

U.S. REPRESENTATIVE
4TH DISTRICT • OREGON

**PETER
DeFAZIO**
REPORTS



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Official Business

M.C.
Presorted Standard

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Congress of the United States
House of Representatives
January 2006

Dear Friend:

I've just completed my 33rd round-trip of the year home to Springfield. Congress finally finished its work for the year in late December. The bright spot for the session was a five year transportation bill that will invest over \$2.7 billion in Oregon's highways, bridges and transit. For the first time in recent memory, Oregon will get back more in federal gas taxes than we paid in. Nationally, and here in Oregon, this investment will create good jobs and stimulate the economy. Even better, not a penny for this program was borrowed (see p. 4).

Unfortunately, the rest of the federal budget is awash in a sea of red ink. The president and congressional majority have agreed to a budget that mandates borrowing \$1.4 billion a day. Just before we adjourned, the House increased the deficit by extending tax cuts that heavily favor those who earn over \$300,000 a year. We need to continue to fight to restore fiscal sanity and tax fairness in Washington (see p. 3).

Just over three years ago, Congress dodged its Constitutional duty on declaration of war and gave the president blank check authority regarding Iraq. I voted no. The leadership in Congress continues to shirk their Constitutional duty to conduct independent oversight or provide direction on the war but a number of us are pushing to change that (see p. 2).

As always, I want to hear your opinions about these and other issues before Congress. If you have a problem with a federal agency, my staff and I are ready to help. The addresses and phone numbers are listed on page 4.

Sincerely,

PETER DeFAZIO
Member of Congress

A Growing Struggle For Working Families

Many so-called experts say there's nothing to complain about, the economy is growing, corporate profits are strong, and the stock market is up over last year. So why are so many Americans struggling paycheck-to-paycheck?

Maybe it has something to do with the fact that wages have fallen 2.3 percent on average since May 2003, not even keeping pace with inflation. The sole exception is the top one percent of income earners, those earning more than \$300,000 a year, who have seen their

income rise almost 4 percent. The top one-tenth of one percent (\$1.3 million-plus a year), have done even better, enjoying a nearly 10 percent increase in income. The unemployment rate is up over the last four years and major employers are laying-off thousands of workers. Gas prices regularly hit new highs. Health care costs have gone up 50 percent and college costs jumped by 36 percent in the last couple of years. No wonder families are struggling.

The reasons for income decline are complex. In part it is related to the tax policies of Congress and this administration which favor the investor class and place a heavier burden on those who earn wages and salaries.

Working Families continued on page 2

It's also linked to the budget priorities of Congress and the administration which favor corporations while squeezing students, seniors, our veterans and working families (see page 3). However, one major factor identified by many prominent economists is our current trade policy.

The trade deficit for 2005 is on track to hit more than \$700 billion-\$100 billion higher than the record set in 2004. The U.S. must borrow nearly \$2 billion every day from foreigners to finance this deficit, which poses a national security and economic threat to our country.

Yet, the response from Congress is more of the same. In late July, the House voted 217-215 to expand the failed North American Free Trade Agreement (NAFTA) to Central America. I voted against NAFTA under President Clinton, and I voted no on CAFTA.

A NAFTA panel ruling this fall guts American sovereignty and threatens thousands of jobs in the Oregon timber industry. The NAFTA panel ruled that tariffs the U.S. imposes on lumber from Canada to offset the significant subsidies the industry gets from the Canadian government are illegal. Just after the ruling, the Canadian government announced a new package of \$1.2 billion in subsidies. I recently wrote to Commerce Secretary Gutierrez and U.S. Trade Representative Portman to request that the administration reverse its decision to slash tariffs on subsidized Canadian lumber in response to the panel's decision and to urge appeal of the NAFTA ruling.

I am not against trade. Trade can be beneficial to consumers, workers and the economy. **But the current rules of NAFTA and the World Trade Organization (WTO) are stacked against U.S. workers and industry. An overhaul is long overdue.**

Here are some ways we can improve U.S. trade policy and work to maintain our manufacturing industry and well-paying American jobs:

- Vigorously enforce existing U.S. laws against the dumping of foreign products into the U.S., including imposing stiff tariffs against countries that violate these laws;
- Withdraw from the deeply flawed WTO and rely on bilateral trade negotiations;
- Repeal China's preferred trade status;
- Renegotiate NAFTA and similar trade deals;
- Repeal fast-track trade negotiating authority so Congress can amend trade deals rather than just voting up or down on the President's proposal;
- Include provisions to protect workers' rights and the environment in trade agreements just as they protect capital investments;
- Curtail tax deductions and federal contracts for companies that export jobs; and
- Create a Congressional Trade Office to provide non-partisan expert analysis and ensure Congress no longer depends on the Executive Branch for information.

New Iraqi Government Must Take Charge

I voted against the Iraq war in October 2002. Even with the flawed intelligence that was presented, I did not think Iraq posed a threat to our security. It was al-Qaeda who attacked us on 9/11, not Saddam Hussein. The proven absence of weapons of mass destruction in Iraq has only reinforced my views. The administration failed to stop the looting and disorder which helped kindle the domestic insurgency. They unrealistically projected troop levels to drop to 40,000 within three months. Until recently, they have failed to admit mistakes and they have yet to provide a clear plan for success and exit from Iraq. Some say we should have an open-ended commitment in Iraq. I disagree.

Many experts agree that a negotiated drawdown and withdrawal would separate nationalist Iraqi insurgents, primarily Sunnis trying to end the U.S. military presence, from the smaller number of foreign fighters in Iraq. The Commander of U.S. forces in Iraq, General George Casey, testified that "the perception of occupation in Iraq is a major driving force behind the insurgency."

We have to end the perception that we're an occupying force. First, make clear we will not maintain permanent bases in Iraq. Next, negotiate a withdrawal plan with the Iraqi government. This would boost their new government's legitimacy and claim to self-rule. It could accelerate the development of Iraqi security forces, eliminating the resentment some (particularly Sunnis) feel working for what they see as an occupier. As long as the U.S. military remains stuck with an open-ended commitment in Iraq, Iraqi politicians and security forces will use us as a crutch and will continue to fail to take the necessary steps to solve their differences and establish an effective and inclusive government.

A plan for withdrawal could also help the United States in our broader fight against Islamic extremists by taking away a recruiting tool and training ground. The Director of the Central Intelligence Agency, testified to Congress in 2005 that, "Islamic extremists are exploiting the Iraqi conflict to recruit new anti-U.S. jihadists."

I have had the privilege of visiting with many of our men and women in uniform, both here at home and in Iraq. I am continually awed by the professionalism, determination, and commitment of our troops. I honor the sacrifices that they and their families are making as they serve their country and I have listed on my Web site helpful resources for members of the National Guard and reserves (<http://defazio.house.gov>).

Our troops have done all that has been asked of them in Iraq. It's time for Congress and the administration to do their job to bring an end to the conflict and bring our troops home.

A Legacy of Debt

In 2000, the federal budget was in surplus by \$1.5 billion and no money was being borrowed from Social Security. This year, the deficit will be over \$500 billion and every penny of the \$175 billion Social Security surplus will be borrowed and spent. To finance the budget deficit, our nation is borrowing \$1.4 billion per day. Since 2000, the federal debt has grown by \$2.3 trillion, or \$75 million per hour. **We are saddling future generations with a mountain of debt, which today averages \$27,000 for every American.**

In November, the House considered a bill to cut spending by more than \$50 billion over five years. Unfortunately, the spending cuts fell most heavily on programs that benefit middle and lower-income families, including student loans, Medicaid, school lunches, foster care, long-term care, and child support enforcement, among others.

To make matters worse, the \$50 billion in cuts was offset by companion bills that provide \$70 billion in tax cuts heavily favoring those earning more than \$300,000 a year. **The net impact increases the deficit by at least \$20 billion.**

There are bigger and better cuts that should be made to the federal budget: reduce corporate farm subsidies (\$25 billion); cancel the fanciful and defective “Star Wars” system and the Cold War-era F-22 fighter jet (\$60 billion); cancel the manned missions to the moon and Mars (\$50 billion); reduce corporate subsidies in the Medicare prescription drug program and energy bill (\$30 billion); and reduce the number of consultants employed by the federal government (\$33 billion). Spending cuts in these areas would total almost four times the cuts proposed in the Republican-sponsored bill, without targeting struggling families.

However, even if Congress was to eliminate the entire fed-

eral discretionary budget except for the Pentagon—meaning no Centers for Disease Control, Border Patrol, Justice Department, Education Department, Department of Veterans Affairs, Environmental Protection Agency, etc.—the federal budget would still be in deficit.

Getting the federal budget under control will require discipline on both spending and taxation. Instead of extending new tax cuts for earners over \$300,000, I have advocated restoring the rates they paid during the booming 1990’s. That would reduce the projected deficit by \$327 billion in five short years. If we restricted offshore corporate tax shelters we could reduce the deficit at least another \$33 billion. If we reinstated the superfund tax so polluters paid to clean up their own messes, we could drop it another \$10 billion. Limiting the estate tax exemption to \$6 million and progressively taxing larger estates could cut the deficit by \$31 billion a year.

If my proposals above were adopted we would reduce the projected deficit by more than \$700 billion. It doesn’t solve the problem entirely, but it’s a good start, and it doesn’t require balancing the budget on the backs of working families, seniors or students.



Rep. DeFazio discusses with students the challenges of managing increased tuition and cuts to student aid.

Providing Affordable Healthcare

Since 2000, the number of uninsured has climbed by six million to a historical high. Currently, 45.8 million Americans and more than 600,000 Oregonians don’t have health insurance. Those who do have insurance are struggling to keep it. Small businesses and even large corporations are hard-pressed to provide coverage for their employees. Something has to change.

One of the major factors in rising costs is prescription drugs. There are several strong steps that we should take to bring down the cost of pharmaceuticals for all Americans: (1) immediately allow the reimportation of affordable FDA-approved prescription drugs; (2) allow the U.S. government to negotiate lower drug prices for all, or at the very least Medicare beneficiaries; and (3) restore “fair pricing” clauses for drugs developed with taxpayer money.

Every American should have basic health insurance coverage. Both the government and private insurers would offer a standard package and compete on price. Premium assistance would be provided to lower-income individuals and families. Individuals and employers who want broader coverage could build on the standard package.

To improve their bottom line, both GM and Ford have moved some production to Canada, which has a single-payer universal health care system. The companies estimate that they save about \$2,000 (U.S.) in health care costs for every car they manufacture in Canada. It is estimated that we could save over \$286 billion a year in total health care costs with universal standard coverage.

But to make it work, we have to take on the middle-man—the insurance industry. I’ve introduced legislation to repeal the antitrust protections for insurance companies, stop the collusion and price fixing, and make the industry play by the same rules as every other American business.

127,000 Jobs in Oregon Through Transportation Bill

After nearly 20 years of service on the Transportation and Infrastructure Committee, my seniority brought me to the table as one of a handful of law-makers to craft and negotiate a five year federal highway and transit spending bill called SAFETEA-LU. I was able to secure \$2.7 billion for Oregon's roads, bridges, highways and transit, which is estimated to create over 127,000 jobs and provide a big boost for Oregon's economy over the next five years.

This funding couldn't come at a better time. Traffic on Oregon's highways is increasing, and according to a report issued by the American Society of Civil Engineers, 51 percent of Oregon's urban roads are congested and 38 percent of the state's major roads are in poor or mediocre condition. Driving on aging roads costs Oregon motorists \$684 million a year in extra vehicle repairs and operating costs. That's \$264 per motorist.

Oregon is also facing a massive \$4.7 billion bridge problem that threatens the movement of freight within the state and across the country. Although the state has dedicated significant resources to this problem, Oregon needs federal assistance to ensure interstate and international freight on I-5 isn't disrupted by weight restrictions due to failing bridges.

Under SAFETEA-LU, I was able to secure \$200 million that will be directed to the reconstruction of bridges in Oregon on I-5 and across the state. I was also able to change the highway funding formula so Oregon will now consistently receive more gas tax dollars than it contributes to the Federal Highway Trust Fund for the first time in many years. And because Oregon supports a large amount of federal lands, I was able to negotiate a change to lower the "local match" for most transportation projects in Oregon under this law.

What's best is that all this work will be done without adding to the federal deficit. Unlike most federal legislation, SAFETEA-LU will not increase the U.S. deficit because it is paid for through the Highway Trust Fund, which is sustained with gas tax receipts.



ODOT workers brief Rep. DeFazio on a failing I-5 bridge, part of a \$4.7 billion bridge problem.

Rx Plan Confusing

I voted against the complicated \$800 billion Medicare Modernization Act that provides generous subsidies to the pharmaceutical and insurance industries but does little to ease drug costs for many of Oregon's seniors.

We could provide affordable prescription drugs to seniors, and at the same time save taxpayers billions by: (1) allowing the government to negotiate lower pharmaceutical prices for all seniors, (2) allowing the safe reimportation of FDA-approved prescription drugs from abroad, (3) allowing seniors to purchase a single comprehensive Medicare prescription drug benefit with a sliding-scale premium.

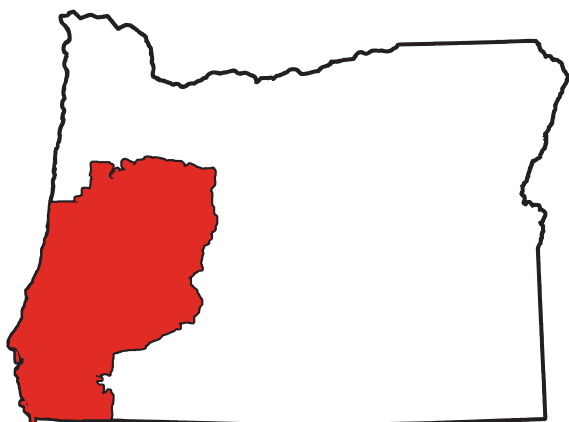
But we're confronted with the reality of the complicated Medicare Part D prescription drug plan, and we must help seniors who might benefit from this program enroll in the most appropriate plan. A list of resources that can help seniors make an informed decision on their enrollment options is on my Web site (<http://defazio.house.gov/PartD>).

Good News For Veterans

I've been fighting hard for years alongside veterans groups and my colleagues in Congress to provide the benefits to veterans that they have earned and deserve. I'm pleased to report two recent victories.

The Republican majority finally agreed to address the severe veterans budget shortfall, and Congress added \$1 billion to the president's budget this year and \$2.6 billion in 2006.

The VA recently announced that it would stop an unfair review of veterans' post-traumatic stress disorder (PTSD) cases. It is shameful that any veteran was subjected to the trauma and emotional stresses of proving for a second time the wounds they suffered on the battlefield. But I am pleased the agency has brought an end to the review. **Our veterans fought to protect the rights and freedoms we hold dear. They should not have to fight their government for the care and benefits they were promised.**



My offices are here to serve you.

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