

The Bush Budget: Bad for Maine

Cuts Programs Important To Maine; Spends Social Security and Medicare Surpluses To Pay For Massive Tax Cuts

Introduction and Summary

During consideration in 2001 of President Bush's tax plan, critics of the size of the tax cut argued that the large drain in federal revenues would force cuts in important domestic programs. On February 4, 2002, President Bush submitted a federal budget Fiscal Year 2003 that cuts non-security domestic discretionary programs by \$4.3 billion (1.3 percent). This represents a \$15.8 billion (4.7 percent) cut below the level needed, according to the Congressional Budget Office, to maintain purchasing power at the FY2002 level. At the same time, the FY2003 Bush budget proposes \$675 billion in new tax cuts on top of the \$1.35 trillion in tax cuts (accounting for \$1.7 billion in revenue losses) enacted last year.

The Bush budget shifts burdens to the states, through a combination of state grant cuts and tax changes that reduce state revenues, at a time when 37 states, including Maine, have fallen into deficit and are facing budget cuts. While a comprehensive figure of the impact on Maine is impossible to calculate at this time, an analysis by the Economic Policy Institute estimates that Maine would receive \$17 million less under the FY2003 Bush budget than the previous year for 38 key state grant programs (by contrast, Texas and Florida would get \$73 million and \$112 million more, respectively). In addition, the President's proposed new round of tax cuts could deprive Maine of \$30 million in revenue in each of the next three years, according to another analysis.

The Bush budget's overall \$48 billion (7 percent) increase in appropriated spending is due to the more than \$50.6 billion increase for defense and homeland security. While Maine communities will likely receive federal help to deal with homeland security costs, Maine may see a net loss in this area. The Bush budget cuts the single most important defense program to Maine, the DDG-51 destroyer, by reducing the number of ships to be built at Bath Iron Works.

In a dramatic departure from previous long-term surplus projections, the FY2003 Bush budget now projects federal on-budget deficits through the entire 10-year budget window (\$1.5 trillion in accumulated on-budget deficits). This means that the government will use surplus Medicare and Social Security taxes to pay for general spending, rather than reserving these surpluses to pay down the national debt and bolster the solvency of these two vital retirement security programs. Diversion of payroll tax surpluses complicates the ability to fund a meaningful Medicare prescription drug benefit. Before passage of the 2001 Bush tax cut, these surpluses were one possible funding source for a new prescription drug benefit.

The Bush budget’s long-term deficits may result in higher borrowing costs for Maine homeowners and consumers, and shift large new debts to the children and grandchildren of Maine residents. It is a general economic principle that increased federal borrowing draws capital from the private sector and leads to higher interest rates, reflected in increased mortgage rates and credit card interest rates. This effect is being felt today, as consumers have not seen their personal lending rates fall despite an historic 11 prime rate cuts by the Federal Reserve over the past year. Some economists attribute this to the financial markets’ anticipation of increased federal borrowing in response to revenue reductions caused by the Bush tax cut.

This paper details programs that benefit Maine communities that are slated for cuts, elimination or a freeze in the FY2003 budget proposed by President Bush. Even deeper cuts will likely be required in future years, as the 2001 tax cut’s annual revenue losses quintuple in size over the next decade (from \$38 billion in FY2002 to \$187 billion in FY2010).

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Prepared by the Office of Rep. Tom Allen. Sources: President's Federal Budget for Fiscal Year 2003 and various agency budget presentations; House Budget Committee, Democratic staff; Northeast-Midwest Institute; Economic Policy Institute; Center for Budget and Policy Priorities; National Education Association.

Bad for the Maine State Budget

! The Bush budget proposes **new federal tax changes that would reduce Maine state revenues** by approximately \$68 million in the next three years (FY2002-FY2004), as part of the \$675 billion in new tax cuts, according to an analysis calculated by the Center on Budget and Policy Priorities. The budget calls for an accelerated depreciation provision that would allow businesses to deduct immediately 30 percent of the cost of equipment and other items, and the Administration supports the Republican stimulus bill in Congress that would extend this provision over three years. Maine is one of 45 states that links its state tax collections to federal rules on depreciation.

-- The \$68 million loss of revenue would exacerbate Maine's budget shortfall.

! The Bush Budget proposes to **make permanent the provisions of the 2001 tax bill** (under current law they expire in December 2010). This would cause Maine to lose \$61 million in revenue in 2012, because the Maine estate tax laws are linked to federal estate tax laws. The Bush tax cut gradually repeals the federal estate tax over 10 years, rather than reforming it immediately, causing a corresponding reduction in state level estate tax receipts.

-- The 2001 Bush tax cut bill will already cause a reduction of \$7.6 million in Maine state revenues in FY2003, rising to \$39.5 million by FY2007 (a total of \$125.8 million over the five years).

! The Bush Budget proposes to shift the burden of providing **unemployment compensation** to the states by reducing federal Unemployment Insurance (UI) payroll taxes. By proposing to reduce federal unemployment payroll taxes (FUTA) taxes by 25 percent in 2003 and by 75 percent by 2007, the budget would cut \$12.8 billion in revenues from the UI fund. This saps funds from a vital program that helps workers directly affected by the recession. Federal taxes support federal and state unemployment compensation administration and retraining services. Federal taxes also pay for the federal share of extended benefits for workers and loans to states that are unable to pay benefits because they ran out of funds.

-- By shifting the burden of UI tax administration to the states, Maine could lose \$346,000 in federal aid, according to an analysis by the Economic Policy Institute. In addition, if deficit-laden states are not able to cover the reduced federal contribution, there will be less in the UI Fund available to help laid off Maine workers. Interestingly, Texas cut UI payroll taxes during the Administration of Governor Bush, and is now seeking a federal bailout in the form of loans, perhaps as much as \$1 billion to cover a shortfall.

Bad for Maine Students, Schools and Higher Education

! The Bush Budget fails to fully fund the federal promise under the Individuals with Disabilities Education Act (IDEA) to provide 40 percent of **special education** spending by local school districts. The budget increases funding by only \$1 billion in FY2003, bringing the federal government's share of special education costs to only 18 percent. Full funding of IDEA in FY2003 would take an additional \$10 billion, or only 11 percent of the cost of the enacted Bush tax cut in FY2003 (\$90 billion in revenue losses).

-- Special education continues to be the top fiscal concern for school districts in Maine. The federal government's failure to fund its mandate means schools must divert funds intended for other students to deal with special education, and homeowners throughout Maine face rising property taxes to cover the local school districts' financial burden.

! The Bush Budget cuts \$90 million from the FY2002 level for the just-enacted bipartisan **Bush Education bill** (also known as the Elementary and Secondary Education Act).

-- These cuts could make it harder for Maine to comply with the new federally-imposed accountability provisions in the new ESEA bill, which creates new mandates for Maine, such as annual assessments in grades 3 through 8 in reading and math.

! The Bush Budget funds **Head Start** at a level that prevents the enrollment of more children. While FY2003 funding of \$6.7 billion represents an increase in funding over FY2002, this amount is not sufficient to permit Head Start to offer services to additional children.

-- Many Maine pre-schoolers will not get access to Head Start until full funding is provided.

! The Bush Budget cuts \$105 million for the new **Improving Teacher Quality** programs (a result of the ESEA bill's consolidation of the Class Size Reduction and Eisenhower Professional Development programs), which help reduce class size and provide professional development opportunities for educators. Critics had warned that consolidation would lead to cuts in the programs.

-- This cut would make it harder for Maine to meet the new federally-imposed mandates regarding teacher quality and certification in the ESEA bill.

! The Bush Budget cuts \$102 million for **Safe and Drug Free Schools**, which is the primary federal program aimed at reducing drugs and violence in schools. It would also eliminate three activities under national programs: mentoring, community services for expelled or suspended students, and alcohol abuse reduction.

-- Maine schools would likely receive less under this program.

! The Bush Budget cuts \$50 million from **Even Start**, which provides education and related services jointly to parents lacking a high school diploma (or equivalent) and their young children.

-- Maine would lose about \$218,000 in Even Start funding.

! The Bush Budget eliminates **28 elementary and secondary education programs**, including Drop-Out Prevention, Rural Education, Civic Education, and Close-Up Fellowships.

-- Maine would lose about \$233,000 in its rural and low-income schools program.

! The Bush Budget freezes funding at the FY2002 level for **all campus-based postsecondary education programs**, including the Supplemental Educational Opportunity Grants, Work Study, and Perkins Loans.

-- Maine has one of the lowest state rates of high school graduates enrolling in college.

! The Bush Budget freezes funding at the FY2002 level for programs that provide assistance to postsecondary students, **such as TRIO**.

-- Maine TRIO programs served 5,659 participants in 2001. This number represents less than five percent of the student population eligible for TRIO services. TRIO programs are located at the University of Southern Maine, the University of Maine at Orono, the University of Maine at Augusta, the University of Maine at Farmington, the University of Maine at Fort Kent, the University of Maine at Presque Isle, Bowdoin College, Central Maine Technical College, Kennebec Valley Technical College, and Washington County Technical College. Level TRIO funding jeopardizes the ability of these programs to serve students in need.

! The Bush Budget cuts funding for **Vocational and Adult Education** by \$36 million from the FY2002 enacted level.

-- In total, Maine could lose about \$29,000 in funding under these cuts.

! The Bush budget terminates funding for **potato, blueberry, and wood utilization research at the University of Maine at Orono**, and proposes to close an Agriculture Research Service facility operated on the campus. It also cuts the **agricultural research and services** budget by \$512 million (12.7 percent) compared with what is needed to maintain purchasing power at the FY2002 level.

-- The University of Maine is expected to receive \$1.2 million in federal funds in FY2002 to conduct research on potatoes, wild blueberries and wood utilization. The ARS facility at Orono employs 19 scientists and support staff, with a budget of almost \$2 million.

! The Bush Budget seeks to eliminate \$3 million in eight already approved **education and research projects in Maine**, as part of a \$1.3 billion package of cuts sought to pay for other education activities.

-- The cuts are (1) \$1.25 million for Jackson Laboratory in Bar Harbor, for a research and education facility; (2) \$440,000 for the University of Southern Maine to create the Electronic Learning Marketplace to expand K-12 professional development and improve educational standards and assessments statewide; (3) \$400,000 for Kennebec Valley Technical College to develop a Precision Machining Technology Program to address the critical workforce shortage in Maine's metal products industry; (4) \$400,000 for the United Technologies Center to develop a Photonics Training Pilot Project for regional technical high school students in the field of photonics; (5) \$200,000 for "Project Promotion," a project of the Southern Penobscot Regional Program for Children with Exceptionalities (SPRPCE) and Eastern Maine Technical College for Paraprofessional Educators to pursue a two-year college degree; (6) \$200,000 for Maine School Administrative District #58 in Kingfield, for Pathway Partners rural education program, to help connect young people to fundamental resources such as caring adults and safe places; (7) \$100,000 for Maine School Administrative District Number 64, East Corinth, for the STAR technology teacher training project; and (8) \$50,000 for the Lewiston-Auburn College/University of Southern Maine TEAMS program to prepare teachers to meet the demands of Maine's 21st century elementary and middle schools at Sherwood Heights Elementary School in Auburn and Lewiston Middle School in Lewiston.

! The Bush budget cuts the **Sea Grant program** by \$5 million (8 percent) and transfers its program from the National Oceanic and Atmospheric Administration to the National Science Foundation (NSF).

– The University of Maine receives funds from the federal Sea Grant program to conduct a variety of research and educational activities related to marine science and conservation.

Bad for Maine's Health Care

! The Bush budget provides inadequate **prescription drug coverage** that would benefit fewer than 10 percent of all Medicare recipients. While last year's Republican-written Budget Resolution provided for \$300 billion for a prescription drug benefit, the Bush budget allocates only \$77 billion over ten years for a set-aside for state-sponsored prescription drug programs (not for a benefit within Medicare). By the Administration's own figures, this proposal would help at most three million of the 40 million Medicare beneficiaries. At the same time, the budget increases Medicare spending by more than \$4 billion for incentive and increased payments to Medicare HMOs (Medicare+Choice) that are supposed to offer prescription drug alternatives for seniors (but not Maine seniors, since there are no Medicare HMOs left in Maine).

-- The Bush plan would not help most Maine seniors with the costs of their prescription drugs, since it would only cover those seniors who are up to 150 percent of the poverty line (those with incomes below \$12,888 for an individual and \$17,424 for a couple). While the plan would help defray some of the costs of Maine's existing low-income senior drug programs, it does not offer any significant help to moderate income seniors to offset the high cost of their prescription drugs. Nor would the Bush plan tackle rising drug prices, the key reason seniors cannot afford their medicines.

! The Bush budget fails to allocate additional funding to restore cuts in **Medicare reimbursements to hospitals, nursing homes, and home health providers** which resulted from the Balanced Budget Act of 1997. In addition, the Bush Administration unexpectedly calculated a much slower growth rate in Medicare over the next 10 years than previous Administration and Congressional Budget Office estimates, despite continued nation-wide health care cost growth. These new, lower estimates could complicate the ability to increase payments to providers.

-- The lack of additional funding places a tremendous burden on Maine's health care providers and limits resources. In addition, under a new fee update system, physicians were hit with new cuts of 5.4 percent to their Medicare reimbursement rate, effective January 1, 2002. For one Maine group practice, the decrease in reimbursement is \$80,000; for another, smaller practice, it is \$38,000.

! The Bush budget fails to restore the 15 percent reduction in **home health payments** scheduled to take effect in October 2002, which resulted from the Balanced Budget Act of 1997.

– This is expected to result in a \$2.6 million loss for Maine's home health providers, hurting their ability to provide nursing care, home health aides, medical supplies, and other health services to Medicare and Medicaid patients.

! The Bush budget eliminates the **Community Access Program** in FY2003, a cut of \$105

million. CAP funds grants to coordinate health care services to the under-insured and uninsured offered by community providers such as public hospitals, community health centers, and disproportionate share hospitals.

-- These cuts could limit access to health care options to the 145,000 Maine residents with no health insurance and will directly affect the Care Partners program which assists several hundred low income families in Cumberland, Kennebec and Lincoln counties.

! The Bush budget cuts **Rural Health activities** by \$54 million (42 percent) below the FY2002 enacted level. This includes cuts to Rural Health Policy Development, Rural Outreach Grants, Rural Flexibility Grants, Telehealth, and the Maine State Office of Rural Health.

-- These cuts could limit access to health care for Maine residents living in rural areas.

! The Bush budget cuts **Children's Hospital Graduate Medical Education (GME)** by \$85 million (29 percent) below the FY2002 enacted level. GME funds are used by children's teaching hospitals to offset the higher costs of providing advanced training to pediatricians.

-- This cut could restrict funding available for teaching at the Barbara Bush children's wing at Maine Medical.

! The Bush budget freezes **Title X family planning** programs at the FY2002 level of \$266 million for 2003. At the same time, the Administration is proposing an increase of \$35 million for abstinence-only programs.

-- The proposed allocation of Title X funds could limit funding available for comprehensive sex education and family planning programs in Maine.

! The Bush budget freezes **Maternal and Child Health (MCH) Block Grant** at the FY2002 level of \$739 million. This block grant supports federal and state partnerships to develop service systems to address the critical challenges in maternal and child health.

-- The freeze could limit access to health care for low-income mothers and their children.

Bad for Maine's Low-income Families and Seniors

! The Bush budget cuts **Low Income Home Energy Assistance Program (LIHEAP)** funding by \$300 million (18 percent) from last year's level. It also proposes to change the LIHEAP state allocation formula to provide more to warm weather states to deal with heat waves (at the expense of cold weather states).

-- Maine would lose almost \$14 million in LIHEAP funds in FY2003 through a combination of the funding cut (\$3.8 million) and allocation change (\$10.1 million), according to analyses by the Northeast-Midwest Institute and the Economic Policy Institute. By contrast, under the allocation change alone, both Texas and Florida would

see their LIHEAP amounts triple (Texas gets \$59 million more; Florida gets \$38 million more). Current funding levels allow LIHEAP aid to only 40 percent of the 120,000 eligible households in Maine. These cuts would not only prevent help to the 72,000 unserved households, but jeopardize the ability to provide essential heating oil to the 48,000 households now served.

! The Bush Budget freezes the **Temporary Assistance to Needy Families (TANF)** block grant program for the next five years. Inflation has eroded the value of the grant by more than 11 percent since 1997. Continued flat funding will further erode the value by an additional 22 percent

- Since costs of TANF-funded services are rising, flat federal funding means benefits and services will be reduced or more state funding will be needed.

! The Bush Budget cuts funding for **Homeless Assistance Grants** and the renewal of Shelter Plus Care permanent housing grants by a total of \$14 million. These grants fund local projects to provide a “continuum of care” that includes outreach, assessment, emergency shelter, and housing aimed at moving homeless individuals and families to permanent housing and jobs.

-- Beneficiaries in Maine include the Cities of Portland, Augusta, and Waterville.

! The Bush Budget cuts **Housing for the Elderly and the Disabled** funding by \$20 million. It also cuts **The Public Housing Operating Fund** by \$31 million.

– These funds allow public housing authorities, such as the Portland HA and Brunswick HA, to provide assistance to low income elderly people and to operate public housing facilities, respectively.

! The Bush Budget cuts funding for **Public Housing Capital Fund** by \$417 million (15 percent) below the FY2002 level. Nationally, 1.2 million families live in public housing, more than 40 percent of whom are seniors or disabled. Public Housing authorities nation-wide face a \$20 billion backlog of urgent repair needs. The Public Housing Capital Fund pays for major structural repairs to public housing units.

– Public housing authorities in Brunswick, Portland, Sanford, Lewiston, and Augusta would be affected by these cuts.

! The Bush Budget cuts funding for the **Child Care and Development Block Grant (CCDBG)** by \$40 million, compared with the Congressional Budget Office’s estimate of the amount necessary to maintain purchasing power at the 2002 level.

-- This cut could limit Maine’s access to federal funds to promote affordable child care alternatives.

! The Bush Budget cuts **community services programs** by \$98 million (13 percent) below the

FY2002 level and \$113 million (15 percent) below the amount needed to maintain purchasing power at the FY2002 level.

– Maine would lose \$426,000 in Community Services Block Grant funds, according to an analysis by the Economic Policy Institute.

! The Bush Budget cuts \$6 million from the **Legal Services Corporation**, which funds the provision of legal aid to the poor.

– These cuts may restrict access to legal representation for low-income people in Maine.

! The Bush Budget freezes funding at FY2002 levels for programs such as Meals on Wheels funded under the **Older Americans Act**.

-- Maine Seniors depend on OAA funding for income supplements and meals.

Bad for Maine's Dislocated Workers

! The Bush Budget cuts **job training** programs by \$686 million (12 percent) below the FY2002 level. Affected programs include the **Dislocated Worker Program**, cut by \$166 million (11 percent), which provides employment services to laid-off workers; **grants to states for adult job training**, cut by \$50 million; and **job training programs for youth**, cut by \$363 million, which provides educational and skill development services to young people to promote their employability.

-- Maine would lose \$933,000 in grants under these three programs, according to an analysis by the Economic Policy Institute. These cuts hurt the state's ability to help workers affected by the recession and by mill and plant closures. Among the entities in Maine that have received funding from the Dislocated Workers Fund is Coastal Enterprises, Inc., of Wiscasset (\$1 million).

Bad for Maine's Small Businesses

! The Bush Budget cuts \$76 million for the **Advanced Technology Program**, a 41 percent cut below the FY2002 enacted level. ATP provides assistance to U.S. businesses and joint R&D ventures to help them improve their competitive position and help accelerate commercialization of technology that promises significant national economic benefits.

- Brunswick Technologies, Inc. (of Brunswick) and Pepin Associates, Inc. (of Greenville) are part of larger partnerships/consortiums that have participated in the ATP program.

! The Bush Budget cuts funding for the Commerce Department's **Manufacturing Extension Partnership (MEP)** by 88 percent below the FY2002 enacted level (to only \$13 million). The MEP is a national network of manufacturing extension centers that enhance the competitiveness of small U.S. manufacturers by providing them with access to technologies and expertise.

-- This drastic cut would effectively mean elimination of the Maine MEP, which has helped numerous small businesses integrate systems and technologies to create high-performance enterprises.

Bad for Maine Communities

! The Bush budget cuts **state water infrastructure aid** by \$482 million from the FY2002 freeze level. Specifically, it cuts the **Clean Water State Revolving Loan Fund** by \$138 million (10 percent) from FY2002 levels, and freezes the **Safe Drinking Water State Revolving Fund** at the FY2002 level of \$850 million. These programs provide aid to states to help communities upgrade waste control systems to meet environmental standards.

-- Maine could lose \$772,000 in wastewater grants, according to an analysis by the Economic Policy Institute. Portland, Saco, Augusta, and Brewer are among the many localities seeking Combined Sewer Overflow project money to upgrade and improve their wastewater collection and treatment systems.

! The Bush budget cuts the **Army Corps of Engineers** civil works budget \$369 million (8 percent) below last year and \$511 million (11 percent) below the level needed to maintain constant purchasing power. The Army Corps construction budget would be reduced by \$296 million (18 percent), on top of a \$21 billion construction backlog.

-- The cuts would jeopardize the ability to complete projects in Maine such as Camp Ellis in Saco, where beach erosion is causing property loss.

Bad for Maine's Economic Development

! The Bush Budget cuts **Community Development Block Grants** by \$379 million (7 percent). CDBGs provide funds for programs and activities that promote development in low- and moderate-income communities.

-- The Maine State Planning Office distributes CDBG funds to municipalities with low income census tracts for housing construction, infrastructure improvements, and economic development.

! The Bush Budget cuts funding for **Community Development Financial Institutions** by \$13 million (16 percent). The CDFI program provides grants, loans, and financial and technical assistance to promote economic development in economically distressed communities.

-- Beneficiaries in Maine include community banks, credit unions and non-profits (such as Coastal Enterprises, Inc., of Wiscasset) to leverage capital for economic development.

! The Bush Budget cuts the **Economic Development Administration** by \$24 million (7

percent). EDA provides grants and other assistance to help alleviate unemployment and underemployment by creating jobs and implementing comprehensive economic development strategies in distressed communities.

– Beneficiaries of EDA grants have included the municipalities of Portland (Bayside), Gardiner, and Westbrook, Coastal Enterprises, Inc., of Wiscasset, and the State Government.

Bad for Rural Maine

! The Bush Budget eliminates funding for the Commerce Department's **Technology Opportunities Program** (funded at \$15.5 million in FY2002). This program attempts to bridge the "Digital Divide" by providing computers and Internet access to poor and underserved areas.

-- This program is targeted at both low-income urban and rural areas like those in Maine that do not have sufficient access to the Internet and new communications technologies.

! The Bush Budget cuts three Department of Agriculture **Rural Housing Loan Programs**. Section 502 Direct Loans for Single-Family Housing are cut by \$123 million, or 11 percent below FY2002 level. Section 502 Guaranteed Loans for Single-Family Housing are cut by \$388 million, or 12 percent below FY2002 level. Section 515 Direct Loans for Rental Housing are cut by \$54 million, or 47 percent below FY2002 level.

-- Maine suffers from a lack of affordable housing and is ranked last in the nation in multi-family construction. Since 1997, housing prices in Maine have risen twice as fast as incomes (18.8 percent vs. 9.5 percent).

! The Bush Budget eliminates the Department of Housing and Urban Development's **Rural Housing and Economic Development Program** (funded at \$25 million in FY2002).

-- Beneficiaries in Maine include local rural non-profits and community development corporations (Coastal Enterprises, Inc., of Wiscasset and York-Cumberland Housing are potential RHEDP grantees).

! The Bush budget cuts **state and private forestry** funding by almost one-third (\$133 million) from FY2002 enacted levels. This funding supports forest health management, cooperative forestry, and education and land conservation activities on state and private land.

-- This cut means less money will be available to promote sustainable forestry practices and conservation in Maine.

Bad for Maine Transportation

! The Bush budget reduces **federal highway spending** by \$9 billion from the FY2002 level. Funding is \$4.3 billion below the level authorized by Congress in the TEA-21 national transportation bill.

– Maine Department of Transportation would receive \$37 million (25 percent) less than last year for highway construction and repair projects across the state, and \$22 million less than Congress authorized. The cuts could jeopardize projects such as the Gorham bypass for Route 25 and the third bridge in Augusta, as well as hundreds of Maine construction jobs.

Bad for Maine Law Enforcement

! The Bush Budget cuts **Department of Justice Grants to States/Municipalities** by \$1.7 billion, a 69 percent cut. The **Local Law Enforcement Block Grants**, the **State Criminal Alien Assistance Program**, and the formula and discretionary **Edward Byrne Grant** programs are eliminated. The budgets of the **Violence Against Women Act Grant** program, **Juvenile Incentive Block Grant** program, drug courts, and residential substance abuse treatment programs are consolidated into a new Justice Assistance Grant Program, and their budgets are cut. In addition, **juvenile justice assistance** programs are cut by \$54 million (18 percent). These programs provide grants to states and municipalities to help combat juvenile delinquency.

-- State, county, and local governments throughout Maine have received and benefitted from these funds.

Bad for Maine Defense Workers

! The Bush budget cuts the number of **DDG-51 AEGIS destroyers** built at Bath Iron Works. For the last five years, the Navy has been buying 3 destroyers a year, with construction split between BIW and a shipyard in Mississippi. The budget forecasts buying only 2 destroyers per year for the next five years (FY2003-07).

– This means BIW would receive only 5 destroyers in the next five years, 2 fewer than the number awarded in the previous five years. Given that each DDG-51 brings more than \$300 million to the shipyard, this procurement rate cut could mean reduced revenue of some \$600 million for BIW through FY07. On top of recent layoffs due to reduced workload, this cut exacerbates and already worrisome workload future at BIW, which has been unable to begin production on the LPD-17 due to problems of the lead contractor in Louisiana, and Pentagon delays in the contract award of the next generation destroyer, the DD-X, for which BIW is a bidder.

Bad for Maine Veterans

! The Bush budget's short-term increase in **veterans health care** is undermined by large future cuts. While the FY2003 budget provides an increase of \$672 million over the level needed to maintain purchasing power at the 2002 level, it requires \$316 million in "management efficiencies" to offset the overall cost of health care, in effect compelling the VA to pay for its own increase. This increase is short-lived, however, as the ten-year (2003-2012) Bush budget plan cuts appropriated programs (like health care) for veterans by \$6.4 billion compared with purchasing power parity.

– The long-term cuts could frustrate efforts at Togus to serve the aging and growing veterans population in Maine.

Bad for Maine's Environment

! The Bush budget cuts **land and water conservation** funding by \$88 million (15 percent). While the Administration claims full funding of the Land and Water Conservation Fund at \$900 million, only \$486 million is budgeted for the traditional purposes of the fund to support federal and state land acquisition. The full funding claim is achieved by lumping non-traditional activities into the Fund.

-- The Land and Water Conservation fund supports important conservation and recreation projects in Maine. In the last three months of 2001 alone, the fund enabled recreation projects in Richmond, Brunswick, York, Cape Elizabeth, Freeport, Union, and South Portland. Federal funds also helped conserve 76 acres in the Kennebec Highlands near the Town of Rome.

! The Bush Budget allocates \$250 million (13 percent) less in FY2003 for dedicated **land and water conservation** appropriations than provided by Congress. The historic bipartisan conservation funding agreement of 2000 provided for more than \$1.9 billion for a pre-defined set of programs aimed at habitat and species protection, urban and historic preservation, maintenance of public lands, and other related purposes. The Bush budget proposes only \$1.7 billion.

-- The 2000 conservation agreement was intended to benefit coastal conservation programs, state wildlife agencies, and programs that preserve historic places, recover endangered species, improve urban parks and restore Indian lands.

! The Bush budget eliminates the **Small Watershed Program**, which has a backlog of already approved projects that stood at \$1.6 billion in October 2001. The program supports watershed protection, water quality improvement, flood control, soil erosion, and drinking water supply projects.

-- This program is important to rural states like Maine, since many Small Watershed Program projects focus on localities with low population density. Maine received \$603,000 in FY 2001 and \$245,000 in FY 2000.

! The Bush budget cuts Environmental Protection Agency (EPA) **state water pollution control grants** by \$12 million compared with the FY2002 level. These grants provide funds for states to implement water quality monitoring and water quality standard setting programs.

-- These cuts will cause Maine to lose \$145,000, hampering the state's ability to maintain water quality.

! The Bush budget cuts the **State Energy Program** by \$6.2 million (14 percent) from FY2002 levels. The program provides grants to states to design and carry out their own energy efficiency and renewable programs.

-- With the increased attention on energy security, these cuts could harm Maine's ability to reduce its energy needs and improve air quality.

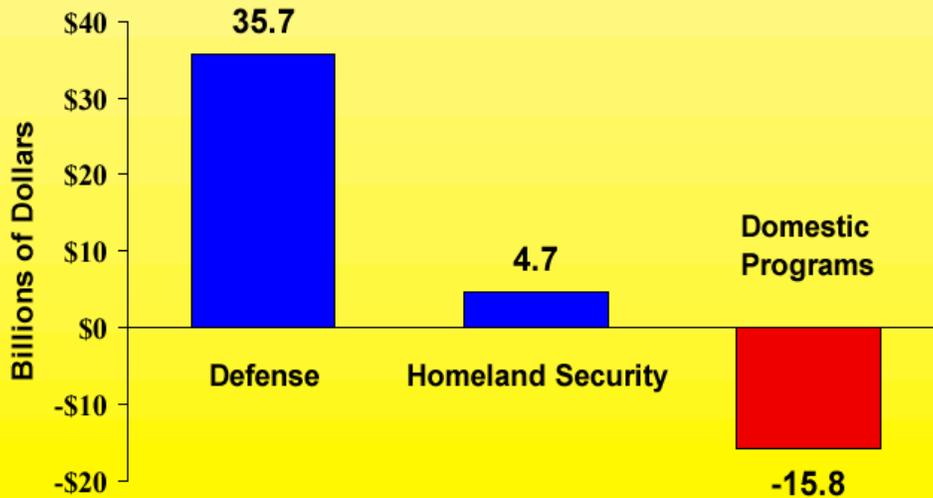
! The Bush budget cuts **industrial sector energy conservation** by \$16 million (10 percent), to \$138 million for FY2003. These funds target the nine industries that account for more than 80 percent of air emissions.

-- The cuts could harm efforts to reduce air pollution from power plants, factories and other entities in the Midwest that are the greatest source of pollution in Maine.

* * *

Discretionary Funding in the President's 2003 Budget

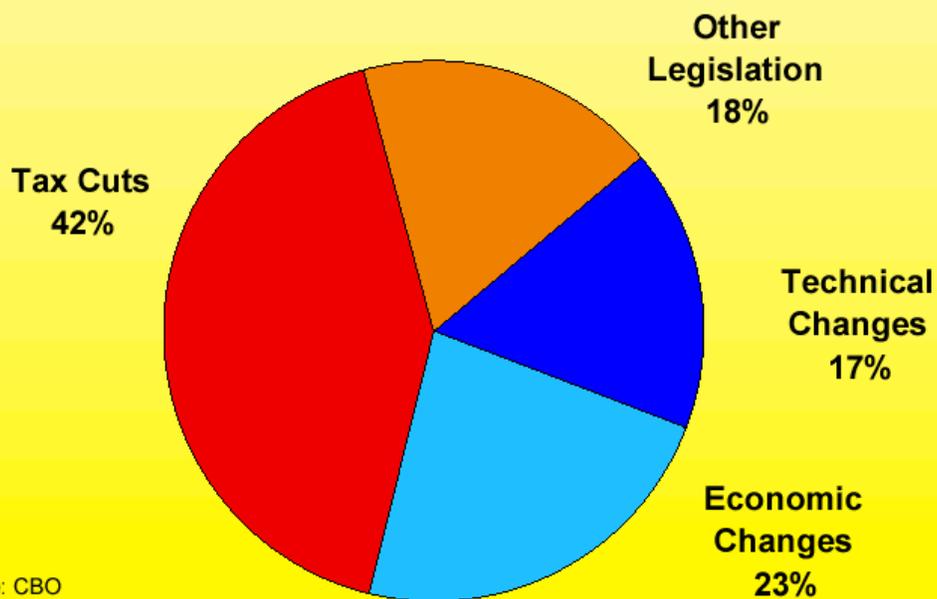
Change in purchasing power from 2002 level



Prepared by the Democratic Staff of the House Budget Committee

02/08/02

Changes in the Total Budget Surplus, FY 2002-2011



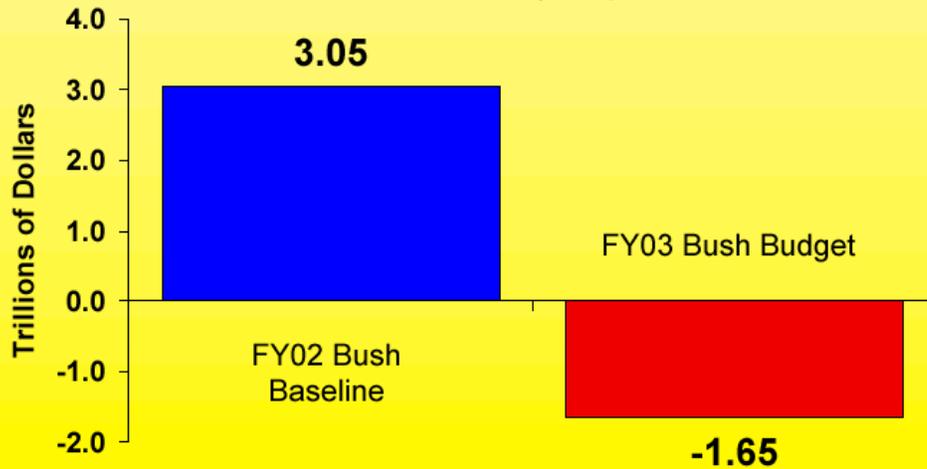
Source: CBO

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Republicans Spend the Social Security Surplus

Total Non-Social Security Surplus, '02-'11

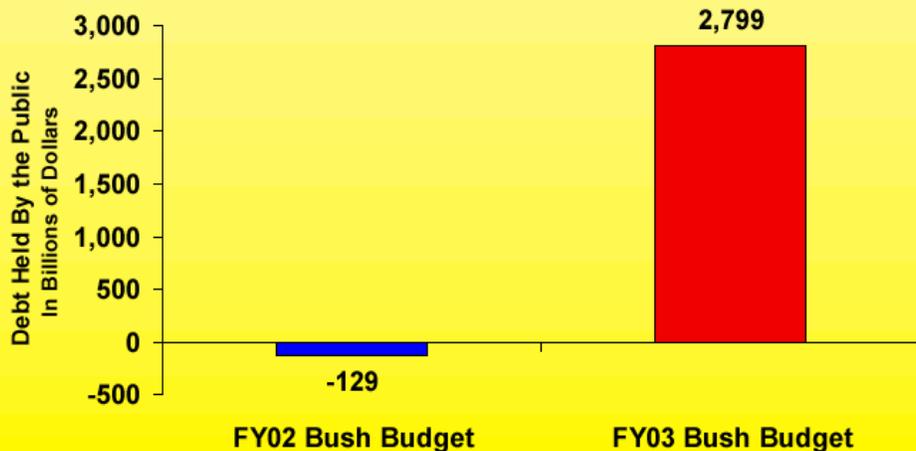


Prepared by the Democratic Staff of the House Budget Committee

Source: OMB

02/08/02

From Debt-Free to \$2.8 Trillion in Debt in 2011

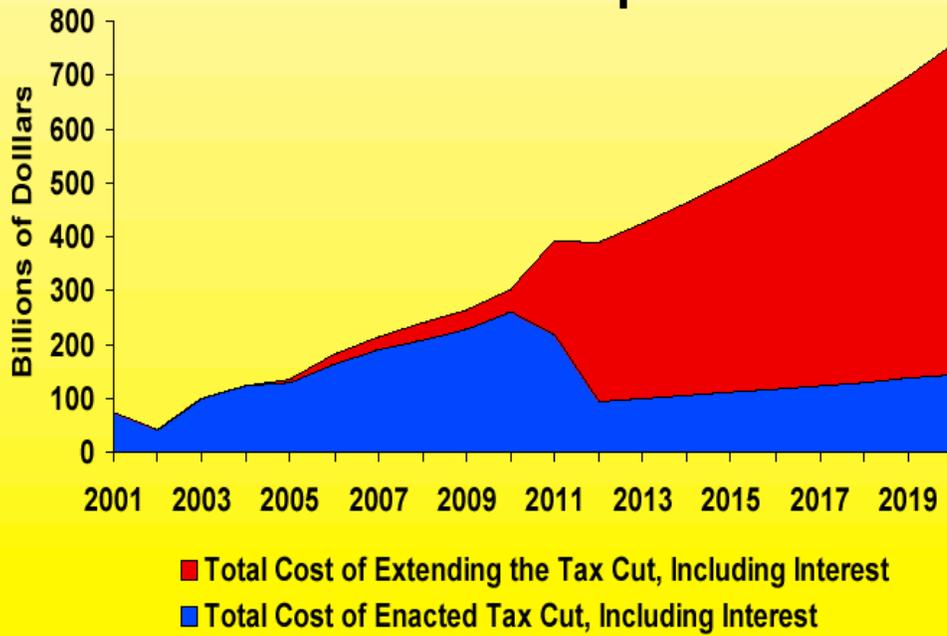


Prepared by the Democratic Staff of the House Budget Committee

Source: OMB

02/08/02

Twenty-Year Projection of Bush Tax Proposals



Prepared by the Democratic Staff of the House Budget Committee

Source: CBO

02/08/02