked them to highlight some of the more salient elements that lend context to the challenges and opportunities which lie ahead. Upon review of their work, I have deep reservations about the President's budget.

As one would expect during these difficult times, the President's budget puts welcome emphasis on defense and homeland security. On the other hand, it severely shortchanges education and healthcare. It proposes a significant new tax on dairy farmers, ignores looming problems with the Alternative Minimum Tax, and shortchanges our future. On balance, the President's budget is wrong for Wisconsin and wrong for the country.

Presidential budgets are important because they set the stage for thousands of negotiations, big and small, that follow during the rest of the year. While the framers of the Constitution were explicit in stating that "...no money shall be drawn from the treasury but in consequence of appropriations made by law," the practical reality — especially in the present environment — is that the President's proposals hold great influence over budget negotiations.

I hope this information is enlightening and welcome your comments. Today is only the first step in a long budget process. You can be sure that I will continue fighting for budgets that build for our future and put the people of Wisconsin first.

Sincerely,



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Introduction and Budget Overview

Presidential budgets cover the full gamut of Federal activities – from defense and education to natural resources and health care. For FY2007, we welcome the President’s emphasis on homeland security. We also fully recognize the essential obligation of supporting our troops who are daily in harm’s way. In broad terms, we share the President’s commitment to these and *many* other worthwhile goals.

As with most things in life, however, there are multiple ways to achieve worthwhile goals. Budgets like this one present detailed and complex “road maps”, and we owe it to the people of Wisconsin to explore whether alternate routes could better serve our common objectives.

Defense, Veterans and International Affairs

National Guard and Reserve - DOD

17,400 Wisconsinites serve in the National Guard and Reserve. Of those, about 1,960 Guardsmen and 1,000 Reservists are currently mobilized. Without the support of the Guard and Reserve, the Army would not have been able to maintain this long commitment to the occupation and rebuilding of Iraq. *The President proposes funding 333,000 troops for the National Guard and 189,000 for the Army Reserve. That’s 17,000 fewer Guardsmen and 16,000 fewer Reserves than Congress has currently authorized.* Cutting the Army National Guard and Reserve could force current members, and active current duty soldiers to shoulder more of the security burden.

Veterans Health Systems - VA

Wisconsin is home to over 450,000 veterans, and over 100,000 use the VA health care system at some point every year. Cuts in VA funding could result in longer waits for doctor visits, as well as shifting the cost of the VA system onto veterans themselves. *The President’s proposes cutting VA medical research by \$13 million. In addition the Administration again proposes increasing prescription drug co-pays on priority level 7 and 8 veterans, requiring them to pay a \$250 annual premium.* The President’s budget was also \$2 billion below the non-partisan Independent Budget advocated by the American Legion and other veterans groups.

Food for Peace/PL-480 - USDA

Wisconsinites care about people in distant places. From Madison (which provides more student volunteers to the Peace Corps than any other university) to farms and milling operations across the state which produce food aid commodities,

support for Food for Peace/PL-480 runs strong. Credible international relief experts estimate a shortfall in the current year of up to \$750 million which could leave more than 29 million people across the globe without critical food aid. **The President does not address the current year shortfall and proposes to eliminate PL 480 Title I for fiscal year 2007 and provide essentially level year funding for Title II, which results in a program that is down some \$500 million from 2003. His budget also recommends program revisions to utilize taxpayer cash instead of U.S.-grown commodities to meet these needs.** Long term, that approach could erode public support in the US for international food assistance.

Crime and Juvenile Justice

Edward J. Byrne Memorial Justice Assistance Grant Program - DOJ

The Byrne grant program supports state and local drug task forces, community crime prevention programs, substance abuse treatment, prosecution initiatives and many other local crime control programs. From 2001 through 2004, Wisconsin law enforcement authorities received between \$8.8 and \$9.2 million annually for those programs. Last year the Bush Administration proposed elimination of the program, which Congress eventually restored to slightly more than \$608 million nationwide with Wisconsin's share being roughly \$3 million. That's a fraction – one-third – of what Wisconsin received three years ago. *For FY2007 the President's budget again recommends elimination of the Byrne program.*

Juvenile Justice Funding - DOJ

Two primary programs – the Title V Local Delinquency Prevention Program and the Juvenile Accountability Block Grant (JABG) program – are dedicated to juvenile crime prevention and the urgent needs of kids who have had run-ins with the law. In 2001 Wisconsin received \$4,994,500 under these programs. In large part as response to Administration recommendations, funding for these programs for Wisconsin has plummeted by nearly 80 percent during the past six years. *For FY2007, the President's budget recommends a further cut from \$342 million to an estimated \$176 million, a reduction of almost 50%.*

Community Oriented Policing Service (COPS) – DOJ

The COPS program is most famous for its Universal Hiring Program (UHP) which put 1,353 new cops on the beat in our state and sent more than \$113 million back to Wisconsin law enforcement since 1994. The COPS program also contains other components that fund technology grants, bullet-proof vests, DNA initiatives and anti-methamphetamine programs and tribal law enforcement. In 2002 the COPS program was funded nationwide at \$1,050,444,000. Since then the President's budget repeatedly recommended reduced funding for COPS and

last year successfully eliminated the hiring program. The **President's FY2007 budget proposes a little more than \$102 million for all COPS programs and again recommends complete elimination of the hiring program.** This represents nearly an 80% reduction from last year's funding level of \$478 million.

Education, Health and Family Resources

Commodity Supplemental Food Program (CSFP) - USDA

The CSFP provides food and nutrition services to low-income senior citizens, who account for approximately 88% of CSFP participants, and low-income pregnant and post-partum women and Children. For the past several years, the President's budget has requested no increase for this program, although food and program costs have risen. In fiscal year 2006, more than 500 elderly Wisconsinites will be kicked off this program due to lack of funding. *The President's FY2007 budget eliminates the CSFP – meaning that 4,844 of Wisconsin's lowest-income seniors will no longer have access to this supplemental food. In an effort to mitigate this termination, the Administration proposes temporary, transitional food stamp benefits for CSFP beneficiaries.*

Community Services Block Grant (CSBG) - HHS

Community Action Agencies across Wisconsin are dedicated to helping low-income individuals and families find housing, job training, financial education and food resources. According to the Wisconsin Community Action Program Association (WISCAP), these agencies receive eighty six percent of their funding from the CSBG program. *For the second year in a row, the President proposes eliminating this valuable program. Without this funding, thousands of Wisconsin's neediest individuals could fall through the cracks.*

Social Services Block Grant – HHS

The Social Services Block Grant provides flexible funding to states for a broad range of social services. In Wisconsin, the block grant funds programs ranging from foster care to home-based services for the elderly and the disabled. The majority of the funding is dedicated to child related programs such as day care and protective services, with the second largest funding stream going to adults over the age of sixty. *The President's budget includes a \$500 million cut to SSBG, funding it at \$1.2 billion*

Low Income Home Energy Assistance Program (LIHEAP) - HHS

LIHEAP helps eligible Wisconsinites survive cold weather and high energy costs. For FY2006, Congress appropriated \$2.183 billion for LIHEAP, of which \$2 billion is regular funds (allotted to all states) and \$183 million is emergency contingency funds (allotted to one or more states, at the Administration's

discretion, based on emergency need.) Wisconsin's share of these funds works out to roughly \$70 million. *For FY2007 the President proposes \$2 billion for LIHEAP, a cut of about 8.4% which could mean over \$5 million less for Wisconsin families.*

21st Century Community Learning Center – Education

This program, authorized under the No Child Left Behind Act, provides support for after school programs. **Though authorized at a level of \$2.5 billion nationwide, the President's budget proposes funding of \$981 million, a difference of \$1.5 billion.** Under this scenario, Wisconsin would get \$11 million for afterschool programs rather than \$30 million if the program were fully funded. This translates into about 25,655 Wisconsin children who will be denied promised services.

College Student Aid – Education

Federal programs account for 80% of all student aid awarded in the University of Wisconsin System. Across the state, the Perkins Loan Program is utilized by more than 5,000 students. At UW Madison they account for about \$17 million in Perkins loans. TRIO programs - educational programs designed to support students from disadvantaged backgrounds – support 53 Wisconsin projects and benefit 13,804 students in our state. **The President proposes to eliminate Perkins loans, TRIO Talent Search and TRIO Upward Bound leaving thousands of students without valuable higher education programs.**

Title I/Support for Disadvantaged School Districts – Education

The No Child Left Behind Act authorized \$28.8 billion for Title I activities that are intended to bolster disadvantaged school districts and the educational needs of the children they serve. **The President's budget proposes Title 1 funding of \$12.7 billion which is over \$16 billion below the authorized level. This means Wisconsin schools would get \$152 million rather than \$305 million if the program were fully funded.** This translates into 46,025 Wisconsin children who will be denied promised services.

Head Start – HHS

Head Start provides services to pre-school children. Though widely recognized as beneficial to their overall well being, Head Start has been cut by 5% since 2000. At Head Start in Green Bay, for example, this has led to an operating shortage of \$112,000 which translates into a reduction in the number of family workers and an increase in the remaining family workers' caseloads. **The President's budget proposes to once again level-fund Head Start at \$6.79 billion.** The program currently serves only about one-half of the children eligible for the preschool program and much fewer in Early Head Start.

National Institute of Health (NIH) - HHS

The NIH invests in life-saving biomedical research across the nation. The University of Wisconsin – Madison benefits from about 1,280 grants totaling over

\$329 million in research funding. Last year the NIH received a funding increase of less than one percent, the smallest percentage increase to NIH since 1970. **The President's budget proposes to level-fund this agency in fiscal year 2007. The requested total of \$28.3 billion is \$62 million less than in fiscal year 2005.** As a result, the total number of NIH funded research project grants would drop by 642 or 2% below last year's level.

Rural Health – HHS

A number of programs within the Department of Health and Human Services are aimed at bolstering rural health delivery systems. As one of the biggest beneficiaries in the country, Wisconsin last year received over \$600,000 from the Rural Hospital Flexibility Grant program. This funding is used at over 60 rural hospitals that serve anywhere from 10,000 to 20,000 patients per year. **The President's budget proposes to eliminate the Rural Hospital Flexibility Grant Program and the Rural and Community Access to Emergency Devices Program.**

Food and Drug Administration – FDA

The FY2007 budget proposes "redeployment" of \$52.2 million in FDA funds to pay for a variety of Presidential initiatives. It's anticipated that \$7 million could come from Human Drugs Program which facilitates bringing lower-cost generic drugs to market. Other decreases could come from reduction in compliance and recall functions in food programs, laboratory upkeep in the human drugs program, research and postmarket activities in the animal drugs program, the analysis of domestic and import samples of food and human and veterinary drug products and inspections of veterinary feed manufacturers. In Wisconsin, there are 3,492 FDA-regulated establishments, including food, medical device, animal drug and feed, human drug and biologic establishments.

Energy, Transportation and Natural Resources

Resource Conservation and Development (RC&D) - USDA

The RC&D program is built around a public/private partnership and provides assistance to local communities to address locally-identified natural resource and economic development concerns. There are seven RC&D councils in Wisconsin which are expected to receive about \$940,000 in FY2006. *The President's budget proposes to consolidate and reduce by more than half the number of RC&D coordinators nationwide. Corresponding funding would decline from \$52.5 million to \$26.5 million, a reduction of 49%.*

Energy Research, Efficiency and Weatherization - DOE

In 2004, Wisconsin expenditures for energy set a record of over \$15.5 billion. What's more, it's estimated that over two-thirds of Wisconsin's energy expenditures leave the state's economy. Last year Congress approved \$1.1 billion

nationwide for energy efficiency programs. Of that money, \$468.5 million went to five energy efficiency research and development programs (hydrogen, fuel cells, vehicles, buildings and industries). Failure to support cutting edge efficiency technologies could have a negative long-term impact on energy dependant industries and economies. *The President's budget proposes a cut in Energy Efficiency and Renewable Energy by \$26 million. It also proposes a cut in the Weatherization Assistance Program for low-income families, energy efficiency promotion, and renewable energy incentives by \$91 million, a 28% cut over last year. There was also a \$10 million cut in research into energy efficient industrial technologies, a reduction of almost 18%.*

Airport Improvement Program - DOT

The Airport Improvement Program (AIP) provides funding to help local airports improve capacity, safety and security. Last year Wisconsin airports received \$17 million under the AIP. *The President's budget would provide \$2.75 million for AIP, a cut of more than 22%.* According to the Wisconsin Bureau of Aviation, as many as 85 airports in Wisconsin, mostly general aviation airports, would lose funding under this proposal.

Amtrak - DOT

Rail transportation is playing an increasing role in Wisconsin's transportation network. Aided by the new Milwaukee Airport rail station, ridership on the Hiawatha line between Milwaukee and Chicago increased significantly. High gas prices have also led more Wisconsinites to opt for rail travel. Adequate funding for equipment upgrades and improvements is critical to maintaining a high level of rail service in Wisconsin. *The President proposes \$900 million in funding for Amtrak, though more than half of this funding is dedicated to the Northeast Corridor.*

Next Generation High Speed Rail - DOT

This program is intended to facilitate high speed passenger rail in the United States. Wisconsinites have long recognized the benefits of high speed rail, having secured more than \$1 million in Federal funds to prepare certain corridors for high-speed rail. In addition, Wisconsin DOT has dedicated State transportation funding to make high-speed rail a reality. Last year, both House and Senate appropriators included funding for the High Speed Rail program; per the Administrations request, funding was eliminated during Conference. *This year, the Administration has once again zeroed out funding for Next Generation High Speed Rail.*

Community and Economic Development

Water and Wastewater Grants and Loans - USDA

These loans and grants help finance improvements to small town water and waste water systems which are under considerable pressure to modernize. In FY2006, Wisconsin communities are slated to receive about \$21.8 million in direct loans, \$1.3 million in loan guarantees, and \$7.4 million in grants. *For Wisconsin the President's budget proposes a \$1.48 million reduction in direct loan activity, continuation of guarantees at last year's level, and a \$1.74 million reduction in grants.*

Community Development Block Grants (CDBG) - HUD

In 2005 Wisconsin communities received \$31 million through CDBG to fund community development activities directed toward revitalizing neighborhoods, economic development, and providing improved community facilities and services. *For 2007 the president proposes \$3.032 billion for the Community Development Fund (which includes the CDBG), a cut of \$1.188 billion or a reduction of about 28%.* In last year's budget the President recommended transferring this program to the Commerce Department where it was to be consolidated with over a dozen other programs. Aggregate funding for those consolidated programs was then slated for a 34% cut. Legislation to achieve these program consolidations, however, was never forwarded to the Congress by the Administration.

Clean Water State Revolving Fund - EPA

The Clean Water State Revolving Fund provides low interest loans to communities to help them update decaying waste water systems. These funds help to protect rivers and streams by preventing sewer overflows and contamination. In 2005 this program was funded at almost \$1.1 billion. Last year the Congress provided nationwide funding of \$900 million, of which Wisconsin Communities should receive roughly \$29 million. *This year the Administration proposed \$668 million nationwide for the fund, potentially a \$9 million cut to Wisconsin clean water efforts. If the President's proposal is enacted, this account will have sustained a 36% cut over two years.*

Manufacturing Extension Partnership - Commerce

In the past year, the Wisconsin Manufacturing Extension Partnership (WMEP) has helped 459 Wisconsin manufacturers achieve impact of \$215 million in sales increases, cost savings, expense avoidance, retained sales and capital investments and saved or retained 2,381 jobs. *For FY2007 the President's budget recommends a nationwide reduction in MEP funding of about 56% which would reduction nationwide funding from \$106 million to \$47 million.*

Agriculture

Dairy Price Support - USDA

Dairy accounts for about \$25 billion of Wisconsin's agriculture economy. Any proposal which disproportionately affects dairy and cheese has an even greater effect on Wisconsin. *The President's budget affects dairy in three ways. First, it seeks a 5 percent across-the-board reduction of all commodity payments to farmers. Second, it re-proposes a statutory mechanism for adjusting the so-called "butter/powder tilt" in the dairy support program, a change that is expected to yield \$32 million in savings nationwide for fy2007. Third, it recommends a 3 cent per hundredweight farmer assessment on all milk which, if applied to last year's production of 22.86 billion pounds, would have totaled about \$6,858,000 for Wisconsin producers. Nationwide, the assessment could cost dairy farmers an estimated \$55 million in FY2007.*

Johne's Disease – USDA

Johne's Disease can have a dramatic, adverse effect on the productivity of infected dairy herds. Federal funds are used to combat Johne's disease through collaborative programs with states that focus on testing, herd clean up, risk assessment and disease management. In FY2005, the Johne's program was funded at \$19 million. In FY2006 Congress restored Johne's funding to \$13 million. *For FY2007, the President proposes a \$10 million reduction in Johne's funding.*

Housing

Section 515, Rural Housing – USDA

USDA's Section 515 program has helped build and rehabilitate over 527,000 units of affordable rental housing in rural areas. 58% of Section 515 residents are either elderly or have disabilities. Yearly income of residents averages about \$10,000. **In the FY2007 Budget, the Administration proposes elimination of the Section 515 program and asserts that the Section 538 loan guarantee program will meet the needs of this population.** Unfortunately, transition to loan guarantees is often problematic for developers of low-income rural housing and the rural population served by the Section 515 program could see increases in rents over time.

Section 202, Housing for Seniors - HUD

HUD Section 202 housing is designed to provide elderly American's with safe, caring, quality, affordable housing. The American Association of Retired Persons

(AARP) estimates that there are nine seniors waiting for each Section 202 unit that becomes available. In FY05 Wisconsin received \$4.5 million in Section 202 funding. In FY2006 section 202 housing was funded nationwide at \$742 million. *For FY2007 the President requests Section 202 funding of \$545 million, \$197 million below FY2006 enacted levels.*

Section 811, Housing for Persons with Disabilities - HUD

HUD Section 811 housing is intended to assist persons with disabilities acquire affordable housing. In FY2006 the program was funded at the level of \$239 million. *For FY2007 the President proposes funding of \$119 million, a \$120 million cut from the FY2006 level.*