



PETER DeFAZIO

REPORTS

Congress of the United States
House of Representatives
August 2004

Dear Friend:

This fall, the federal debt limit of \$7.34 trillion will be surpassed, yet Congress has failed in addressing the spending and tax policies that led to last year's record federal deficit. Much of the money to finance tax cuts has been borrowed from Social Security contributions—a tax paid only by wage and salary earners on the first \$87,900 of income (see article below). The few attempts to curb federal spending came at the expense of benefits and services for veterans, seniors, children and students (see p. 2).

If Congress were to do just one thing before it leaves town this year it should pass a robust transportation bill. Transportation projects are financed by our gas taxes, not more borrowing. Every \$1 billion spent on highway and transportation projects creates 47,500 jobs which can't be exported.

Having just completed my 20th round-trip commute of the year to Washington, I am looking forward to the August recess. I will be visiting county fairs, addressing service clubs, enjoying community events and most importantly holding 22 town meetings around the District to hear your concerns and answer your questions (check schedule on p. 4). If you can't personally attend, but have a question about or problem with the federal government, don't hesitate to contact me at one of the addresses or phone numbers on the last page.

Sincerely,

Tax Shifts Hurt Hard Working Americans

After all the fanfare about last year's tax cuts, most working families in Oregon haven't seen much benefit. It's past time for federal tax reform that targets relief to average, wage-earning Americans and asks corporations and the wealthy elite to shoulder their fair share of the burden.

Fifty years ago, corporations paid about 33 percent of all federal taxes. Today, they contribute less than 9 percent. Back then, the top earners making over \$200,000 a year paid an astronomical rate of 91 percent on each additional dollar. Today, income over \$319,000 is taxed at 35 percent—a reduction of about two-thirds. As recently as 1996, investors paid a 28 percent tax on capital gains income. Today, the top rate is 15 percent.

Only one group, wage and salary earners and self-employed with income of \$87,900 or less, are paying considerably more in taxes to the federal government. More than half of all households pay more in payroll (FICA) taxes than income taxes to the federal government. Their share of the government's tax revenues shot up from 10 percent in 1954 to 41 percent today—a 400 percent increase.

That's a lot of numbers to digest, but the undeniable impact of these changes is that the federal tax burden is being shifted off of corporations, investors, and the wealthy elite, and onto the backs of average, wage-earning Americans.

Corporations and the wealthy are not exactly hurting. The non-partisan U.S.

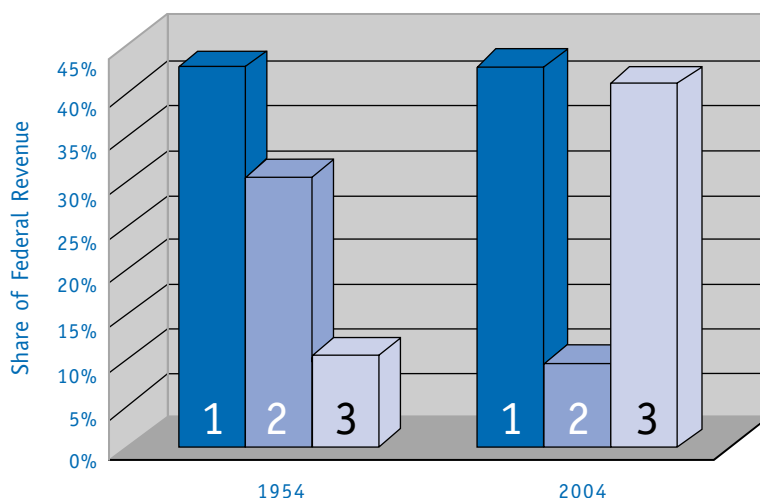
General Accounting Office recently reported that from 1996 to 2000, 60 percent of corporations failed to pay any tax at all and 94 percent paid less than 5 percent of their income in taxes. This year, the wealthiest one percent of Oregonians (those earning more than \$710,000 a year) will receive a tax cut of \$36,500, which is more than many Oregonians earn in an entire year.

Targeted reforms and simplification of taxes can restore balance to the tax code. **I recently voted to make permanent three tax cuts for working families: marriage penalty relief, the expanded child tax credit, and creation of the lower 10 percent bracket.**

My January 2003 economic stimulus package would exempt the first \$10,000 in wages from the Social Security payroll tax—a tax cut of \$620 for every wage earner. This targeted tax relief would be paid for by limiting the exemption from estate taxes to estates worth less than \$5 million.

In order to restore fairness and help reduce the deficit, I am supporting several bills to crack down on corporate tax dodging, including H.R. 737, which prohibits companies from taking advantage of tax havens like Bermuda to avoid U.S. income taxes; H.R. 1555, which would eliminate abusive corporate tax shelters and accounting schemes designed solely to avoid U.S. taxes; and H.R. 1355, which prohibits tax dodging corporations from receiving government contracts from the Department of Homeland Security.

Tax Burden Shifting to Working Families



source: Office of Management and Budget, President Bush's Fiscal Year 2005 Budget

- 1 = Individual Income Taxes
- 2 = Corporate Income Taxes
- 3 = Payroll Taxes (only levied on income less than \$87,900)

Investing in Education is Key to Success

My father, a public school teacher, used to tell me, “Don’t make a promise you can’t keep.” He would be disappointed with the long list of education promises that have gone unfulfilled by Congress and the President.

Education is the great leveler in our society. It underpins our economy and is the keystone of our democracy. Yet, this keystone is being slowly chipped away and may come crashing down if something isn’t done to strengthen it. A robust education system—from elementary to secondary schools through higher education and worker training—is a lifeline for families hoping to achieve financial stability, and key to our ability as a nation to maintain our status as a global economic leader.

Elementary and Secondary Education

Currently, only around seven percent of public education funds are provided by the federal government. Primary and secondary education have been, and should remain, a local responsibility. But when the federal government imposes mandates on public schools, such as those in the President’s No Child Left Behind law, federal funds should help states and localities pay for new federal rules. That is not happening.

The budget drafted by the House Republican leadership provides \$8.8 billion less this year than the law provided for education programs under No Child Left Behind. The House budget, which I voted against, also fails to fully fund special education obligations. Years ago, the federal government promised to pay 40 percent of special education costs. Congress has never lived up to that promise. Under the House Republican budget, the federal share would drop to a mere 18 percent next year, leaving local school districts and cash-strapped states to borrow from other critical programs in order to fill the hole left by the federal government.

Head Start, after-school programs, literacy programs like Even Start, education technology programs, adult training and dislocated worker programs, among others, are either frozen or cut by the House budget.

Furthermore, no money is being provided at the federal level to repair crumbling schools and construct new ones.

Higher Education

According to the U.S. Department of Education, tuition costs at four-year public colleges have increased 30 percent since 2001. At the same time crunched state education budgets forced cutbacks in admissions and course offerings. As a result, an estimated 250,000 college-qualified students were shut out of higher education in the fall of 2003.

As tuition rises, student loan debt continues to soar. Between 1997 and 2002, the typical undergraduate’s debt rose 66 percent, to \$18,900. More than a quarter of today’s 14 million undergrads will incur more than \$25,000 in debt to earn a degree, leaving them with staggering debt long after they enter the workforce. The debt loads of graduate students are even worse.

The budget proposed by President Bush and adopted by the House would make the financial challenges facing students worse. The President’s budget froze the maximum Pell Grant award for the third straight year at \$4,050, with an average grant of \$2,399—far below the \$4,158 cost to attend the University of Oregon. The lack of funding for Pell Grants makes college unaffordable for millions of students.

The President also proposed freezing for the third straight year, funding for TRIO, a program which has helped millions of low-income and first generation students attend college and earn a degree.

Now they have proposed legislation that would prohibit students from locking-in a low fixed interest rate on their student loans. According to the non-partisan Congressional Research Service, this would raise the borrowing costs of the typical student by \$5,500.

What Can Be Done?

Money alone cannot solve all of our nation’s education woes. However, adequate funding is a prerequisite for education reforms to be successful.

I recently voted in favor of H.Res. 685, an amendment that would have added nearly \$5 billion in federal funding for education to this year’s budget. H.Res. 685 would have provided Oregon with an additional \$21.7 million in Title I funds, \$14.3 million in special education money, and \$22.8 million for Pell Grants. The increased education funding would not add to the record budget deficits because it would be offset by reducing the average tax cut for millionaires from \$120,000 a year to \$24,000 a year. Regrettably, H.Res. 685 was defeated. Millionaires were favored over quality education for our children. That is short-sighted and wrong-headed.

In addition, the economic stimulus legislation I introduced in January 2003 would provide \$5 billion to repair and upgrade our nation’s crumbling school infrastructure.

Finally, when we reauthorize the Higher Education Act this year, Congress should increase federal support for student loan programs; allow students to consolidate their loans at lower, fixed rates; and provide loan forgiveness for students who want to teach in rural or underserved schools.

Cut from the Top First

Congress has linked its annual cost-of-living adjustment (COLA) to an executive pay index, while seniors on Social Security are stuck with a puny 2.1 percent COLA this year. I have voted against every congressional pay raise and personally limited myself to the same COLA as Social Security recipients.

I donate the difference in pay to a scholarship for displaced Oregon workers. To date, I’ve turned back over \$222,000 from pay raises to fund scholarships at five Southwest Oregon colleges, and pay down the national debt.

In the future, congressional pay raises should be no more than the Social Security COLA. Cuts to balance the budget should start at the top with congressional pay and not with the most vulnerable.



Governor Kulongoski meets with Rep. DeFazio and several scholarship recipients to discuss funding for higher education.

A Bright Future

In June, I had a chance to sit down with four impressive students from Southwest Oregon who were visiting Washington, D.C. They are involved in the TRIO program which provides services and incentives to disadvantaged students who are working to become the first in their families to attend college. TRIO programs provide a variety of academic, counseling, and college prep services, as well as financial aid and work-study employment.

TRIO programs are funded by the Higher Education Act (HEA), which Congress will reauthorize this year. I’m working to ensure that vital programs like TRIO remain in the HEA, providing thousands of Oregon students an opportunity to receive a higher education.

Good News For Troops and Vets

In May, Congress finally made some progress in honoring the promises made to our soldiers and veterans under the "National Defense Authorization Act for 2005," which I supported. The bill includes:

- a 3.5 percent across-the-board pay raise for members of the armed forces, and an increase in the maximum amount of hardship duty pay from \$300 to \$750 per month;
- a permanent increase in monthly imminent danger pay (\$225) and family separation allowances (\$250);
- up to \$3,000 per month in income replacement payments for reservists away from their civilian jobs;
- \$9.9 billion for troop and family housing and medical facilities;
- \$829.6 million for production of armored Humvees; \$358.2 million for Vehicle Add-On Armor Kits; \$400 million for body armor; and \$17 million for roadside bomb detection and suppression devices; and
- elimination of the Military Widows Tax.

Big Ticket Waste Continues at the Pentagon

Congress has finally done more for the troops, but it still gets an "F" for fiscal oversight of Pentagon mismanagement and waste. A few examples:

- the Pentagon spent \$100 million on unused airline tickets and failed to get reimbursed;
- the Pentagon paid \$88 million in overcharges to Halliburton for meals and fuel in Iraq;
- \$7 billion was spent on the failed Comanche helicopter before it was cancelled this year; and
- \$10 billion was spent this year to deploy a defective Star Wars missile defense system (\$100 billion total).

The Pentagon is more focused on profits for defense contractors than the basic needs of our troops and the defense of America.

I will continue to fight for fiscal responsibility and accountability of the Pentagon. Scarce funds can be better spent on the basic needs of our men and women in uniform, obligations to veterans of past wars and other domestic priorities.

Fighting Forest Fires

At the urging of myself and other Western members, the House Appropriations Committee included an additional \$500 million for this year and \$500 million for next fiscal year to combat wildfires. That's the good news, but it's still not enough. With continued drought and fuel-loaded forests, the Forest Service predicts extreme fire danger and estimates it will still be \$200-\$300 million short. Additionally, we need a new tanker fleet; more and better equipped incident management and initial attack teams; and a long-term commitment to reducing hazardous fuel loads.

Recent budgets have put the Forest Service and BLM on a dangerous merry-go-round, risking our valuable natural resources, the safety of our communities, and ultimately, lives on the ground. Every year, Congress underfunds these agencies, forcing them to borrow money from fuel reduction operations and other budgets to fight wildfires. This leaves the agencies without adequate resources to do the fuel reduction work which would reduce the risk of catastrophic wildfire or to fight current fires.

It's time for the President and this Congress to honor their promise under the Healthy Forests Act of robust funding to thin the understory, eliminate ladder fuel and remove decades of built-up fuel loads resulting from mismanagement of our forests. With added funds we can protect our natural resources and communities, enhance our forests, and create much-needed jobs in Oregon.

Senior Advocates

As a gerontologist with a degree from the University of Oregon, I joined with Ron Webb in establishing the Senior Companion Program (SCP) in Lane County in 1977. The SCP trains seniors to be advocates for frail elderly persons or other homebound individuals. SCP volunteers help with grocery shopping, paying bills, transportation to medical appointments, and can provide short-term relief to primary caregivers. The program is funded through a combination of federal, state, local and private contributions. Nationally, more than 15,000 seniors tended to the needs of 61,000 clients in 2001.

We need to better utilize the talents and know-how of seniors by boosting funding for the SCP, the Retired Senior Volunteer Program, and the Service Corps of Retired Executives Program, which provides advice to small business owners. These programs provide an invaluable benefit to our communities at very little cost. I'd like to build on this success by creating Senior Advocates in our nation's hospitals to help seniors and their families with confusing paperwork, benefits, housing and care options after hospitalization.



DeFazio congratulates Emma Klokow for her service at the annual Lane County Senior Companion recognition luncheon.

Gas for 5¢ a Gallon

Subsidized Gas in Iraq

In the buildup to the Iraq War, the Administration promised that reconstruction would be paid for with the endless wealth from Iraqi oil. Instead, American taxpayers have been saddled with a \$200 billion bill for the construction and occupation of Iraq. Even worse, **the U.S. government is purchasing fuel from neighboring countries at \$1.50 a gallon and shipping it into Iraq. Add in the cost of a military escort and the price reaches over \$2 a gallon. Yet, Iraqis are only paying 5 cents a gallon!** Subsidizing Iraqi gasoline prices is costing American taxpayers \$167 million per month. With the June 28th handover of power from U.S. occupation authorities to the interim government in Iraq, the Bush Administration should do more to shift the financial burden off of U.S. taxpayers and onto the Iraqis themselves and the international community.

Here at Home

Oregonians are rethinking their family and business budgets to accommodate the drastic increase in gas prices. In June, gas prices in Oregon averaged \$2.26 a gallon, an increase of 60 cents from last year.

Congress and the President need to stop talking about the problem and do something. Here's my plan: 1) file a trade complaint with the WTO against OPEC for illegally colluding to raise oil prices; 2) Put a moratorium on oil company mergers and break up existing monopolies (the non-partisan General Accounting Office reported 2,600 mergers in the U.S. petroleum industry since the mid-1990s. By one measure, four companies control 74 percent of the gasoline market in Oregon); 3) require oil companies to disclose their pricing practices to the Department of Energy and prohibit price discrimination that takes place when gasoline is loaded onto tanker trucks; 4) require minimum inventory levels to smooth out supply disruptions; 5) use the strategic petroleum reserve, as needed, to combat market manipulation and supply problems; 6) mandate increased fuel efficiency standards for vehicles as a part of any energy bill; and 7) invest in research and development of hybrid and alternative fuel vehicles, and provide tax incentives for the purchase of such vehicles, in order to help stimulate supply and demand.

What's On Your Mind? Come to a Town Hall Meeting

Since I came to Congress, I have held 321 town hall meetings across Southwest Oregon. I have developed many legislative initiatives based on my conversations with Oregonians at these meetings. Please note the dates and locations of my upcoming town hall meetings below. I look forward to meeting with you and your neighbors to discuss current issues before Congress, and to hear your ideas and opinions. Hope to see you there.

Coos County

Coos Bay

Monday, August 16

12:00 - 1:00 PM

Coos Bay City Council Chambers

500 Central Avenue

Bandon

Monday, August 16

2:00 - 3:00 PM

East Room

Bandon Community Center

1100 11th Street

Curry County

Port Orford

Monday, August 16

5:00 - 6:00 PM

Port Orford City Council

Chamber

555 W. 20th Street

Brookings

Tuesday, August 17

10:00 - 11:00 AM

Chetco Library

405 Alder Street

Gold Beach

Tuesday, August 17

12:00 - 1:00 PM

Gold Beach City Council

Chambers

29592 Ellensburg Avenue

Benton County

Corvallis

Thursday, August 19

12:00 - 1:00 PM

Plaza Meeting Room

Benton County Commission Bldg.

408 S.W. Monroe Avenue

Corvallis

Thursday, August 19

5:30 - 6:30 PM

Meeting Room

Corvallis Public Library

645 N.W. Monroe Avenue

Philomath

Thursday, August 19

2:00 - 3:00 PM

Philomath City Council

Chambers

980 Applegate Street

Linn County

Albany

Wednesday, August 25

3:00 - 4:00 PM

Albany Senior Center

489 Water Street N.W.

Albany

Wednesday, August 25

5:15 - 6:15 PM

Meeting Room

Albany Public Library

1390 Waverly Drive S.E.

Josephine County

Grants Pass

Monday, August 23

5:15 - 6:15 PM

Anne Basker Auditorium

604 N.W. 6th Street

Douglas County

Glendale

Monday, August 23

3:30 - 4:30 PM

Special People's Depot

Glendale Town Road

Sutherlin

Tuesday, August 24

3:00 - 4:00 PM

Sutherlin Community Center

151 S. Willamette

Roseburg

Tuesday, August 24

5:15 - 6:15 PM

Ford Meeting Room

Douglas County Library

1409 N.E. Diamond Lake Blvd.

Drain

Tuesday, August 31

11:30 AM - 12:30 PM

Meeting Room

Drain Civic Center

205 W. A Avenue

Reedsport

Tuesday, August 31

2:00 - 3:00 PM

Port of Umpqua Building

364 N. 4th Street

Lane County

Cottage Grove

Tuesday, August 24

7:30 - 8:30 PM

Cottage Grove Community Center

700 Gibbs Avenue

Eugene

Thursday, August 26

11:30 AM - 12:30 PM

Campbell Senior Center

155 High Street

Eugene

Thursday, August 26

5:00 - 6:00 PM

Harris Hall

Lane County Courthouse

125 E. 8th Avenue

Springfield

Thursday, August 26

1:30 - 2:30 PM

McKenzie Room

Willamalane Adult Activity Center

215 W. C Street

Springfield

Thursday, August 26

7:00 - 8:00 PM

Springfield City Council

Chambers

225 5th Street

Florence

Tuesday, August 31

5:30 - 6:30 PM

Florence Events Center

715 Quince Street

BREAKING NEWS: The Medicare Drug Discount Card Sham

A July 2004 AARP study found that prior to the launching of the Medicare drug discount card, drug companies raised prices at triple the rate of inflation, which essentially wipes out the promised price reductions from the Medicare card. Congress must scrap the flawed \$540 billion Medicare drug law and replace it with one that works for consumers not pharmaceutical company profits.

*I hope you can attend
a townhall meeting near you!*
Pete

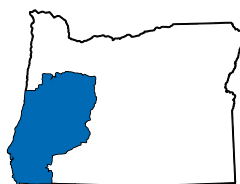
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