



## Executive Summary

On February 5<sup>th</sup>, 2007, President Bush presented Congress with the Administration's *Fiscal Year 2008 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 alternative woodchip Bio-fuels, 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 once again 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 \$65.5 billion cut to Medicare** over five years and a \$252 billion cut over ten years.
- **A \$24.7 billion cut in Medicaid** over five years and \$28.3 billion over ten years.
- **The elimination of 44 education programs**, a total cut of 2008 of \$1.5 billion.
- **Funding for two DDG 1000 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 \$509 million below the 2007 enacted level.
- **Cuts of \$87 million to the Community Oriented Policing Services (COPS) program's remaining resources**.
- **Increases maximum Pell Grant** from the 2007 level of **\$4,310 to \$4,600**.
- **Cuts Assistance to Firefighter Grants (ASG's)** by more than half, 54.7% below 2007.

And the following overall budgetary scheme:

- The budget proposes \$2.662 trillion in revenues, and \$2.902 trillion in expenditures, resulting in a **\$239 billion deficit**.
- Funding for **domestic services falls below** the amount needed to maintain purchasing power by **\$13 billion**.
- Proposes a balanced budget by 2012, with a \$61 billion surplus. However, this estimate is unlikely to occur, as explained in the report. Using more realistic projections, by 2012 we will still have a \$94 billion deficit.

In seeking spending cuts, the Administration proposes cuts to both entitlements spending as well as many domestic discretionary programs. While some of these cuts may represent choices that eliminate waste, many others 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.

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 44 education programs that will shift the burden to state taxes and local property taxes,** including major cuts in IDEA funding; cuts in Clean Water and Drinking water needs that total \$396 million from 2007; and **weatherization assistance cuts,** which will make it harder for low-income families to pay their bills through coming winter heating seasons.

After an analysis of the budget proposals, many of the choices do not work in the best interest for the state of Maine. Numerous cuts in education and health care programs will create more challenges for the state, and some of the repeat recommendations such as Social Security privatization continue to be bad policies for Mainers. Maine is again left with the responsibility for covering costs for education standards that the federal government mandates but fails to fully fund. Unfortunately, once again, as in previous Administration budgets, the negative proposals seem to outweigh the positives for Maine.

Rather than pushing to privatize Social Security and enacting harmful cuts in programs that are vital to Maine, the Administration should examine ways to promote accountability in Iraq and focus on developing a world-class health care system that would include negotiation for fair drug prices in the Medicare prescription drug law. 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 2008 Budget of the U.S. Government; State of Maine agency estimates; University of Maine.*

## **Overview of the Nation's Fiscal Situation under this Budget**

### **What Does this Budget Mean for Our Country's Bottom Line?**

A “deficit” refers to a situation where the federal government spends more than it takes in. In this budget, the Administration projects a deficit of \$239 billion for 2008. Over the past six years, this Administration has created the highest deficits in the nation's history. America has gone from having a projected \$5.6 trillion surplus between 2002 and 2011 to a projected deficit of \$2.8 trillion over the same period, a swing of \$8.4 trillion, when one uses the most realistic estimates.

Our “debt” is the total amount that the federal government owes — it is the accumulation of all of our obligations and previous years' deficits. Because of the projected deficits under the White House budget, we will continue the increase in our nation's debt, which has already grown by \$3 trillion during this Administration.

Today, our debt is more than \$8.7 trillion — or \$29,000 for every man, woman and child in America. To put it another way, a baby born at the moment you finish reading this sentence will already owe \$29,000 in debt: a kind of “birth tax” imposed on every new American because of the poor management of our country's fiscal situation.

### **Will the Budget Finally Move toward Balance under the Administration's Plan?**

Reducing the deficit is step one for solving the problem: because the first rule when you are in a hole is, stop digging. The Administration has stated that its budget plan will bring annual spending into balance by 2012. However, when one looks more closely, this seems unlikely. The budget proposal skips over some major costs and assumes some highly optimistic outcomes. Adjusting the numbers to reflect realistic costs, it becomes clear that the Administration's budget never really reaches balance, and in fact, will lead us into \$3.2 trillion in new deficits over the next ten years.

For example, the Congressional Budget Office has estimated that the actual cost for Iraq, Afghanistan, and the wider War on Terror could be as much as \$603 billion more than the Administration's estimate.

The budget also does not include any measures to meet the widely-shared bipartisan goal of repairing the Alternative Minimum Tax (AMT) beyond the coming year. The AMT was originally meant to prevent the wealthiest people from avoiding paying their fair share in taxes. However, because the AMT was not adjusted for inflation, it is now snaring more and more middle-class taxpayers. If the AMT is not fixed beyond this year, an estimated 31 million taxpayers will be subjected to a big tax hike tax in 2010 — most of them in the middle-class. So reform is a vital priority. A long-term fix would cost \$844 billion over the next ten years — but this is a cost that must be included in any realistic estimate of the future budget picture.

The good news is that the Administration has, for the first time, included full-year budgets for our costs in Iraq and Afghanistan. This gives a more realistic picture of the year ahead. However, the bad news is that when one puts the other costs that the

Administration skipped back into the picture, we are likely to be in deficit for a long time to come.

### *The Impact on Maine*

When omitted costs are factored in, the true deficit under the White House budget measures at \$3.2 trillion over the next decade, with annual triple-digit deficits never falling below \$290 billion per year. These will be added on top of our \$8.7 trillion in debt.

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. Unfunded mandates substantially increase Maine's property taxes.

As just one example, Congress and the President mandated certain education standards that states must meet under the No Child Left Behind law and the Individuals with Disabilities Education Act. These are worthy standards that are meant to improve education for our students. But because of the strain on the federal budget caused by our existing debt, war costs, expensive tax cuts aimed at the wealthy, and poor spending choices, the Administration has consistently fallen short of proposing enough education funds for states to meet the standards. As a result, states are forced to make up the difference with their own revenue, and that drives up property taxes in Maine.

### *Going Forward*

The Administration has made its proposal, but it is the Congress that must determine the final shape of the budget. In recent years, the Administration's plan became the blueprint for the Congress. But under new leadership, and following a new direction, the Congress has the opportunity to advance an honest budget that includes real costs of operations in Iraq and Afghanistan, enacts fair tax relief that is focused on middle-class families, and makes sensible funding choices that fit the priorities that Americans want to see.

The Congress got off to a good start in January by passing basic rules that it must follow, including "Pay-As-You-Go" rules for any legislation that affects revenue or mandatory spending, which requires that the legislation not increase the deficit. The Congress should now continue this progress by creating a budget that shows actual, realistic costs. Only by seeing the true scope of the challenges in front of us can we begin to find solutions.

## *Funding and 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 to aid areas impacted by disasters. Major agencies and programs 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.

#### ***Community Development Block Grant (CDBG)***


**Program:** 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. After being saved by the Congress two years in a row, the CDBG program is once again on the chopping block in the White House budget.



*CDBG Grants are a vital part of Maine communities*

 **IMPACT** — Maine’s CDBG funding would be reduced by \$5.9 million from its 2007 funding level of \$20.0 million. By cutting CDBG, the White House budget would undermine the economic well-being of Maine’s communities. If CDBG were to be lost, programs involving these grants would lose over 27% of their funding, which would result in termination of programs and significant cuts. 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, Cumberland County, among many others.

***Social Services Block Grant:*** The budget cuts the Social Services Block Grant (SSBG) by \$500 million in 2008. This grant provides states with broad discretion to use 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 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 budget were enacted, meaning that if the state wants to continue to provide these services, it will have to stretch its budget to pay for them.

## Economic Development and Job Creation

Small businesses employ nearly half of all workers and create three out of four new jobs, but the White House proposes cutting the Small Business Administration by 25% from last year's request and 45% from 2001. The budget cuts 17 out of 25 core programs, including key business counseling and outreach programs such as Small Business Development Centers, Women's Business Centers, the Program for Investment in Micro entrepreneurs and technical assistance programs. These cuts take us in the wrong direction as we work to expand and add to the 151,000 small businesses here in Maine.

**Rural Housing and Economic Development:** The Rural Housing and Economic Development program provides funds to improve housing and economic conditions in rural communities. After attempting to do away with this program in 2007, the White House has proposed a cut in funding of about \$100 million. In addition, the budget proposes a series of cuts to rural loan programs, as well as farm loans, with total cuts within rural development of \$2 billion.



*The Rural Housing and Economic Development program provides funds to improve housing and economic development among rural communities.*



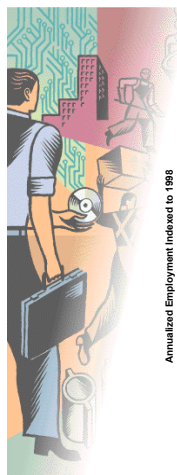
**IMPACT** — In 2005, the most recent year for which project information is available, Maine received more than \$500,000 from this program, including a grant of \$398,824 to the Four Directions Development Corporation. This award was intended to make 21 mortgage and home improvement loans to low-income 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. It is undertaking a comprehensive program to improve the affordability of homes for Native Americans in Maine by reducing energy costs.

### **Rural Energy Research**

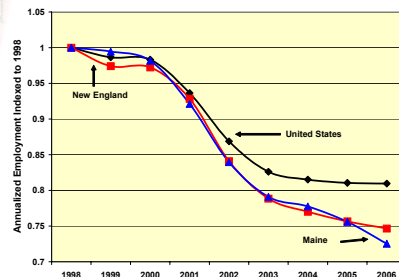
**Development:** The budget offers an additional \$20 million to encourage rural areas to develop renewable energy. This beneficial increase brings this program to \$359 million, and is potentially helpful for Maine.

### **Slash in Manufacturing Extension**

**Partnership:** The Administration has proposed cutting MEP funding by more than 50%, from \$100 million to \$46 million. This program provides information and consulting services to help small businesses adopt advanced



**The Loss of Manufacturing Jobs since 1998 has been Disproportionately Higher in New England and Maine**



Source: US Department of Labor, Bureau of Labor Statistics

Slide 3

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



manufacturing technologies and business practices that help them compete in a global market.



**IMPACT** — Last year, the Administration tried to cut the funding that supports MEP, but the Congress helped fight for better funding levels. Under this year’s proposal, several MEP centers would shut down, project managers would be let go, and a key source of aid to our manufacturing businesses would be lost. According to the most recent survey of Maine MEP client businesses, the sum of direct, indirect, and induced effects of participation in the MEP program show 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, and 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.

## Education



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

For the sixth year in a row, the Administration is failing to reach the threshold of adequate funding for No Child Left Behind (NCLB). The 2008 budget proposal shifts several areas of funding around, but still continues to come up short: although Title 1 is given a \$1.2 billion increase, Title 5 funding, which supports technology advancement that gives students more tools to learn, is cut completely. Overall, NCLB funding is still coming up short of the amounts originally promised when the law was passed by approximately \$15 billion. This puts tremendous pressure on states,

which must fulfill the requirements of the NCLB law without the funding they need to be truly successful.


**Higher Education Cuts:** For a second year in a row, the White House has cut into Perkins Loans, eliminating an additional \$484 million following a \$65 million drop in 2007. However, on a more positive note, the Administration has proposed an increase in the maximum Pell Grant from the 2007 level of \$4,310 to \$4,600. Overall, though, there are \$1.5 billion of cuts proposed to higher education.




**IMPACT** — Although an increase for Pell Grants would be extremely helpful to Mainers, the loss of Perkins money would be a serious blow. Low interest loan money is an extremely important source of student support. In recent years, Maine has received approximately \$10,000 a year per student in Perkins Loan funding which has been distributed to approximately 7,000 students each year to help them

attend college. In the past, Pell Grants have covered 80% of tuition costs on average, but in recent years this figure has dropped to less than 40%

***Safe and Drug Free Schools and Even Start:*** The budget slashes funding for the Safe and Drug-Free School Program by 71%, and proposes a complete elimination of the Even Start program. This totals a \$244 million cut in vital education funds. Even Start is designed to educate families together as a whole, offering both parents and young children literacy classes. The Safe and Drug-Free School Program, as its name implies, helps fight substance abuse and promote a drug-free atmosphere for our students.

 **IMPACT** — Both of these programs play a significant role in Maine. There are several standards that must be met under NCLB that are contingent on successful substance abuse education. Last year, Maine received \$1,681,535 in Safe and Drug-Free School funding. The Safe and Drug Free Schools program also gathers information from 660 schools in Maine: so it is a vital source of data for law enforcement, educators, and policymakers on the status of our efforts to combat drug use and for deciding where we need to put our resources to help our kids most.


***Teacher Quality State Grants and School Improvements:*** The budget proposes a decrease in teacher quality grants of \$100 million. These grants are used to allow teachers to enhance their own education, allowing them to reach NCLB standards and continue teaching at the highest possible level. The budget also increases funding for school improvements by \$500 million. These grants assist schools in bringing their buildings and facilities up to NCLB standards.

 **IMPACT** — The Maine Department of Education says that teacher quality grants are crucial for schools to reach NCLB standards. Most funding for school improvements comes from the state, but for Maine, the list of schools that need improvements is so long that any federal grants are extremely important for keeping pace.

***IDEA Funding:*** The Individuals with Disabilities Education Act is designed to ensure that students with disabilities are offered the necessary support to receive a full education. Schools must have a process to assess progress and establish goals; for most schools this means that special programs are put in place and teachers are hired in specialized areas. IDEA is slated to receive a \$91 million cut in this Budget.



*For the sixth year in a row, the Administration is failing to provide the resources promised for the No Child Left Behind Act.*


 **IMPACT** — The State of Maine makes up any funding for IDEA programs that the federal government does not allocate, but this imposes a tremendous burden on the state budget and therefore on our property taxes. The original intention behind IDEA was that the funding would be a combined effort by the state and federal government; however, the federal


government has never met its funding threshold, leaving the state holding the bag. The guideline is for the federal government to cover 40% of IDEA funding. Last year it was at only 19%. This large shortfall in funding means that Maine makes up the difference out of its own pocket. That revenue mostly comes from higher property taxes.

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


In the area of natural resources and the environment, the Administration's 2008 budget repeats the pattern of each of the last several years. The budget significantly cuts investments in clean air, safe drinking water, and conservation. It once again reduces support for programs that protect public health and the environment. These cuts undermine our state's ability to preserve our natural lands and protect the resources that we depend on for our food, our health, and our tourism and recreation economy.

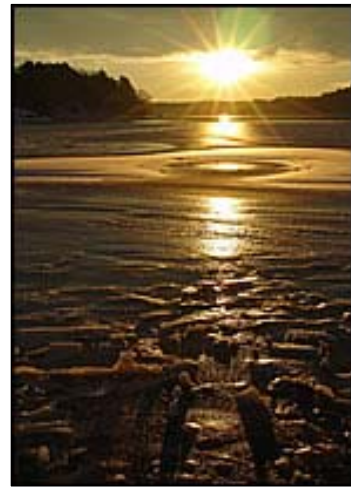
***Energy Efficiency and Renewable Energy*** — In keeping with his call for energy independence in the 2007 State of the Union Address, the President's budget provides a 6.3% (\$73 million) increase for the Office of Energy Efficiency and Renewable Energy, reversing a previous trend of cuts in this area. However, while increasing funding for biofuel, solar, and hydrogen technology, the Administration also slashes some programs that are beneficial to our state. Despite the Department of Energy's slogan which states that "It's a fact: weatherization works!" weatherization assistance grants, which help low-income households make their homes more energy-efficient, are cut by 40% (\$98 million) from the current level. The Low-Income Home Energy Assistance Program (LIHEAP) is cut by 19% (\$420 million), translating into a 24% (\$6 million) cut in Maine.

 **IMPACT** —Through the Weatherization Assistance Program, the Maine State Housing Authority operates the Weatherization and Central Heating Improvement Programs, which have helped low-income Maine families to reduce 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 2006, and have been used to weatherize between 700 and 900 homes in Maine each year.

 **IMPACT** —The Maine Housing Authority estimates that in 2007, LIHEAP will help 48,600 households in Maine with an average benefit of \$588 per household. However, with the proposed cuts, the MHA will have to reduce the number of households served, the benefits, or both, which will hurt low income families all over Maine. To provide the same benefit, MHA would only be able to serve 23,221 households. If they wanted to service the same number of households, benefits would have to fall to \$281 per household. Jo-Ann Choate, who helps administer LIHEAP for the state, recently said it best: "Heating assistance in Maine is not a luxury; it's a necessity for low-income households."

**Clean Water and Drinking Water Needs** — The funding for the Environmental Protection Agency is once again reduced in this budget, with much of the impact being felt in the Clean Water State Revolving Fund (CWSRF). The budget provides the CWSRF with \$292 million for 2007, a cut of \$396 million from 2007. These lower funding levels dramatically diminish the nation's ability to reduce pollution, establish sound wastewater treatment, provide safe drinking water for millions of Americans, and protect against potentially deadly water contamination.

 **IMPACT** — To date, the Maine CWSRF has provided low interest loans totaling over \$350 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. The cut would leave Maine with only \$2.27 million for its clean water needs. The Maine Department of Environmental Protection estimates that, over the next five years, Maine's wastewater needs will total \$318 million, or approximately \$60 million per year. The Administration's failure to adequately support these needs has created a two headed problem of inadequate infrastructure and rising rates. Maine DEP warns that the proposed budget cut may drive rates to the point where some may be unable to pay.



*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.*

**Farm Bill Programs** — The budget increases overall spending on Farm Bill programs by \$5 billion over the next ten years. As the Farm Bill is reauthorized by the Congress in the coming year, it will be important to keep a strong focus on specialty crop programs that benefit Maine.


## **Health Care, Medicare, and Medicaid**

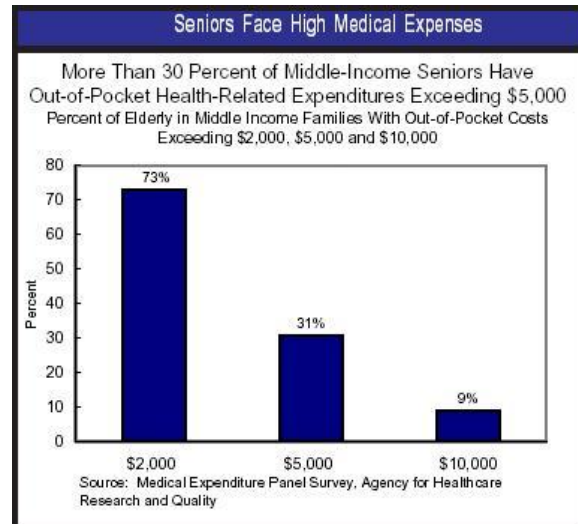
The Administration budget imposes substantial cuts on Medicaid, totaling \$24.7 billion over the next five years. It reduces payments for targeted care case management, changes prescription drug benefits by allowing states to use managed formularies, changes payments to government providers, and reduces state administrative payments. The budget proposal would also result in higher co-payments for health care services for 13 million low-income individuals. There are 143,000 Mainers without health insurance, an increase of 5,000 people since 2000. Since 2000, Maine workers are paying \$1,579 more to insure their families – a 93% increase.

The budget also includes Medicare spending cuts of \$252 billion over ten years. This would come on top of the cuts imposed in 2006 by the former Congressional Leadership, which totaled \$28.3 billion over ten years. Collectively, these cuts will result in higher




co-payments for prescription drugs, the loss of health insurance coverage for 65,000 people who cannot afford the higher premiums, and benefit cuts for at least 1.6 million people.


 **IMPACT** — The proposed cuts would hurt Maine’s 162,000 Medicare recipients and 265,000 Medicaid patients. These cuts would reduce reimbursements to health care providers, who would in turn likely charge higher premiums based on income. Cutting provider payments would likely mean reduced services and availability for inpatient hospitals, skilled nursing facilities, home health providers, and hospice providers. Increased fees will, at first, only affect upper income Mainers; however, because these fees are not indexed for inflation, they will begin to affect more and more citizens in Maine with lower and lower incomes, who will then be forced to pay higher premiums for Medicare.



**SCHIP:** The budget would provide \$4.2 billion for the State Children’s Health Insurance Program (SCHIP) over five years, and \$9.7 billion over ten years in additional funds in 2008.

 **IMPACT** — The objective of SCHIP is to provide health insurance for low-income children who are at or below 200% of the federal poverty line. While the budget would increase the federal contribution to SCHIP, this increase would still leave the program at a funding level that is \$10 billion less than what is needed to merely continue serving the children who are already covered under SCHIP. Maine has nearly 22,000 children uninsured.

**Cuts Rural Health Activities:** Once again this year, as in previous years’ proposals, the budget freezes funding for rural education and phases out rural health grants.

 **IMPACT** — This is a serious cut for Maine’s rural health care network. In 2005, funding administered through the Office of Rural Health Policy supported 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 Sebec Valley Hospital in Pittsfield, and the Waldo County General Hospital in Belfast. With an 83% funding cut, these types of programs will be severely limited in the future.

## **Homeland Security and Defense**


The Administration proposal for 2008 represents the highest defense budget request for non war-related national defense activities, at a level of \$501.9 billion. This is a 10.9% (\$49.4 billion) increase over the 2007 amount, and represents \$237.1 billion more over five years than the amount needed to maintain current service levels. The budget also sets aside an additional \$141.8 billion for costs associated with the wars in Iraq and Afghanistan. However, it is important to note that the budget only projects \$50 billion in costs for 2009, a figure that most observers feel is extremely unrealistic, and that serves to hide some of the budget impact of war spending.

The President's budget includes a total of \$53.8 billion for all homeland security activities for 2008. This represents a \$4.3 billion increase from 2007. The 2008 domestic spending total includes a \$3.1 billion increase above the enacted amount for 2007. However, despite these increases, the 2008 proposal slashes crucial State and Local Homeland Security grant programs, which would be a detriment to Maine's first responders.


**Shipbuilding:** The budget includes procurement of seven new ships, which is one more than the number being built in 2007. They include: one Virginia class submarine, two DDG 1000 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 benefits from the President's proposed investment in two DDG 1000 destroyers. The 2007 budget included \$2.568 billion for the first of a two year funding plan for the two lead DDG 1000 destroyers. This plan sent half of this funding to BIW to build one of these ships. The 2008 budget continues this plan.

**First Responders:** The budget cuts the various grant programs throughout the Department of Homeland Security for first responder funding from the 2007 total of \$2.7 billion to \$1.9 billion — a significant decrease. Within this total, the budget decreases Firefighter Assistance grants by \$362 million from \$662 million in 2007. When the Law Enforcement Terrorism Prevention program was eliminated in the 2007 budget, some of the programs it had formerly covered were moved to other grant programs. However, this created a situation where more law enforcement and homeland security programs were crowded together and chasing fewer federal dollars available.

 **IMPACT** — The Firefighter Assistance Grant is often the only way for rural fire departments to obtain enough funding to buy expensive fire trucks and equipment. In 2006, Assistance to Firefighters Grants for Maine totaled approximately \$6.1 million. 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 Firefighter Assistance Grants, more fire departments will be turning to the State Homeland Security Grant (SHSG) program for help. The SHSG program, which has been responsible for \$47.1 million in grants to Maine over the last three years, is also cut from \$509 million to \$187 million (a 63% decrease). This adds to the difficulty that Maine’s first responders face in acquiring much-needed equipment.


**Coast Guard:** The President’s budget provides \$6.1 billion for the Coast Guard as part of the Department of Homeland Security. The 2008 funding is a 6% increase over the 2007 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.

 **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. It also directly and positively affects the safety and security of Maine’s citizens.



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

**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 budget includes \$210 million in grants for port security measures.

 **IMPACT** — The budget skimps on port security in favor of addressing other issues. Whereas the Department of Homeland Security and many in Congress have called for at least \$400 million for port security grants, the President’s budget proposes only \$210 million. 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.

## 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); 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 budget increases several federal law enforcement programs that are tied to homeland security. However, the 2008 budget, like previous budgets submitted by the Administration, significantly cuts state and local law enforcement programs.




*The services and education that Maine law enforcement provides are vital for our communities.*

### ***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 only \$32 million in new funding for COPS for 2008, compared with 2007 funding of more than \$542 million (a 94.1% cut). The budget also cancels \$87 million of the program's existing resources for 2008, setting the program on the path for total 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 creates another burden on Maine municipalities at a time when they are working to reduce property taxes.

***Byrne Memorial Justice Assistance Grants:*** 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. Unlike previous Administration budgets, the White House has not proposed eliminating the Byrne grant program for state and local governments this year. It does, however, propose consolidating several law enforcement grant programs — totaling more than \$2 billion in FY2006 — into four grant programs totaling \$1 billion in new budget authority.


 **IMPACT** — In the past, Maine has been awarded \$3 million under this program. Under the Administration's proposed budget, the program would be consolidated and reduced. Maine continues to battle an increasing drug problem in some regions, especially in fighting methamphetamine abuse, and these grants are necessary to assist local police departments in this capacity.




## Social Security, Seniors, and Low-Income Families

***Privatization Plan Weakens the Social Security Trust Fund:*** The White House again proposes to privatize Social Security and cut guaranteed benefits for workers. The Administration has included the cost of private accounts in this budget, but has shifted the start date for private accounts from 2010 (seen in previous budget proposals) to 2012. Without this shift, the Administration could not show a projected balanced budget in 2012. The Office of Management and Budget shows that the projected cost of the privatization of Social Security will add up to two thirds of a trillion dollars by 2017. The implementation of the plan through the following decades shows the government's publicly held debt growing by trillions of dollars.

Because the Administration's plan would worsen Social Security's finances, it would force large benefit cuts. Moreover, these benefit cuts would apply to everyone, not just the workers who opt for the private accounts. 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 them achieve savings that they can draw on for years of living expenses.

 **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. Many 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. 34,485 rural Mainers receive Social Security checks each month (over 7.4% of rural Maine's income) according to a recent report from America's Future. 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.


***Changes Eligibility Rules for Food Stamps:*** The budget includes provisions affecting food stamp eligibility. It cuts food stamp spending by \$611 million over five years by making it more difficult for certain low-income families receiving TANF non-cash assistance to qualify for food stamps. Roughly 329,000 people would 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.

 **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 Mainers losing their food stamp eligibility because we are a state that operates a simplified food stamp program.

## Transportation


The budget provides \$67.4 billion for transportation in 2008. This is an increase of \$2.9 billion, a boost of about 5% above the 2006 level. In addition, the Administration proposes new aviation fees that will eventually replace airline ticket taxes to cover costs associated with upgrading the air traffic control system.

***Funding Cuts for the Essential Air Service (EAS) and Small Community Air Service Programs:*** The EAS program provides financial assistance to rural communities that are geographically isolated from hub airports, allowing smaller airports to operate. The 2008 budget once again proposes establishing a \$50 million cap for the program, which would constitute a \$57 million cut. In addition, the President does not include any funds for the Small Community Air Service Program. This program is responsible for helping communities that have 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 allowed 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. In 2006, these airports handled 60,954 passengers. Without this assistance, these airports could likely not support commercial air service.

***Amtrak Funding Cut Once Again-*** The Administration continues to press for the privatization of Amtrak. The President's budget provides only \$800 million for Amtrak, a cut of \$494 million, or 38.2%, from the 2007 level. The Administration has proposed cutting Amtrak funding in previous years, and this year is no exception. The budget provides \$500 million for Amtrak's capital expenses (a \$272 million cut from the 2007 level) and only \$300 million to cover operating expenses (a \$190 million cut).




 **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 little chance of expanding the Downeaster service further from Portland.

## Veterans Benefits and Services

The Administration's 2008 budget proposal provides \$39.6 billion for appropriated veterans programs, which is \$3.1 billion above 2007 and \$1.9 billion above the amount needed to maintain purchasing power at the 2007 level. However, after 2008, the budget projects massive cuts in veterans funding, placing funding \$3.4 billion below the 2007 level by 2012. The increase in veterans funding for 2008 is therefore offset by the combination of projected cuts and proposed increases in veterans' fees and co-payments. The request for a 6% increase from \$32.3 to \$34.2 billion in Veteran's Health Care programs also fails to meet the VA's stated position that a 13% to 14% annual increase is necessary to keep up with rising costs from inflation. In the final analysis, though, the budget increases veterans funding overall, and this is a positive step. Still, there are significant flaws in projected and current funding levels that will represent a detriment to Maine's 145,000 veterans.

***Requires an Enrollment Fee for Priority Level 7 and 8 Veterans:*** For the fourth consecutive 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 nationwide, or 16%, 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 our country should not have to pay hundreds of dollars simply to participate in the VA healthcare system.



*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 Togus (above).*

***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. Much like the proposal for an annual fee, Congress rejected this idea in the last four budgets.


 **IMPACT** — A change in the co-payment would dramatically increase the cost of prescription drugs for Maine's 145,000 veterans. For veterans taking multiple prescriptions, per-person costs could total as much as \$700 a year. 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 White House 2008 budget continues this policy. According to the VA, this restriction has prevented 1 million veterans from enrolling in the VA health care system.



*Veterans who have served the country should not have to pay hundreds of dollars simply to participate in the VA healthcare system.*

 **IMPACT** — Since the implementation of this policy, more than 3,000 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. This will represent a significant problem in our state, given the large number of Mainers who are serving in these theaters.

***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 effect 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.