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**JEFFERSON**

**R E P O R T**



U.S. House of Representatives

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## **Jefferson's Vote Targets Crooked Execs, Sets Criminal Penalties and New Audit Rules**

Congressman William J. Jefferson joined with reformers to pass legislation that for the first-time in history sets criminal penalties and audit rules for American corporations. The legislation passed in response to recent revelations that several major corporations had misreported profit and loss statements.

"Unfortunately, in recent months major corporate executives have taken liberty with the truth, some in reporting records of profit and loss and others in just plain telling the truth to the American public about the success or failure of their companies and Congress needed to act to protect the stability of our free enterprise system," Jefferson said.

The legislation included these tough proposals that bring into play criminal penalties for making false statements on financial reports of American corporations:

### ***A Strong Accounting Oversight & Auditor Independence***

**Establishing Public Auditing Regulatory Board.** The conference report ends self-policing of accounting profession by creating an independent regulatory board with sweeping investigative and disciplinary powers over audit firms, subject to SEC review. The 5-member, Public Company Accounting Oversight Board will be appointed by the SEC, with 2 members from the accounting profession. The Oversight Board will be independently funded by public companies. Foreign accounting firms will not be exempted from the act.

**Ensuring that Audits are Independent.** The conference report establishes new restrictions on the non-auditing or consulting services that an accounting firm can provide to a public company audit client. It also requires rotation of accounting firm lead and review partners.

**Ending Stock Analysts' Conflicts of Interest.** Under the measure, there would be new rules to prohibit conflicts of interest that could compromise securities analysts' independence.

**Expanding SEC Resources.** The agreement authorizes \$776 million for the SEC for FY 2003.

### ***Corporate Responsibility Standards***

**Holding CEOs Accountable for Honest**

**Bookkeeping.** The conference report requires the chairman of the board, the CEO and the CFO (or equivalent officer) of a publicly traded company to certify the financial statements required under Federal securities laws and imposes criminal penalties of up to 10-years in jail for willful violations of the provision. Further, under the measure, CEOs and CFOs must forfeit profits and bonuses in the event of a restatement that was the result of fraudulent noncompliance of the securities laws.

**Barring Wrongdoing Officers and Directors from Moving Company to Company.** The conference report gives the SEC the authority to bar any director or officer of a publicly traded company who violates the Securities and Exchange Act and whose conduct demonstrates "unfitness" to serve as an officer or director of a publicly traded company.

**Prohibiting Corporations from Making Insider Loans to their Executives.** The conference report makes it unlawful for any corporation to directly or indirectly provide a personal loan to or for any directors or executive officers.

**Requiring Timely Reports when Corporate Insiders Dump Stock & Ban CEOs from Selling Stock During Blackouts.** Under the conference report, sales of securities by corporate insiders are required to be reported to the public by the second day following the transactions. It also prohibits directors and executive officers from trading company stock during a "blackout" period when employees are prohibited from trading company

stock held in individual retirement plans.

**Requires Real Time Disclosure of Financial Information.** The conference report includes a "real time" disclosure provision, similar to that originally proposed by Rep. LaFalce, to require more rapid disclosure to investors of information concerning the financial conditions and operations that is necessary in the public interest and for protection of investors, as determined by the SEC.

**Targets Tough Criminal Penalties for Corporate Wrongdoing**

**Criminal Penalties for Securities Fraud.** The conference report creates a new felony for defrauding shareholders of publicly traded companies. This provision would be more accessible to investigators and prosecutors and would provide needed enforcement flexibility and protection against all the types of schemes and frauds which inventive criminals may devise in the future to defraud shareholders in publicly traded companies.



*Congressman William J. Jefferson visited with senior citizens in late July at the Kingsley House Senior Center, and discussed with Vivian Roussell current proposals for prescription drug coverage.*

## Congressman Jefferson Receives More Awards

Congressman Jefferson was once again recognized for his efforts in Congress. In addition to the award he received earlier this year from The Information Technology Industry Council (ITIC) which named Congressman Jefferson "Legislator of the Year" for 2001, recognizing his support and leadership on key information technology issues, he was honored by the Washington International Trade Association (WITA) and the Washington International Trade Foundation (WITF) at their 8<sup>th</sup> Annual Awards Dinner and 20<sup>th</sup> Anniversary Celebration. Rep. Jefferson was the recipient of the 2002 WITA/WITF "Distinguished Service Award."

Congressman Jefferson was also recently honored as a recipient of New Orleans Magazine's 2002 Iberville Awards. The "IBBYS," as they are called, are bestowed upon individuals for distinguished contributions to a specific part of the region. This year's recipients were honored for their commitment to the ports of Greater New Orleans.

## JRB Belle Chasse Gets Millions for Construction

Congressman William J. Jefferson has championed major funding for improvements to the Joint Reserve Base at the Belle Chasse Naval Air Station that will help keep this important military installation at the top of the line for readiness and preparedness.

"These appropriations are critical and crucial to keeping New Orleans on the map as a strategic military center for the United States. New Orleans guards America's gateway from the South and any money spent to make sure that our homeland defense is secure here is well spent," Jefferson said.

The Military Construction Subcommittee of the Appropriations Committee has set aside a minimum \$7.4 million for Phase III development of the Joint Reserve Center project at the Joint Reserve Base, Naval Air Station New Orleans, LA.

Besides the \$7.4 million for the Joint Reserve Base Phase III, the Military Construction Appropriations Subcommittee also okayed \$14.6 million for a runway and taxiway extension at the Belle Chasse Naval Air Station as well as federal funds for the following projects:

- \$1.5 million for an engine maintenance shop addition;
- \$2.69 million for hazardous material storage; and
- \$1.5 million for a new perimeter road and security fencing.

## Rep. Jefferson's Work Keeps Flood Work Going

Working daily with the U.S. Army Corps of Engineers (USACE), Congressman Jefferson has secured adequate federal funds to prevent an unprecedented work stoppage on rainfall drainage flood protection contracts that are part of the ten-year-old Southeast Louisiana (SELA) project.

"Top leaders of the Corps of Engineers have demonstrated their commitment to completion of the SELA project by working with local officials to make sure that construction is continued and completed on a timely basis," Jefferson said.

Earlier this year, a budget crisis threatened a shutdown of SELA projects, which presented a public safety crisis in the Second Congressional District of Louisiana.

In addition to working with the New Orleans District staff of the USACE to ensure that SELA projects continued on time for construction, Congressman Jefferson has worked to ensure that the U.S. Congress continues its long-term support for flood control, hurricane protection and other water-related federal projects.

Through diligent work, Congressman Jefferson has secured Energy and Water Appropriations Subcommittee approval of the following projects at federal funding levels above the recommendations of the current Administration. In particular, the SELA projects were singled out for more adequate federal support. The projects are:

- \$52 million for the Southeast Louisiana (SELA) Project (+\$32 million more than the budget recommendation of the President).
- \$9 million for the Lake Pontchartrain and Vicinity, LA Hurricane Protection Project (+\$5.1 million more than the Budget recommendation of the President).
- \$7.5 million for the West Bank and Vicinity New Orleans, LA Hurricane Protection Project (+\$2.5 million more than the Budget recommendation of the President).
- \$13 million for the Inner-Harbor Navigation Canal Replacement Project (+\$4 million more than the Budget recommendation of the President).

In addition to these federal projects, the Energy and Water Subcommittee also recommended \$500,000 for plans and specifications for the Paillet Basin, Jefferson Parish project; \$1 million to start construction of the Rosethorn Basin project; \$1 million to continue the Fisher School Basin project; and \$500,000 for the Goose Bayou Basin project.



*Construction inspector Leroy Smith (L) updates Congressman William J. Jefferson (C) and new U.S. Army Corps of Engineers District Engineer Colonel Peter J. Rowan (R) on progress of the Southeast Louisiana (SELA) drainage project near Napoleon and Claiborne Avenues. Budget constraints threatened continued progress on SELA drainage projects at the end of FY02. Additional funds were secured to continue the projects and to prevent potential public safety problems, while Congress approved an additional \$32 million for the SELA drainage projects next year.*

Photo by Burt Steel

## Jefferson Meets with Jefferson Parish Chamber of Commerce

*Congressman William J. Jefferson recently met with the Jefferson Parish Chamber of Commerce for a regular update on important legislation pending in the U.S. Congress. After the meeting, the congressman met with Mickal Adler of Blue & Williams, chairman of the Chamber's Government Committee, Mark Hamma of Campbell, McCranie, of the Chamber's Federal Government Committee and Pat LeBlanc of LeBlanc, Tusa and Butler, former Chairwoman of the Jefferson Parish Chamber of Commerce.*



## Jefferson Fights for Economic Development Secures New Orleans as pilot city for President's Initiative

This month Congressman Jefferson will announce a \$1 billion economic development plan for the Greater New Orleans area. Congressman Jefferson worked with President George W. Bush to secure New Orleans as one of only two cities to launch a pilot revitalization initiative designed to help inner city communities achieve economic development. The project is named for Dr. Martin Luther King and is expected to achieve its objective by targeting available federal, private and philanthropic resources and using these resources to facilitate \$1 billion in strategically focused, sustainable private and public investments in areas around the Martin Luther King, Jr. thoroughfare (MLK).

The Greater New Orleans MLK Initiative is based on two tenets. The first tenet is that the community surrounding MLK has the capacity and desire to undergo tangible and sustainable economic development. The second tenet is that by leveraging and coordinating business, philanthropic and government resources and efforts and installing the right leadership, locally driven, economic development around MLK can become a reality.

## Homeland Security

The U.S. House of Representatives voted 295 to 132 to create a federal Department of Homeland Security. The new agency will have control over several key anti-bioterror and other health-related functions. Congressman Jefferson joined his Colleagues in this bipartisan effort to establish a Cabinet-level Department of Homeland Security (DHS) whose primary mission will be to prevent terrorist attacks. This new department will be the third largest with 170,000 employees, a \$37 billion annual budget and consolidating 22 federal agencies including the Coast Guard, the Customs Service, the Federal Emergency Management Agency (FEMA), and the Secret Service.

The bill orders the president to create a 100-member National Council of Emergency Responders made up of expert police, firefighters, emergency medical personnel and hospital workers. It also transfers the nation's mobile emergency medical response systems to the new department by sending National Disaster Medical System and the Metropolitan Medical Response System from HHS to the authority of a new Undersecretary for Emergency Preparedness and Response.

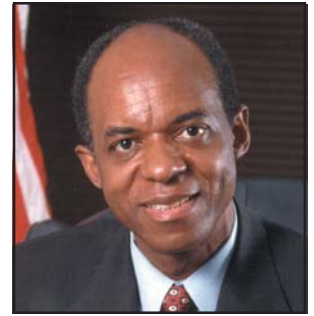
Other security measures passed by the House include Port Security legislation which directs the Secretary of Transportation to assess ports like New Orleans' vulnerability, including each facility in a port, wherever the Secretary believes there is a high risk of catastrophic emergency. In addition, it requires the Undersecretary of Transportation for Security to develop and maintain an antiterrorism cargo identification and screening system, including performance standards for seals and locks of shipping containers.

In an effort to deter future terrorist hijackings of aircrafts, the House passed legislation that will allow pilots to have guns in the cockpit. Currently, at least half of the nation's commercial airline pilots have military or law enforcement backgrounds and under this plan pilots will be expected to undergo extensive training.



# Fighting For America's Seniors

## by Congressman William J. Jefferson



As we focus our efforts on fighting to protect America's freedoms, let us not forget those who have fought long before us in battles to pre-

serve our democracy. They are our proud patriots of World War II, our decorated veterans of the Korean War, our freedom fighters of the Civil Rights Struggle, and the many who stayed home and reared and nurtured those generations. They are our American Seniors and now, it is our turn to fight for them.

It is incumbent upon us to fight for those that fought so hard for our freedom to ensure that they are able to spend their retirement years with freedom — free from fear, free from worry, free from poverty and free from debt. Congress can fulfill this duty by providing affordable Medicare prescription drugs benefit; by guaranteeing Social Security benefits; and by permitting full spousal benefits and government pensions. I am working to see that this gets done.

### Affordable Prescription Drugs Benefit

Recently, the U.S. House of Representatives successfully passed Medicare Prescription Drug Benefit legislation but failed American Seniors. Today, America has 40 million elderly and disabled Americans. In the recent years the prices for prescription medicines have gone through the roof. At least one-third of Medicare beneficiaries do not have coverage for drugs and others are forced to create a patchwork of coverage that simply doesn't get the job done.

Yet with this knowledge in hand the House passed contentious legislation, which lays the groundwork for privatizing Medicare. The bill is more a benefit for insurance companies who will provide prescription drug coverage to seniors under their proposal than for seniors. By privatizing this benefit, we are shirking our responsibility as representatives of the people to safeguard senior access to affordable prescription drugs. Under this plan, we have no way of guaranteeing that insurance companies will offer affordable premiums, low deductibles and low co-pays, or that these same insurance companies will offer any benefit to our seniors at all. Insurance companies could decide to participate in the program one year, and pull out the next, leaving our seniors with no coverage, no possible way to afford the much needed drugs.

Also, the bill has an enormous gap in coverage. It stops when annual prescription drug costs reach \$2,000, maybe mid-year, and does not pay again until costs reach \$3,700. This could leave seniors, even the poorest seniors, with out of pocket costs of \$1,700, not even including the premiums, deductibles and co-pays!

America's seniors have waited long enough for a prescription drug benefit in Medicare and for relief from the high cost of prescription drug prices. In the last two years prescription drug costs have skyrocketed by almost 40 percent forcing America's Seniors to choose between food, rent, heat or prescription drugs. Unfortunately, with the current legislation there is no relief in sight. You can be assured that I will continue to fight for a prescription drug bill that works for our seniors.

### Social Security Privatization

Social Security has a winning record. For nearly 70 years, seniors have counted on it for income

security in their golden years. Young families have relied on disability or survivors' benefits to help pay the rent or make it through college. Unfortunately, present proposals to privatize Social Security pose a serious threat to its purpose and future health.

Privatizing Social Security may sound like a good idea at first, but the devil is in the details — the more you learn about it the worse it sounds. It would cut benefits for current and future retirees. And in the end, it just doesn't make economic sense.

Privatization proponents argue that Social Security is on its deathbed and that a radical remedy is needed. This is inaccurate. According to the Social Security trustees, new economic and demographic projections show that Social Security can pay full benefits until 2041. On the other hand, privatization will only make Social Security's financial problems worse. Privatization is based on the idea that one can take money out of the trust fund without any negative consequences. Proponents claim that the money can be thrown into the stock market where it will grow with no risk attached, particularly for Seniors who will go on collecting benefits — not so.

The privatization concept is based on a flawed and misleading understanding of how the program works. Since Social Security taxes are immediately paid out to current beneficiaries (it's a "pay-as-you-go" system), money taken out of the program would come directly out of our parents or grandparents' pockets. Hence, privatization will mean benefit cuts that would affect all recipients — retirees, disabled workers, and survivors alike. And since privatization opens a gaping hole in Social Security's finances trillions of dollars would be needed to make up the difference.

Privatization would have an even more devastating impact on women, lower-income workers, and minorities. Minorities tend to benefit disproportionately from the disability and survivors component of Social Security, but these will be cut across the board to make room for private accounts. As for those women who on average live longer than men and spend more time out of the workforce to raise children or take care of elderly parents, they would have less to deposit into private accounts. Therefore, they would have to live on smaller benefits from smaller accounts over a longer period of time, without the protection from inflation offered by Social Security.

Currently, Social Security is safe from the volatility of the stock market and the immorality of certain CEOs and CFOs. It pays benefits whether or not corporations are paying dividends. The real bottom line is that Social Security is and was designed to protect America's Seniors from poverty and dependency, ensuring that they will not suffer like those Enron employees who watched their dreams of secure retirement vanish. And, while I support programs in addition to Social Security that encourage Americans to invest in their retirement through 401(k) plans and personal savings, it is critical that we keep a portion of retirement income guaranteed. Social Security is that guarantee.

### Government Pension Offset

Finally, after more than a decade at work on the issue of Government Pension Offset Reform and with 293 cosponsors on the line, our coalition will begin an effort in mid-September to force a vote on H.R. 664. This is legislation that is important to many, many government retirees in Louisiana, now and in the future.

H.R. 664 represents a compromise approach that will relieve the burden widows, widowers and low-income workers bear by creating a threshold of \$1,200 worth of combined retirement benefits before the 2/3 government pension offset provisions are applicable.

Our effort to force a vote on this issue is long overdue and will require that 218 of our current 293 cosponsors sign what is called a discharge petition. If we are successful and get 218 signatures on the discharge petition, we will be able to vote on this important legislation for America's senior citizens.

Success on the discharge petition for consideration of H.R. 664, government pension offset reform, will demonstrate that the U.S. Congress will not forget those who have fought long before us in battles to preserve our democracy and who have paid the price for retirement security.

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