

The President's Budget:

THE PATH TO A
DEBT
SOCIETY

*Increasing Our National Debt and
Shortchanging Louisiana's Future*



U.S. SENATOR MARY L. LANDRIEU
Louisiana

United States Senate

WASHINGTON, DC 20510-1804

February 14, 2005

Dear Friend:

One month after taking office for his first term, President Bush laid out a plan to restore fiscal discipline and prosperity to America. When introducing it to the nation, he said:

“Many of you have talked about the need to pay down our national debt. I listened, and I agree. We owe it to our children and grandchildren to act now... My plan pays down an unprecedented amount of our national debt.”

Four years later, we are not celebrating the largest debt reduction in U.S. history as promised. Instead, we are confronted with a downward spiral of record-setting deficits. This year alone, the federal government will be spending \$427 billion more than it takes in and by the year 2014, we will have accumulated \$1.3 trillion in deficits.

In this year's budget, President Bush has a new plan to reduce the federal debt, he will shift the cost of his decisions to the state and local governments and to the children and grandchildren he swore to protect four years ago. Instead of proposing real solutions to real problems, he uses budget tricks and gimmicks to mask what needs to be done.

The reality is this: health care costs are out of control and the number of people without insurance is growing; America's workers are feeling the squeeze of foreign competition; approximately 20,000 elementary and secondary schools are in need of improvement. Token increases and shell games will not provide real solutions to these important issues and ignoring them might save us a dollar today, but will cost us much more tomorrow.

If we stay on the course outlined by the President, we will be on the path to a debt society. People in Louisiana will own little more than a share of the national debt and the funding necessary to ensure our children's future will serve as a down payment for the President's irresponsible fiscal policies.

It has been said that “we can have facts without thinking, but we cannot have thinking without facts.” The document that follows provides you with the facts on why the President's budget will increase our national debt and shortchange Louisiana's future. I hope that you find them useful. As your Senator, I vow to pass a budget that puts the needs of the people of Louisiana at the top. I look forward to working with you to make that possible.

Sincerely,



Mary L. Landrieu
United States Senator

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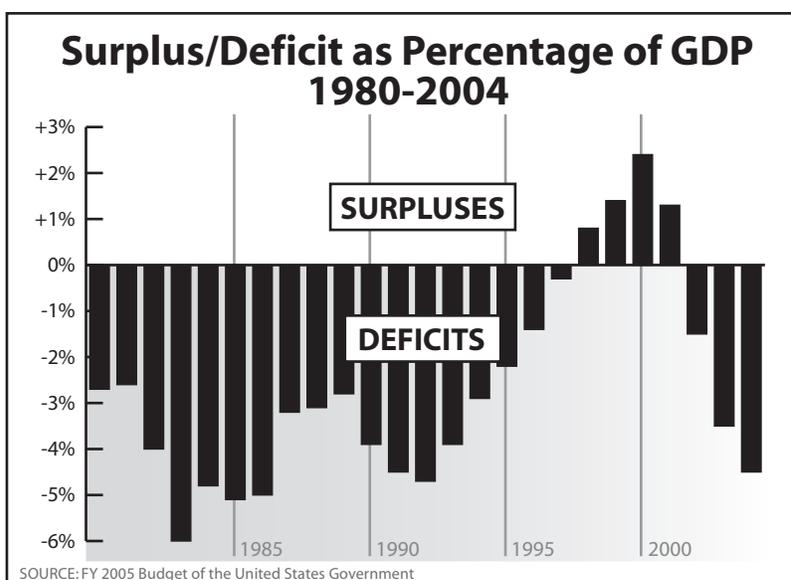
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INTRODUCTION

Balancing the budget has posed questions for the leaders of our nation for more than 40 years. Few Presidents have had the privilege of presiding over a balanced budget and fewer still have had the benefit of overseeing a fiscal surplus. Prior to the record surplus of 2000, the last time the federal budget was balanced was 1969 and the last time before that was 1960.

In each of the last four decades, the

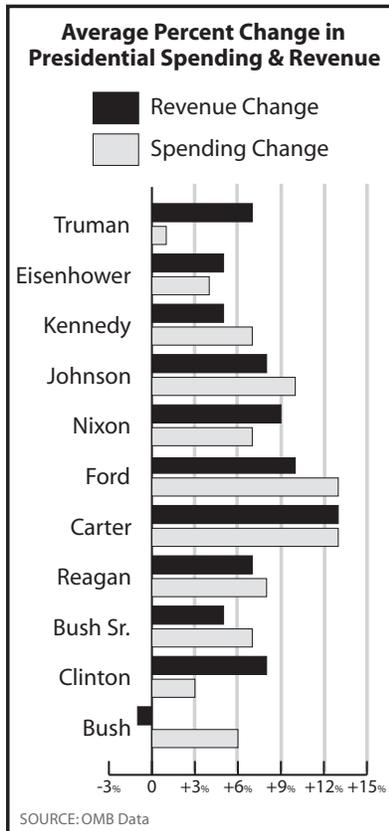


average size of the federal budget deficit relative to Gross National Product (GNP) has doubled. The current year projected deficit of \$427 billion is the largest deficit in United States history.

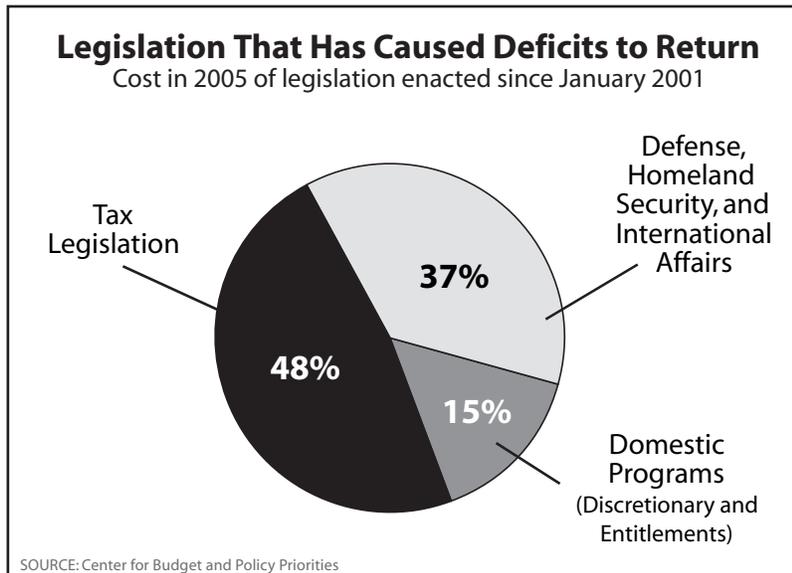
HOW DID WE GET HERE?

Despite what has been said, deficits are not a function of government spending gone amok. The truth is that government spending today is lower than under previous presidents. From 1980 to 2003, federal spending averaged 21.3 percent.¹ Under Presidents Reagan and George Bush, Sr., it averaged 22 percent and under President Clinton it was 20 percent. President Bush's budget calls for federal spending of 20 percent of Gross Domestic Product (GDP).

¹ Center for Budget and Policy Priorities.



As Bob Litan of the Brookings Institute puts it, we are living in a '16-20' country- that is, we are spending 20 percent of GDP but taking in only 16 percent or so in taxes. From 1980 to 2003, revenue averaged 18.5 percent of GDP. In 2004, it will be 15.8 percent of GDP – the lowest level since 1950, before Social Security, Medicare and Medicaid were ever enacted.



According to newly released Congressional Budget Office (CBO) data, changes in law enacted since 2001 have increased the deficit by \$539 billion in 2005. Tax cuts account for nearly half – 48 percent – of these increased costs. Increases in program spending make up the other 52 percent and have been primarily concentrated in defense, homeland security and international affairs. In 2005, the cost of tax cuts enacted over the past four years will be more than three times the cost of all domestic programs enacted over this period.

“The tax relief package that I talked about in the campaign was phased-in based upon projections so that we wouldn’t run a deficit.”

– George W. Bush
January 2, 2001
FDCH Political Transcripts

WHAT COULD THIS BUDGET MEAN TO STATES?

Under the President's budget, grants to states and local governments for all programs other than Medicaid would decline by \$10.7 billion or 4.5 percent. As an example, the total loss of grants in Louisiana other than Medicaid would be \$176 million.² Shortfalls like these are extremely difficult for states and localities to handle as they are trying to emerge from deficits themselves. At least 24 states face fiscal year 2006 budget deficits totaling \$35 billion in debt.

“President Bush proudly declared Monday that his \$2.57 trillion budget ‘sets priorities.’ If so, his first priority appears to be to ignore the growing federal deficit.”

– *San Francisco Chronicle* Editorial
February 8, 2005

In addition to the loss of these grants, states face the loss of significant amounts of revenue as a result of the federal tax changes proposed in the President's budget. Federal tax changes affect state revenues because most states use federal definitions of income, depreciation allowances and other features of the federal tax code as a basis for their own tax systems. In addition, the permanent repeal of the estate tax, an above-the-line deduction for high-deductible insurance premiums, and certain incentives for charitable giving could each have serious impacts on the state's ability to raise revenue.

Finally, many of the newly passed federal requirements, such as those included in the Homeland Security Bill and the No Child Left Behind Act, if not fully funded, could also increase deficits at the state level.

² Center for Budget and Policy Priorities, “Deep Cuts in Federal Grants will Squeeze States and Localities.” Feb. 2005. (Note: Figures are adjusted for inflation.)

“Even as President Bush proposes significant cuts in healthcare, farm subsidies and other domestic programs, his new budget makes one thing clear about the legacy of his first term in the White House: The era of big government is back.”

– Los Angeles Times News Analysis
February 8, 2005

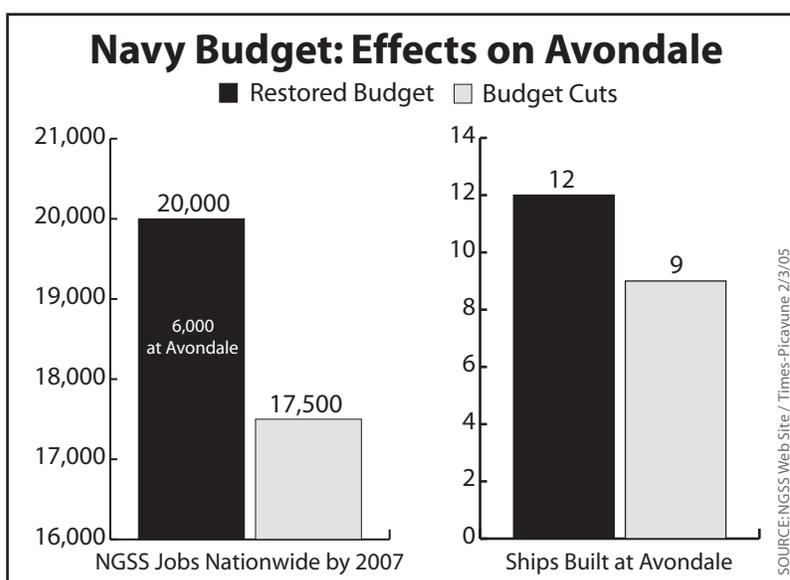
STRENGTHENING OUR MILITARY AND HONORING OUR VETERANS

We remain a nation at war and I am confident that we will win because of all the extraordinary Americans who have served and who continue to serve in the fight for freedom. We are all in their debt. Service members, veterans, and their families deserve our unwavering support. I am committed to doing my utmost to provide them with a higher level of pay, benefits, equipment, training and health care so that their quality of life increases in proportion to the value that they have added to our country.

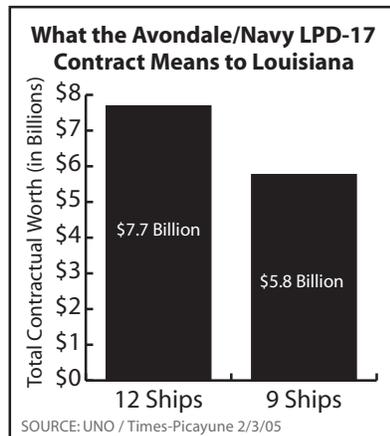
OUR NAVY FLEET

As the Department of Defense looks for ways to fund the war in Iraq, the budget is under extreme pressure and Navy programs may bear the brunt of spending reductions. The pain will be particularly felt at Northrop Grumman Ship Systems' (NGSS) Avondale Operations — Louisiana's largest manufacturing employer with more than 6,000 employees.¹

In 1997, Avondale and the United States Navy signed a contract to build LPD-17 amphibious assault ships. The contract is for the construction of 12 ships, at \$641 million a ship, for a total contractual



¹ Northrop Grumman Ship Systems Website.



worth of almost \$8 billion.² However, the President's budget indicates that shipbuilding is not a priority. In FY 2004, \$11,373,400 was appropriated for the specific purpose of shipbuilding for the Navy. In FY 2005 that number fell to \$10,387,200. Now for FY 2006 the amount is a dramatic \$8,721,200.³

This will result in the Navy authorizing construction for only nine of the 12 LPD-17s, resulting in a loss of more than \$2 billion for Louisiana. Additionally, according to Northrop Ship Systems President Philip Dur, if the government doesn't honor the full contract, employment conditions at NGSS nationwide could fall 13 percent from 20,000 people to about 17,500 by the end of 2007, leaving the jobs of 6,000 Louisianians in jeopardy.⁴

OUR NATIONAL GUARD & RESERVE

We are a nation at war. The Louisiana National Guard is fully engaged in supporting our country in the fight for freedom in Iraq and Afghanistan. Presently, 40 percent of the troops which are deployed in combat are from the National Guard. Total Louisiana Reserve Forces is 3,896.⁵ In order to support this mission, we need the required personnel and the necessary equipment.

Personnel

While other branches of the Armed Forces are manned at substantially higher percentages of their requirements, the National Guard is authorized approximately 61 percent. The Department of the Army has validated the manning level at 71 percent and plans to achieve this level within the next ten years. However, nothing has been resourced in



Sen. Landrieu speaks with members of the 256th Battalion of the Louisiana Army National Guard in Baghdad. (January 8, 2005)

² University of New Orleans, Research and Technology Park Center for Energy Resources Management

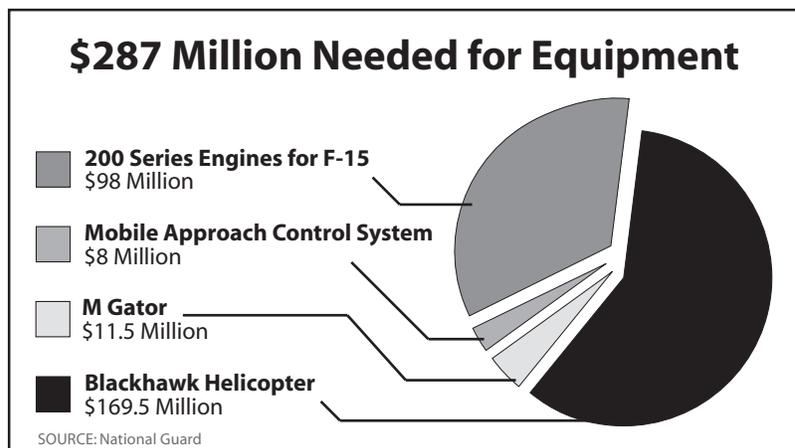
³ DOD Budget FY2006, Procurement pg. 36 (Office of the Under Secretary of Defense, Comptroller)

⁴ The Times-Picayune, February 3, 2005

⁵ Department of Defense Contingency Tracking System as of 30 Nov 04

order to work toward this requirement in 2006.⁶ What this means to Louisiana is that while the mission is still there, the money to support it is not. While 40 percent of our combat troops deployed are from the National Guard, the President's budget request only provides funding to man personnel at 61 percent. This means that instead of the combat duty being spread out over a larger group of National Guard and Reserve forces, often the same soldiers are being called up over and over again. This puts an incredible strain on not only the service member, but also the family and community as a whole.

Equipment



In addition to severe personnel shortages, the Louisiana National Guard is forced to deploy with equipment and technology that has far exceeded its life expectancy. While the Active Component has promised that every active duty service member will have all the technology and equipment necessary in order to ensure mission success, the National Guard has not received the same guarantee.

WE ARE AT WAR NOW!

The President cannot require the National Guard to provide 40 percent of all troops in combat and then fund our manning levels at only 61 percent. This number is absolutely unacceptable. While a plan to raise the manning level to 71 percent is helpful, ten years is too long to wait to achieve the needed result. Either the Active Component has to provide a greater percentage of troops to the combat zone, or the National Guard must be funded at a higher manning level immediately. With respect to equipment, there can be no difference in the ability to sustain between the Active Component and the National Guard. Every service member who deploys must be equally equipped to succeed!

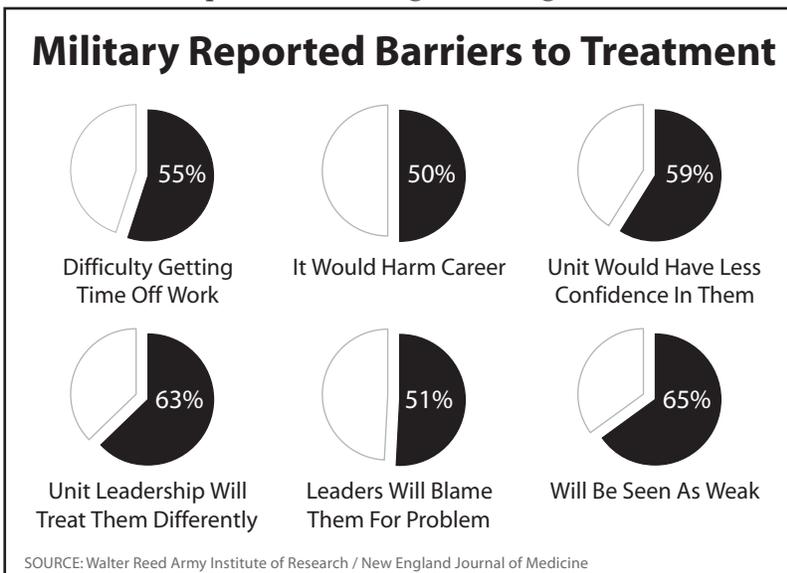
⁶ Fiscal Year 2006 Budget of the U.S. Government, page 152.

CARING FOR OUR VETERANS

When a man or woman puts on a military uniform and defends our country, this nation makes a sacred promise to care for them long after the battle is over. Unfortunately, our government has not kept its promise to our veterans. Since 1996, the Veteran's Administration has seen an increase of 150 percent in enrollees while funding for VA Hospitals has only increased about 50 percent. As a result, veterans often have to wait for months to get an appointment in a VA Hospital. Some are not even allowed to enroll in the VA health care system at all. At present, Louisiana has 368,553 veterans.⁷ With thousands of service members returning from Iraq and Afghanistan this year, that number will increase significantly.



During 2004, 6,039 Louisiana service members were deployed to a combat zone.⁸ According to a study done at the Walter Reed Army Institute of Research and reported in the New England Journal of Medicine, there is a significant risk of mental health problems among returning combat veterans.⁹



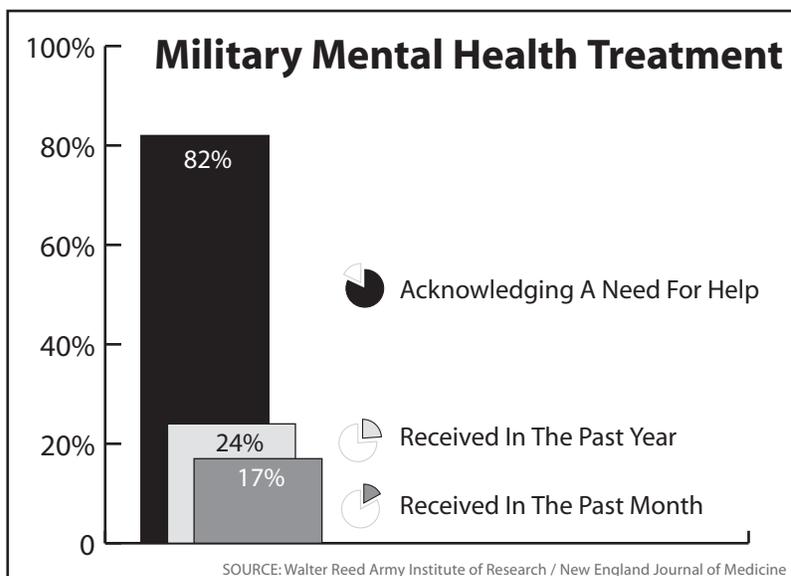
Each of us has a responsibility to ensure that the VA health care system receives full appropriated funding without increasing the out-of-pocket fees paid by veterans. It is imperative that the Veterans' Administration provides high quality primary and specialty care in a timely manner, in addition to long-term and

⁷ Louisiana Department of Veteran's Affairs as of 30 Sept 04.

⁸ Department of Defense Contingency Tracking System as of 30 Nov 04.

⁹ New England Journal of Medicine, Combat Duty in Iraq and Afghanistan, Mental Health Problems, and Barriers to Care, July 1, 2004.

mental health care for those who require it. It is already apparent that both of these services will continue to be in high demand and we cannot ignore them as we shape the future of VA health care. We all have an obligation to the men and women who serve our nation to ensure that the Veterans' Administration gets the funding it so desperately needs to meet these goals.



The President's budget requests a 1 percent increase for the Department of Veteran's Affairs, a bit more than half of which would go for mandatory programs, leaving little for the rising cost of health care.¹⁰ Veterans would pay more to enroll in health care services, and their co-payments for prescription drugs would double. The Veteran's Affairs Committee indicates that even though the President's request calls for a \$522 Million increase in appropriations, this amount will not cover medical inflation and payroll increases for VA employees – totaling \$1.12 billion. Some of the measures being proposed to pad the low baseline request are: increasing the prescription drug co-payment from \$7 to \$15 for middle income veterans – on top of the increase from \$2 to \$7 implemented three years ago – and imposing a new \$250 annual fee for already enrolled middle income veterans.

I have worked hard to ensure that Louisiana's three Veterans' Hospitals in New Orleans, Shreveport, and Alexandria, as well as the four Community Based Outpatient Clinics at Baton Rouge, Jennings, Monroe, and Lafayette, provide state of the art health care. Additionally, in May of 2004, I announced that seven new outpatient clinics will be opened by 2012 in Lake Charles, Natchitoches, Hammond, Franklin, Fort Polk, Bogalusa, and LaPlace. I will continue to insist that Congress set funding amounts for the Veterans Administration in proportion to the number of Veterans that need care.

Additionally, workload in nursing homes would see a net reduction of 7,776 patients, while capacity requirements for nursing homes would be eliminated and workload reduced by 13,198 patients.¹¹

The President's budget also destroys the relationship between the Veteran's Administration and the states.

Following the Civil War, the Veteran's Administration has supported the cost of veterans residing in state VA nursing homes through per diem reimbursements. Yet this budget calls on states to cover the entire cost of care for many veterans in these cost-effective nursing homes. The Administration proposes limiting per diem payments to only the highest-priority veterans.

¹⁰ Fiscal Year 2006 Budget of the U.S. Government

¹¹ Veteran's Affairs Committee Staff Memo dated 7 Feb 05

Further, the Administration seeks to freeze all grant money to state veterans homes. What this means for Louisiana is that the \$22,496,000 for nursing home/domiciliary projects in Reserve and Bossier will be put on hold indefinitely. It is my understanding that the state has already put up its portion of the money and will be left out in the cold.¹²



Sen. Landrieu joined George Stephanopoulos on the ABC News program "Nightline" to discuss the role of our National Guard and Reserve shortly after her visit with troops in Baghdad. (January 17, 2005)

¹² Veteran's Affairs Congressional Affairs Priority List of Pending State Home Construction Grant Applications for FY 2005.

KEEPING OUR FAMILIES HEALTHY AND STRONG

Roughly 43 million Americans today are without any kind of health insurance to assist with their health care costs.¹ What makes that number even more depressing is that one out of every five of those uninsured are children. In Louisiana alone, more than 813,000 people wake up every morning with no health insurance, with over 187,000 of those individuals being children, and roughly 80 percent coming from working families.²

What we need to be doing now is helping people find health insurance, not impeding the process. In the fiscal year 2006 budget, the Administration has proposed \$60 billion of cuts over the next 10 years to Medicaid, the government program that provides health insurance for low-income individuals and families.³ Cuts of this nature will be detrimental to the Medicaid program in Louisiana, as today the federal government pays for 71 percent of the total costs of Medicaid in the state.⁴ In 2003, Louisiana spent a total of \$4.573 billion on Medicaid, roughly \$3.25 billion of which came from the federal government.⁵ This funding allowed for over 827,400 individuals in Louisiana to have access to health insurance through Medicaid. Massive cuts to the Medicaid program as the President has suggested would put the health insurance of these individuals and families at risk, while also adding pressure to an already fragile state budget to make up what could be over \$1 billion of lost funding from the federal government.

The President has made sweeping statements that he is cutting Medicaid because the program's spending has gotten out of hand. He has proposed covering the uninsured through tax credits and new incentives for health savings accounts. While I encourage a thoughtful debate on how best to provide for those in need, I have grave concerns about making such slashing cuts to programs that have proven effective, while not actually addressing the real problem: the rising cost of health care.

¹ New America Foundation, "Universal Coverage, Universal Responsibility," January 2004.

² Families USA, "Who's Uninsured in Louisiana and Why?," November 2003.

³ The Washington Post, February 4, 2005.

⁴ American Academy of Pediatrics, "Louisiana Medicaid Facts," August 2003.

⁵ Kaiser Family Foundation, "Total Medicaid Spending, FY2003."

There is no doubt that health care costs today are astronomical. The cost of health care has become the number one reason that Americans file for bankruptcy. Cutting funding, however, will not drive down costs; it will merely leave more people with no government support to defray the costs. The President has been quick to point out that he is asking for a \$2 billion increase in funding for Community Health Centers (CHC), centers that provide primary and preventative care to medically underserved areas of the population. While I support the increase

“By proposing to cut programs that mostly benefit low-income Americans while insisting that big tax cuts for the wealthy be made permanent, Bush betrays his role as a national leader only days into his second term.”

– *The Boston Globe* Editorial
February 8, 2005

in funding, I am disappointed that the President’s budget makes no mention of equitably distributing all CHC funding. Though Louisiana has a high impoverished and uninsured population, we have continually been turned down for CHC funding during the competitive grants process. While some states have been given the means to provide primary care through CHCs

for over fifty percent of their at-risk population, the funding that Louisiana has received has only allowed us to treat 11 percent of the at-risk population.⁶ Increased funding for CHCs is great, but only if it truly goes to serve the populations in need. While I am encouraged that \$26 million of the President’s proposed CHC budget is dedicated to targeting and providing for high need parishes and counties that are currently lacking CHCs, there should be a much higher percentage of the overall CHC budget dedicated to providing for these communities, as that is the entire reason the CHC program was originally created.

By not truly providing for the uninsured, the Administration is placing a great cost, not only to the individual whose life is at risk, but to all of society. Uninsured children frequently must allow preventable health conditions to go untreated because their parents cannot afford the needed medical attention. The ailments that are then endured by these children can cause them to fall behind their peers developmentally and educationally, as it is difficult to meet the demands of school and learning if even their most basic health needs are not met. Adults who are uninsured suffer from poor health and frequently die prematurely. These factors take a great toll on the economic viability of the country and diminish productivity, placing a greater burden on society. Save the human capital burden that is placed on society, states and local communities will face great financial costs, as they will be the ones forced to pick up the costs the federal government is unloading. From an increased portion of the state budget that will have to be dedicated to Medicaid, to increased health premiums, to a greater toll the uninsured will place on Louisiana’s current charity hospital system, the state government, parish councils, and individual families will feel the cuts the Administration is making to health care through the increased burden that

⁶ U.S. Census Bureau, State Estimates for People of All Ages in Poverty for US: 2000 and National Association of Community Health Centers, 2002 Health Center Fact Sheets.

⁷ Louisiana Department of Health and Hospitals

health care costs will have on them.

Another population in need that is seemingly left out of the President's budget is our rural population. Rural health programs took an 80 percent cut in the President's budget. In a state like Louisiana, where almost a quarter of the population lives in a rural area, cuts in programs such as Rural Health Outreach and Access to Emergency Devices, will be harmful. The President's total elimination of the Rural Hospital Flexibility Grant Program, will greatly hurt the 21 critical access hospitals and 2 rural hospitals throughout the state that use that funding to provide critical access to care to underserved populations in our state.⁷

The other section of health care budget cuts that I have great concern about is the cuts made to health care professions training. Right now, there are over 11,000 empty nursing positions in Louisiana.⁸ Nationally, studies have predicted that there will be a shortage of 400,000 nurses by the year 2020 if we do not do something now.⁹ But instead of working to fix the problem, this Administration has asked for a 64 percent reduction in funding for training programs for nurses, dentists, and other health care professionals.¹⁰

When it comes to health care, Louisiana deserves more than empty rhetoric. The President is right to say there are real problems to fix when it comes to the way we deliver health care in this nation. But the people of Louisiana deserve real answers to those problems, not empty solutions.

OUR FAMILIES

Countries are built on roads and buildings, but nations are built on families. During the past four years, we have heard this Administration talk at length about the importance of family, and I agree. Families are the bedrock of this nation. But speaking about families and supporting families are two different things, and once again, this President has offered glowing speech about supporting families, but failed to provide the real services that families need.

Full-day child care can cost between \$4,000 and \$10,000 annually.¹¹ In Louisiana, where the median household income from 2001 to 2003 was only \$34,307, child care can be a huge expense.¹² In 1996, the federal government realized that families would be greatly served if child care could be provided for low-income, working parents, so the Child Care and Development Block Grant (CCDBG) was formed. This Administration has frequently stated that they want to help families lift themselves out of poverty, but yet again they have failed to increase funding for such a basic family need as child care. During the past decade, the population of Louisiana

⁸ KLFY, "Nursing Shortage Effects," October 18, 2004.

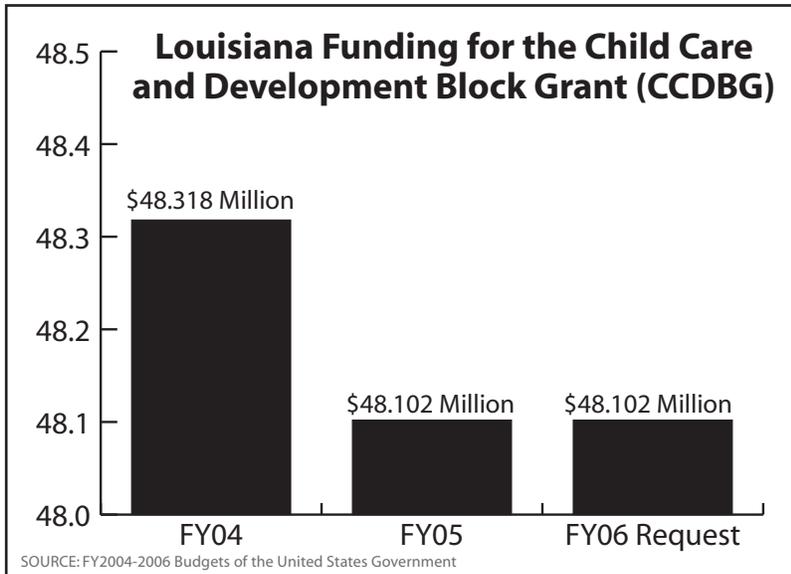
⁹ Journal of the American Medical Association, June 14, 2000.

¹⁰ Kaiser Family Foundation, "Daily Health Policy Report," February 7, 2004.

¹¹ Children's Defense Fund.

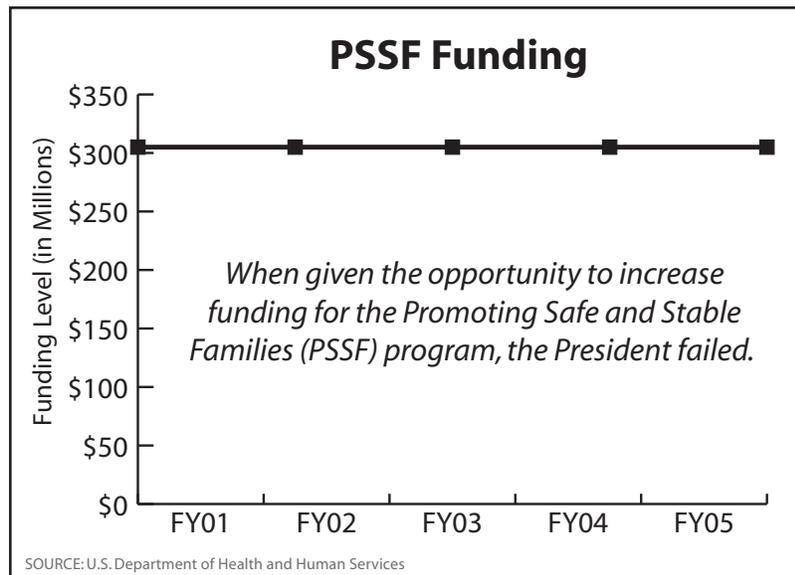
¹² Kaiser Family Foundation, "Louisiana: Median Household Income, 2001-2003."

¹³ U.S. Census Bureau.



their families, improve quality of care and services to children and their families, and ensure permanency for children by reuniting them with their parents, by adoption or by another permanent living arrangement. Last year, Louisiana received \$11,553,244 for PSSF, and will receive roughly the same amount this year if the President's budget is passed.¹⁴ However, for the more than 4,800 children in foster care in Louisiana, this level funding will not be enough.

It was once said that although children only amount to 30 percent of our population, they make up 100 percent of our future. It is time for this Administration that is supposed to be focused on families, to step up and really support the needs of today's families.



“Some of the cruelest cuts would affect hundreds of thousands of working poor people who rely on child-care assistance and food stamps.”

– *The New York Times* Editorial
February 8, 2005

¹⁴ U.S. Department of Health and Human Services, Administration of Children and Families.

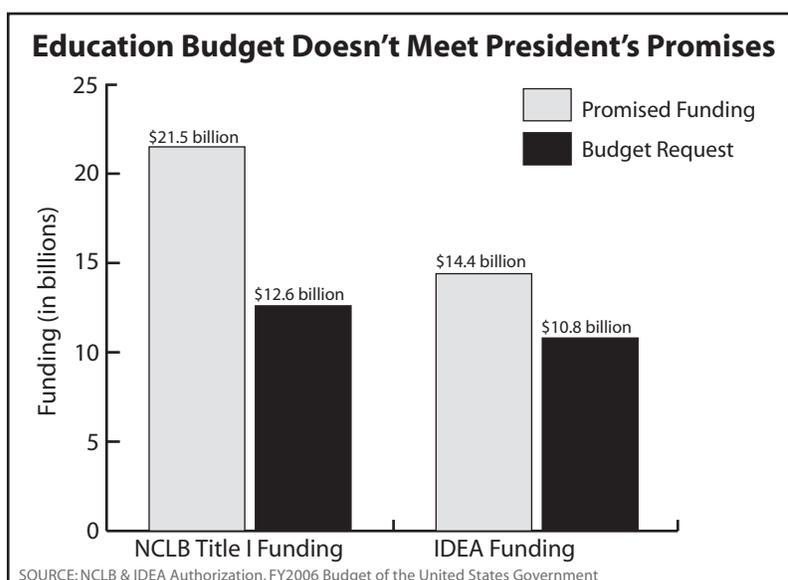
has grown by 5.9 percent, yet we still receive the same amount of funding to support our families.¹³

This Administration has also done a lot of talking about protecting the family. Yet, when given the opportunity to increase funding for the Promoting Safe and Stable Families (PSSF) program, the President failed. PSSF works to end unnecessary separation of children from

EDUCATING OUR CHILDREN

There is no greater investment we can make in our future than in the education of our children. If we are to succeed, we must work to raise academic achievement in our public schools by putting the priority on performance instead of process, delivering results instead of developing rules, and on actively encouraging bold reform instead of passively tolerating failure.

The passage of No Child Left Behind (NCLB) Act in 2001 reaffirmed Congress' commitment to be a more equal partner, instead of a major impediment, to real education reforms. However, the Administration's budget for FY06 continues to break this promise and leave children behind. This year, the Bush budget will create a budget shortfall of almost \$9 billion for Title I funding under NCLB.¹ Title I funding makes it possible for all children, regardless of economic background, to have access to a high quality education. In Louisiana, this shortfall will translate to over \$503 million in funding **not** going to local educational agencies in Louisiana and leaving behind 66,656 Title I students in the state.



Investing in our children is critical to the well-being of our country. While investments in education without accountability are a waste of tax-payer dollars, accountability without strategic investments in education is a waste of time. If the promise of No Child Left Behind

¹ Title I refers to Title I Grants to LEAs. Shortfall figures are based on Department of Education Budget Overview and Congressional Budget Office Cost Estimate of the No Child Left Behind Act.

is to be truly fulfilled, we must not only continue the reforms begun under NCLB, we must fully invest in them. Requiring states to meet new, higher standards is a move in the right direction, but we must provide states with the resources they need to meet these new standards. Every year since the passage of NCLB, the budget shortfall for education spending offered by this Administration has increased. Making sweeping reforms, while robbing states of the resources they need to implement the reforms, is the way that states become left behind in education. The promise to “Leave No Child Behind” is an empty one unless we are willing to make the critical investments necessary to support our nation’s children.

The Administration’s budget continues to attack the most vulnerable students by not fully funding IDEA, a program targeted to assist in educating students with disabilities. While the President is touting his \$10.8 billion in spending for IDEA, he fails to mention that this funding level is more than \$3 billion less than what P.L. 108-446, the reauthorization of IDEA that the President signed into law just last year, authorizes. In October of 2004, there were 98,893 students enrolled in Louisiana public schools that qualified for IDEA.² Based on those numbers, by underfunding IDEA, the President is leaving behind 23,906 special education students in Louisiana.

Education is the best gift we can give to our children and the best investment we can make for the future of this Nation. It has been said that it takes a village to raise a child, so we must all work together to see that we educate our children, all of our children, to the best of our ability.

“The fiscal 2006 budget [President Bush] proposed revealed what many feared: that he wants to scrap not just society’s side dishes, but many meat-and-potatoes programs that advance the nation’s security, health, education, and long-term prosperity.”

– *The Boston Globe* Editorial
February 8, 2005

² Louisiana Department of Education.

SUPPORTING OUR FARMING COMMUNITIES

In 2002, Congress passed the Farm Bill, which contained the critical programs that support our farmers in an increasingly competitive global market. These programs have allowed family farmers to stay competitive, and most importantly, stay in business. Yet the President's budget proposes to make cuts to the commodity programs authorized in the 2002 Farm Bill by \$587 million in 2006 and \$5.7 billion over 2006-2015.

The 2002 Farm Bill authorized mandatory commodity program payments that were particularly important to Louisiana cotton and rice farmers (as well as corn, sorghum, wheat and soybeans). Crops such as cotton and rice which are the main crops in much of the south, are also the most expensive, capital-intensive crops to grow. The 2002 Farm Bill was designed to provide a modest financial safety net for farmers and eliminate the need for the annual economic emergency assistance packages.

In his FY2006 budget, the President proposes a 30 percent cut in payment limits from \$360,000 authorized in the 2002 Farm Bill down to \$250,000. In addition, the President proposes to make loan payments for marketing based on historical production rather than the current year. Lastly, the budget cuts commodity program payments overall to farmers by 5 percent. These changes have the collective potential to drive small family-owned farms in Louisiana out of business.

“Budget austerity is wise, but cuts as draconian as the administration proposes are not necessary and would fall too heavily on those who can tolerate it least.”

– The Washington Post Editorial
February 8, 2005

While the immediate impacts of the administrations cuts are unclear, in 2002, Louisiana farmers

received \$343 million through Farm Bill programs. In 2003, the same programs provided Louisiana's farmers \$233 million. The reason for the lower amount in 2003 is that our farm assistance is designed to help farmers when commodity prices are low. This helps stabilize the industry by preventing bankruptcies, and eliminating the boom or bust cycle which traditionally afflicts our agricultural communities. So, since prices were better in 2003 than 2002, Louisiana's farmers received less from the farm program. Essentially, the Farm Bill worked as intended.

But the President's 5 percent cut alone would have meant a reduction of \$17 million in those payments for 2002 and \$11 million in 2003. The President's budget removes the underlying logic of the farm bill – help farmers when they need it most.

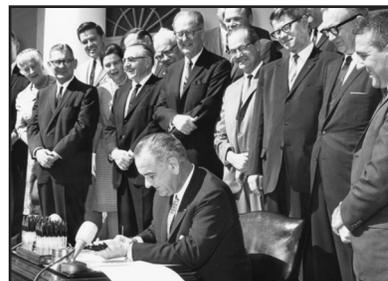
Although one cannot calculate exactly what impact the President's plan will have in the future, a conservative estimate by the Louisiana Farm Bureau staff indicates a loss of \$55 million to Louisiana farmers in 2002 and \$40 million in 2003 had these proposed changes been in place. The President is hurting Louisiana farmers when they need our help the most.

SUGAR

The President's FY 2006 budget also goes back on another commitment made in the 2002 Farm Bill by imposing a tax on more than 700 Louisiana sugar producers in 24 parishes. This industry employs 27,000 people in the state and has a statewide economic impact of almost \$2 billion. This tax comes on top of free trade agreements like CAFTA that threaten the Louisiana sugar industry's market and viability.

PROTECTING OUR GREAT OUTDOORS

After 40 years of success, the National Park Service celebrated the anniversary of the Land and Water Conservation Fund last year. The fund has provided millions of dollars in matching grants to states for parks, recreation and conservation efforts. Yet according to the park service, the work is not done because 90 percent of the national need for parks remains unmet. Unfortunately, the President ignored these needs and decided to “zero out” the state grant program under the Land and Water Conservation Fund.

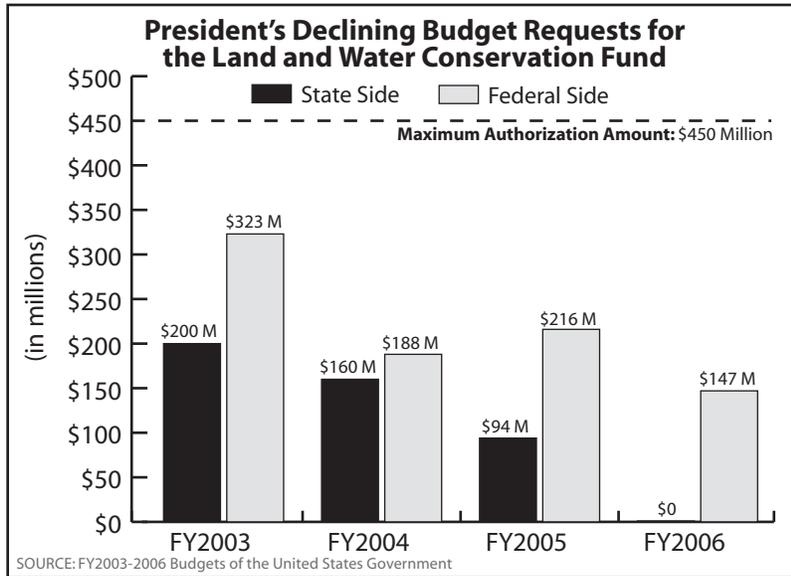


On September 3, 1964, President Lyndon Johnson signed the Land and Water Conservation Fund Act in a ceremony at the White House.



There over two dozen state parks, historic areas and preservation areas in Louisiana that have a significant impact on the state's economy through tourism and recreation. Each one of these facilities leverages federal and state funds to generate millions of dollars in revenue for state and local governments, as well as private business. The state side of the land and water fund, which is funded by oil and gas revenues from off our coast (“OCS revenues”), has been slashed by the President. The fund, authorized at a total of approximately \$450 million per year, has been cut in this budget to zero.

At full funding, Louisiana is entitled to approximately \$7.5 million in grants to state parks. In FY 2004, when Louisiana

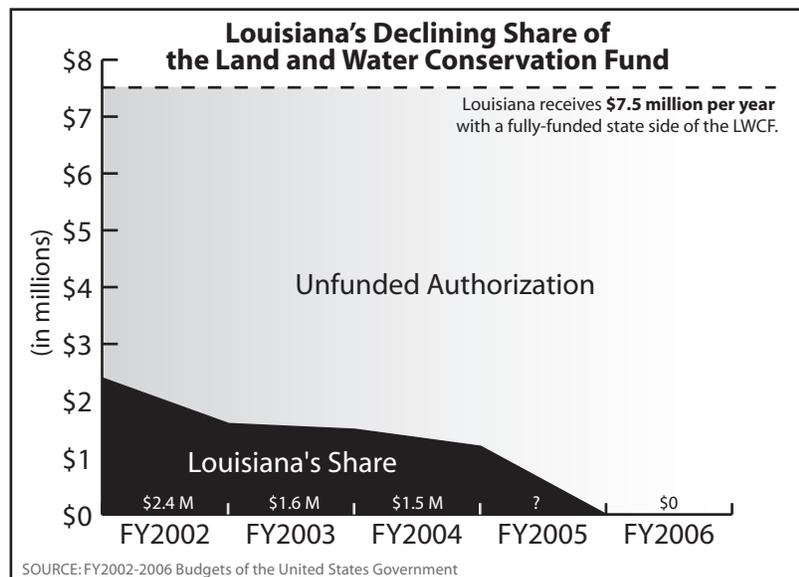


received \$1.5 million, it was still left with an unmet need of 75 percent, or \$4.5 million. Cutting the state side of the Land and Water Conservation Fund means preventing the state from building or developing parks and recreation facilities, providing riding and hiking trails, enhancing recreation access, conserving open space and preserving forests, estuaries, wildlife, and natural resource areas. In addition,

not funding this program eliminates the certainty the state and local governments rely on to help them plan to meet their recreational needs.

Some of the projects in FY 2004 that would not have been possible as a result of this year's budget include: Carver Park in Ascension; Old Highway 90 Boat Launch in Calcasieu; the Lafourche Nature Trail; Winnfield Park in Winn and Blakeman Park in Richland. Countless other parks have benefited from this fund over the years and all of our state parks are eligible to apply for these critical federal dollars.

Almost all of the approximately \$450 million authorized for the state side of the LWCF is supposed to be paid for with OCS revenues. 80 percent of the OCS revenues generated annually are produced offshore Louisiana. So, by cutting out funding for the state side of the LWCF, Louisiana is contributing significant funds to the federal treasury and seeing no return on its investment.





Sens. Landrieu and Lamar Alexander (Tenn.), on the left, announce the Americans Outdoors Act, a bipartisan piece of legislation providing a landmark federal commitment to conservation, coastal restoration, and outdoor recreation. (June 24, 2004)

THE ARMY CORPS OF ENGINEERS AND LOUISIANA

Because of Louisiana's unique geographic location, and delicate environment, it has been the single largest recipient of funds from the Army Corps of Engineers. The Administration has continually decreased the Corps Budget since coming to office.

We have now reached a critical point where economic development is threatened as vital maritime arteries lack funds for dredging. Additionally, several projects that would address Louisiana's vulnerability to flooding and hurricanes will simply have insufficient funds to be pursued. Projects such as Morganza to the Gulf, the Lake Ponchartrain Hurricane levee and raising the Mississippi River Levee from the Arkansas border to north of Baton Rouge will all suffer under the President's proposal.

*“It’s a budget that sets priorities,’ Mr. Bush
told reporters yesterday. That it does.*

*The problem is that some of those priorities
are flat wrong.”*

*– The Washington Post Editorial
February 8, 2005*

BUILDING OUR HOMES AND NEIGHBORHOODS

All Louisianans share the basic needs of food, shelter and work. Programs that assist with these basic needs are essential to healthy communities, and form a long term investment that reaps rewards to taxpayers at all levels.

The Federal government has played an integral role in helping communities grow by investing in expanding housing opportunities and community development initiatives such as the Section 8 Housing Choice Voucher Program, the HOPE VI Public Housing Revitalization Program, the Community Development Block Grant (CDBG) program, and the Community Development Financial Institutions (CDFI) Fund. These are just a few of the programs that have helped our communities grow and prosper. The President's budget, however, will pull the rug out from under our neighborhoods and communities by cutting these valuable programs.

COMMUNITY AND ECONOMIC DEVELOPMENT

Under the President's budget, 18 existing economic development programs, with funding of \$5.9 billion in 2005, would be consolidated into one block grant program at a funding level of \$3.71 billion – a 37 percent cut in overall available funding. One of these programs, the CDBG, alone was funded at \$4.7 billion in Fiscal Year 2005. The new program will be run by an agency at the Department of Commerce that does not have the experience or the administrative capacity to handle such a large program.¹

¹ Office of Management and Budget, "President Proposes Strengthening America's Communities Initiative" 2/3/2005.



Sen. Landrieu briefs Louisiana officials and community leaders at a Legislative Issues Breakfast during Washington Mardi Gras 2005. (January 29, 2005)

Not only does this new Commerce Department program represent a deep cut in community development funding, it is also very bad public policy because it would hurt programs that have demonstrated success. The CDFI Fund, one of the 18 programs to be cut and consolidated, is highly successful at leveraging private investment. The Treasury Department has testified that every \$1 invested in low-income communities by the CDFI Fund leads to \$21 in private sector investment.²

Louisiana will be especially hard hit by these cuts. In 2004, the Louisiana Office of Community Development used CDBG funds to award more than \$30 million to community development programs across the state.³ Tangipahoa Parish received over \$1 million for economic development; Ardnauville and Sulphur received over \$400,000 each for housing renovations; and St. Charles Parish, St. John the Baptist Parish, and Tallulah are just a few of the places that received these grants to build and improve streets. But under the President's budget, this funding will not be available. It is likely that the state would have a third less investment in our communities.

HOUSING

Strong communities require safe, affordable, high quality housing to help build dynamic neighborhoods. The past several years have seen a housing boom; one of the few bright spots in an otherwise mediocre economy. New single-family home starts increased 17 percent between 1998 and 2003 according to the Census Bureau.

While this housing boom has helped our economy, the cost of housing has risen dramatically. The average U.S. home price increased 12.97 percent from the third quarter of 2003 to the third quarter of 2004, according to the Office of Federal Housing Enterprise Oversight (OFHEO). More and more people are finding it difficult to afford a new home. The cost of renting has also increased, and the number of new rental properties has not kept up with single-home construction. New multi-unit rental property construction actually declined 9 percent between

² Wayne Abernathy, Assistant Secretary for Financial Institutions, U.S. Dept. of the Treasury for Financial Institutions, testifying before the House VA-HUD Subcommittee, March 17, 2004.

³ State of Louisiana, Office of Community Development Website.

⁴ U.S. Census Bureau.

1998 and 2003.⁴

Increased housing costs pose a special burden for extremely low income people who rely on public housing programs like the Section 8 Housing Choice Voucher Program, administered by the Department of Housing and Urban Development (HUD). Extremely low income is defined as making less than 30 percent of the average annual median income. In Louisiana, an extremely low income family earns approximately \$14,000 per year, according to HUD. While the President's budget increases funding for the program, preliminary estimates are that the cost calculations used in the program only fund 95% of the vouchers currently in use, a loss of tens of thousands of more units. Some 18,000 eligible Louisianans are on waiting lists for Section 8 vouchers.⁵ Under the President's Budget, this number is likely to grow.

GOOD NEIGHBOR WORKFORCE HOUSING PLAN

I will propose a plan to help our essential community employees – teachers, nurses, fire fighters, and police officers – find housing in the communities where they serve. The rising housing costs have driven many of these essential employees to far flung areas outside of the cities where they work. This increases commuting time, energy consumption, and contributes to an overall decline in the quality of life for these citizens. My plan will help these workers come back to the neighborhoods where they work.

The President would also eliminate funding for the HOPE VI program which helps communities demolish run-down public housing projects and replace it with mixed income housing. Louisiana has received over \$100 million in HOPE VI funding since the start of the program to improve public housing throughout the state. We are revitalizing the Desire and St. Thomas Housing Projects in New Orleans. The East Baton Rouge Parish Housing Authority is developing new housing at East Boulevard and Oklahoma Street. These projects will change neighborhoods for the better. The President's budget would make it impossible for any other Louisiana housing authorities to share in this success in the future.

“Over all, the budget is a sham that takes big cuts out of politically vulnerable programs that have very little to do with the explosion of the deficit in Mr. Bush's tenure.”

– *The New York Times* Editorial
February 8, 2005

⁵ Public Housing Association of Louisiana.

“There are two ways to treat a president’s budget proposal. The realistic, even cynical, method is to unmask the various bits of budget gimmickry involved, to assume that some aspects are dead on arrival, and to view the document as the administration’s opening gambit in a long political chess match. The other is to take it seriously, as the administration’s idealized vision of what government should be. Either way, the fiscal 2006 budget proposed yesterday by President Bush is breathtaking — in the first approach as farce, in the second as tragedy.”

– *The Washington Post* Editorial
February 8, 2005

SECURING OUR WORKERS' FUTURE

The American economy is going through a major structural adjustment. The shifts in economic activity have created a great deal of uncertainty and instability for Louisiana's families. Whereas, at one time workers could expect to find a job with a company and retire there, today the average US worker will change jobs 10 times during the prime of their working careers.¹ Louisiana's unemployment rate of 5.6 percent is notably higher than the national average.² However, this does not begin to tell the full story.

At the regional level, chronic unemployment plagues several parishes and localities. Young professionals leaving Louisiana's universities feel pressured to look to other states for work. Louisiana reached a record with 33,200 workers having completely exhausted their unemployment benefits.³ Many of these workers come from the very hard-hit manufacturing sector. Our state has lost nearly 23,000 of these high-wage jobs.⁴ What is required to maintain Louisiana's current economic

THE PRESIDENT: You work three jobs?

MS. MARY MORNIN: Three jobs, yes.

THE PRESIDENT: Uniquely American, isn't it? I mean, that is fantastic.

– Town Hall Meeting with the President
Omaha, Nebraska
February 4, 2005

¹ Bureau of Labor Statistics "National Longitudinal Study of Youth" 2002

² Bureau of Labor Statistics, Local Area Unemployment Statistics, 2005

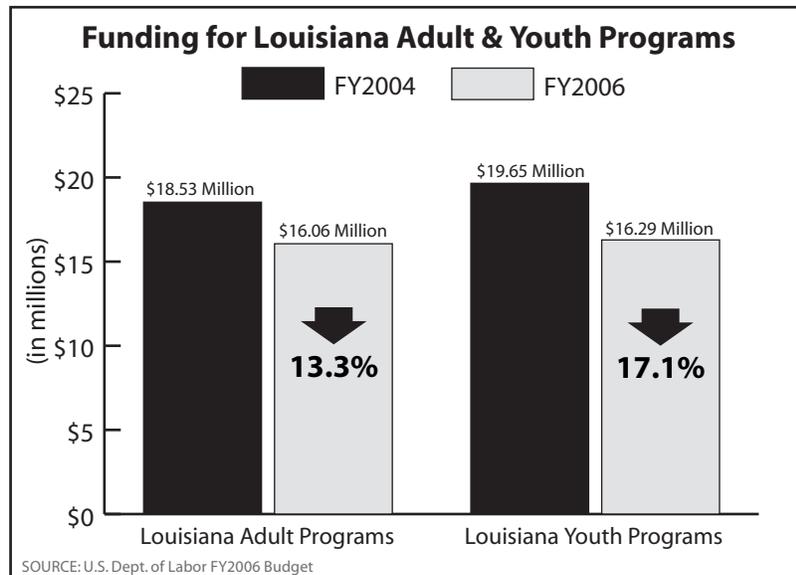
³ Center on Budget and Policy Priorities, "Number of Unemployed Who Have Gone Without Federal Benefits Hits Record 3 Million" Issac Shapiro, October 13, 2004

⁴ Bureau of Labor Statistics, Data Not Seasonally Adjusted April/May 2004

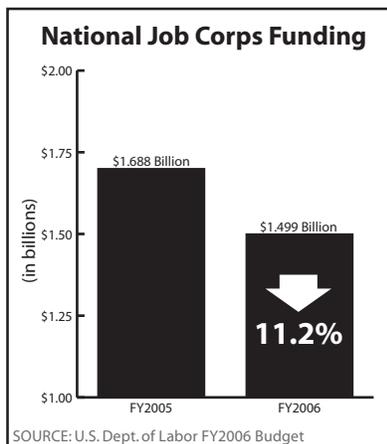
base is a dedicated, flexible and well-trained workforce.

Regrettably, the Administration's budget will inhibit the creation of such a workforce in Louisiana. The three main elements of the partnership between the state and federal government the support worker training will be dramatically reduced under the President's proposals.

Over the last two fiscal years, the President has reduced – even as unemployment increased – support for adult worker training programs. This year's budget would bring the total cut to Louisiana to 13.3 percent over the last two fiscal years.⁵ That amounts to nearly \$2.5 million unavailable for such successful programs as the welfare-to-work grants.



Similarly, Louisiana's youth training programs will suffer a 3.7 percent hit.⁶ These program target at risk youth, and may be seen both in terms in economic development, as well as public safety. While it is possible that there may be short-term savings by these budget cuts, any savings are surely overshadowed by the long-term costs of social disruption and foregone revenue of potentially higher-wage earners.



Particularly troubling are decreases in dislocated worker funding. This year, the Administration would trim approximately \$300,000 from aid to workers hit by the steep global competition.⁷ Louisiana's Congressional delegation has traditionally supported an agenda of free trade. However, public confidence in such an agenda is sure to erode if layoffs result in permanent unemployment due to the unavailability of well-funded worker re-training programs.

If the United States is to maintain its position of global economic dominance, we must pay careful attention to the skills of our workforce. In the new knowledge based economy, life-long learning and training will be watchwords. Unfortunately, the President's budget harkens back to an era before hyper price-sensitive labor markets. It is another example of short term priorities, which tend to pass responsibility from the federal government to states and working families.

^{5,6,7} U.S. Department of Labor FY 2006, Budget and Justification of Appropriations pg. 118-123

MAKING OUR COMMUNITIES SAFER

At its core, the Administration's budget proposes a massive shift in the Homeland Security burden to our states and localities. It deprives our front line in the war on terror much needed equipment and support. The President is seeking to cut state and local law enforcement assistance by \$1.3 billion.¹ He also proposes drastic cuts to the COPS Program that put more police officers on our streets, the Byrne discretionary grant program, the State Criminal Alien Assistance Program, and the Juvenile Accountability Grant program. Thus, while the Administration claims to be increasing Homeland Security funding in other accounts, this largely amounts to robbing Peter to pay Paul – and in most cases, paying him a bit less.

Crime is down all across Louisiana in almost all criminal categories: murders, robberies, aggravated assaults, and property offenses. Our police and sheriffs could not have had their success in making our streets safer without state and local law enforcement funding from the federal government. Louisiana has received more than \$132 million since 1994 in COPS grants, adding 2,096 additional police and sheriffs's deputies to the streets of 224 communities across the state.² We have also received over \$165 million under the Local Law Enforcement Block Grant and the Byrne Grant programs.³ This funding has been crucial to help our communities keep their citizens safe.

The Bush budget turns its back on state and local law enforcement by cutting these vital programs and others by 46 percent. These are programs that have helped, not hurt, our communities in their war against crime. Our police and sheriffs still need better equipment and technology to analyze crime trends so that they can better target their resources.

¹ Fiscal Year 2006 Budget of the U.S. Government, page 201.

² COPS Office Louisiana Report.

³ Office of Justice Programs.

I believe that in this uncertain time in the War On Terror – an enemy that is hard to see and hard to find – we should not be cutting our support of state and local law enforcement. They have made our streets safer, and the federal government should build on this success. The President’s budget does not.

**PROTECTING OUR COMMUNITIES
BY MAKING RETURNING OFFENDERS
BETTER CITIZENS ACT**

Nearly 650,000 offenders get released from prisons and jails and return to America’s streets each year. Roughly two-thirds of them will end up back in jail. We need to give our state and local governments the tools to turn convicts into productive citizens. I have proposed legislation, the Protecting Our Communities by Making Returning Offenders Better Citizens Act, to help our state and local corrections, probation, and parole agencies develop comprehensive strategies to keep released offenders on the straight and narrow. The legislation will help us keep the gains we have made in the war on crime.

THE ROAD AHEAD

The American People have a difficult road ahead if we are to avoid becoming a “debt society.” With the ongoing war against terror, important demographic shifts at home and stiff global competition around the world, we have a series of challenges that require true political research.

The comforting news is that everyday citizens already comprehend what some politicians do not. A recent poll released by CNN/Gallup/USA Today found that 77 percent of Americans said want the President and Congress to address our budget deficit. If the great deficit debates of the 1980’s taught us anything, it was that only bipartisan efforts can bring this kind of problem under control.

We are a nation at war. Like the Cold War of the last century, it appears to be a long, twilight struggle. For a democracy like ours, such a struggle requires shared sacrifice. As proposed, the President’s budget does not call on the nation to sacrifice together, but rather imposes such sacrifices selectively. In the days ahead, I hope to join with my colleagues to restore equity to our federal budget. Americans have always risen to the challenge when their nation is in need. So long as we ask everyone to accept their fair share of our nation’s obligations, the public will be behind us. However, we will never be able to avoid gridlock if our nation’s budget is used as a political document, rather than a fiscal one.

I pledge to work with the President and any other member of our government to make real progress in addressing our budget imbalance.

LET ME KNOW WHAT YOU THINK

I want to hear **your** thoughts on the budget and what our priorities should be — as a state and as a nation. Please contact one of my offices below, or visit my web site at <http://landrieu.senate.gov>. Thank You.

WASHINGTON, DC

724 Hart Senate Building
United States Senate
Washington, DC 20510

Voice: (202)224-5824

Fax: (202) 224-9735

NEW ORLEANS

Hale Boggs Federal Building
Room 1010
500 Poydras Street
New Orleans, LA 70130

Voice: (504) 589-2427

Fax: (504) 589-4023

BATON ROUGE

Room 326, Federal Building
707 Florida Street
Baton Rouge, LA 70801

Voice: (225) 389-0395

Fax: (225) 389-0660

SHREVEPORT

U.S. Courthouse
300 Fannin Street
Room 2240
Shreveport, LA 71101

Voice: (318) 676-3085

Fax: (318) 676-3100

LAKE CHARLES

Hibernia Tower
One Lakeshore Drive
Suite 1260
Lake Charles, LA 70629

Voice: (337) 436-6650

Fax: (337) 439-3762



U.S. SENATOR MARY L. LANDRIEU
Louisiana

The President's Budget: THE PATH TO A DEBT SOCIETY
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