



THE CALIFORNIA INSTITUTE FOR FEDERAL POLICY RESEARCH  
1608 Rhode Island Avenue, NW, Suite 213, Washington, D.C. 20036  
202-546-3700 fax:202-223-2330 e-mail: [randsdell@calinst.org](mailto:randsdell@calinst.org) web: <http://www.calinst.org>

## California Capitol Hill Bulletin

### Volume 13, Bulletin 24 – September 8, 2006

To expand communications between Washington and California, the California Institute provides periodic news bulletins regarding current activity on Capitol Hill that directly impacts the state. Bulletins are published weekly during sessions of Congress, and occasionally during other periods.

#### FATE OF IMMIGRATION REFORM THIS CONGRESS REMAINS UNCERTAIN

With only about 15 legislative days between now and adjourning for the midterms, Congressional leaders concede that comprehensive immigration reform will not occur before then, and the ability to pass a bill during a lame-duck session remains very uncertain as well. In the meantime, however, the House leadership has agreed to back the Senate's move to add another \$1.8 billion to the FY07 DOD Appropriations bill for border security measures. *Bulletin, Vol. 13, No. 23 (8/7/06)*. The money would fund additional fencing and vehicle barriers along the Southern border.

The Senate passed its highly controversial, comprehensive immigration reform bill, S. 2611, on May 25, 2006, while the House passed its enforcement-only bill, H.R. 4437, in December 2005. The Senate bill has drawn fire because it provides an eventual path to citizenship for millions of illegal immigrants now in the United States, considered amnesty by its opponents, and establishes a guestworker program authorizing temporary U.S. visas for future immigrant workers. The two bills are so far apart, with no consensus in sight between the House and Senate on how to resolve them, that any attempt to conference them at this point would be futile.

In a full court press to point out what it considers flaws in the Senate bill, several House Committees held field hearings over the August 2006 district work period. In addition to hearings already reported on, *see Bulletin, Vol. 13, Nos. 22 (7/29/06) & 23 (8/7/06)*, the House Resources Committee also held a field hearing on August 5<sup>th</sup> in Santee, CA entitled *Border Security on Federal Lands: What Can Be Done to Mitigate Impacts along the Southwestern Border?* The Committee heard from the following witnesses: Steve Borchard, District Manager, CA Desert District, Bureau of Land Management, Department of the Interior; Victor Manjarrez, Deputy Chief Patrol Agent, U.S. Customs and Border Protection, Department of Homeland Security; Chris Ingram, Vice President, Gulf South Research Corporation; Carolyn Powers, Jamul, CA; Judy Keeler, Animas, NM; Jim McGarvie, Vice President, Off-Road Business Association; and Ambassador Thomas A. Nassif, President, Western Growers Association.

Earlier, the Government Reform Committee held a hearing in San Diego on Aug 14, 2006, entitled "Porous Borders and Downstream Costs: The Impact of Illegal Immigration on State, County and Local Governments." Witnesses at the hearing were: Miguel Unzueta, Special Agent in Charge of San Diego SAC, U.S. Immigration and Customs Enforcement; The Honorable William B. Kolender, Sheriff, San Diego

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County; The Honorable Bill Horn, Chairman, San Diego Board of Supervisors; Mr. Steven A. Escoboza, President and C.E.O., Hospital Association of San Diego and Imperial County; the Honorable Denise Moreno Ducheny, 40<sup>th</sup> Senate District, San Diego; and, Dr. Bronwen Anders, Professor of Pediatrics, University of California at San Diego, Former President of San Diego Chapter of American Academy of Pediatrics.

The testimony from both hearings will be available on the respective Committees' websites at: <http://www.resourcescommittee.house.gov> and <http://www.reform.house.gov>.

Also during the recess, the Congressional Budget Office released its report estimating that the cost of the Senate bill will be as much as \$126 billion over 10 years. It found that mandatory spending, for such programs as Medicaid and Social Security, would increase by \$16 billion over the 2007-2011 period, and by \$48 billion over the 2007-2016 period. In addition, the costs of new border fences and patrol agents, detention facilities, and the employment verification system would push discretionary spending up by \$33 billion over the 2007-2011 period and by \$78 billion over the 2007-2016 period. Much of the projected spending for these discretionary immigration enforcement activities would be the same under both the House and Senate bills. Their cost is about 62 percent of the total cost of the bill according to the CBO estimate.

Proponents of the Senate bill argue that the CBO estimate is flawed and that revenues would rise faster than entitlement costs as immigrants adjust to legal status, get better wages, and pay higher taxes.

In addition to estimating the costs, the CBO projects that under the Senate bill more than 16 million individuals would adjust to legal status in the United States by 2016 and by 2026 that number would reach 24 million. CBO's report is available at: <http://www.cbo.gov/ftpdocs/75xx/doc7501/s2611spass.pdf>.

## SENATE TAKING UP PORT SECURITY LEGISLATION

After several months of delay, the Senate opened the door to floor consideration of port security legislation late on Thursday, September 7, 2006. Floor action on the legislation has been delayed due to jurisdictional and policy differences among several Senate committees.

When it convenes on Friday (though no votes will take place), the chamber will begin work in earnest on the bill by debating new legislation authored by Susan Collins (ME), the chair of the Senate Committee on Homeland Security and Government Affairs. Leaders of the Senate Finance Committee had complained that the initial versions of a bill by Sen. Collins (S. 2459) inadequately addressed trade promotion and facilitation. Finance Committee members are expected to pursue a variety of changes to the bill, as are leaders of the Committee on Commerce, Science and Transportation.

Initial speculation suggests that the Senate's inter-committee compromises have forced development of a bill that is stripped of a number of elements, including possibly the authorization of funding for a number of core maritime security programs. It nevertheless is expected to include renewal language and authorized funding for C-TPAT, the Customs-Trade Partnership Against Terrorism, which encourages shippers to meet a variety of specified security thresholds.

Significant debate is expected over whether to require that 100 percent of incoming cargo be screened and scanned; business groups argue that slow maritime traffic and increase shipping costs. There is no such requirement in port security legislation passed on May 4 by the House of Representatives -- H.R. 4954, by Reps. Dan Lungren (Folsom) and Jane Harman (Venice).

Also expected are amendments to alter formulas that distribute federal homeland security funds to state and local governments and first responder agencies. Those formulas have long been criticized for favoring sparsely populated smaller states to the detriment of large states.

The Public Policy Institute of California (PPIC) recently released a major report on port security issues. It is available at <http://www.ppic.org/main/publication.asp?i=698> . In addition, streaming video and audio of a PPIC/California Institute briefing regarding that report is available at <http://www.calinst.org/video.htm> .

## **WATER RESOURCES CONSIDERS DELTA LEVEE BILL**

The House Resources Water and Power Subcommittee held a hearing on Thursday, September 7, 2006 on H.R. 6014, introduced by Committee Chair Richard Pombo (Tracy). The bill would authorize the appropriation of \$10 million annually through 2012 to the Department of the Interior's Bureau of Reclamation to pass through to California's Delta Flood Protection Fund. The California Fund reimburses up to 75 percent of the costs incurred by local stakeholders for levee repair and improvement projects in the Bay Delta. Actual reimbursement, however, is about 50-60 percent.

The Subcommittee heard from several witnesses: Chris Neudeck, Owner, Kjeldsen, Sinnock and Neudeck, Stockton; Lynn Hurley, Senior Project Manager, Imported Water Unit, Santa Clara Valley Water District, San Jose; William Rinne, Acting Commissioner, Bureau of Reclamation, U.S. Department of the Interior; and Les Harder, Chief, Division of Flood Management, California Department of Water Resources.

All of the California witnesses supported the legislation. Mr. Neudeck testified that to date the federal government's response to the issue of levee maintenance and improvement has virtually been relegated to doing another study of the problem. The California Fund, he argued, however, actually makes repairs and improvements to the levees.

Acting Commissioner Rinne, however, testified that the Department did not support H.R. 6014. It fears it will expand BOR's role beyond its traditional role of providing water and power into levee maintenance and repair. That role, Commissioner Rinne argued, belongs to the Corps of Engineers and not BOR.

The testimony of the witnesses will be available at: <http://www.resourcescommittee.house.gov> .

## **SEPTEMBER 12 ROUNDTABLE LUNCHEON TO FEATURE L.A. MAYOR VILLARAIGOSA**

The next Golden State Roundtable luncheon will be held on Tuesday, September 12, 2006, and will feature keynote remarks by the Mayor of Los Angeles, Antonio Villaraigosa. The lunch, for which there is a \$35 - \$40 charge, will take place at the Capitol Hill Club at 300 First St, SE, in Washington, DC.

Elected in May 2005, Villaraigosa is the 41st Mayor of the City of Los Angeles. He was born in the Boyle Heights neighborhood of East Los Angeles, graduated from Theodore Roosevelt High School, received a B.A. degree in history from UCLA, and is a graduate of the People's College of Law. At the age of 15, Villaraigosa was a volunteer with the farm workers movement. He later served as a field representative/organizer with the United Teachers Los Angeles (UTLA).

In 1994, he was elected to the California State Assembly; four years later, his colleagues elected him the first Assembly Speaker from Los Angeles in 25 years.

After narrowly losing the race for mayor of Los Angeles in 2001, Villaraigosa was appointed a distinguished fellow at UCLA and USC, where he helped write "After Sprawl" a policy blueprint for addressing issues facing many urban centers. In 2003, he won election to represent the 14th District on the Los Angeles City Council.

The luncheon cost is \$35 for CSS members, congressional staff, and federal staff and \$40 for non-CSS members; it is complimentary for members of the California Congressional Delegation only. Seats may be

purchased online from the California State Society at <http://www.californiastatesociety.org> by selecting "Pay Online" from the CSS home page.

### **PORT EMPLOYEE ID CARD SYSTEM SCRUTINIZED**

On Thursday, August 3, 2006, the Inspector General of the Department of Homeland Security released a report citing serious security concerns about a new identification card system designed for employees at the nation's ports. California houses the nations' #1 and #2 largest seaports and handles nearly half of the nation's containerized cargo imports. The report from the office of DHS's Richard Skinner found "significant security vulnerabilities" in DHS's TWIC prototype systems, documentation, and program management. The report ominously states, "Due to the number and significance of the weaknesses identified, TWIC prototype systems are vulnerable to various internal and external security threats."

The Transportation Security Administration (under DHS) developed the Transportation Worker Identification Credential program (TWIC), following guidelines outlined in Congressional port security legislation in 2002.

Initially covering 750,000 workers (port operator employees, longshoremen, and merchant mariners), the program could eventually apply to as many as 12 million workers. Requirements include worker photographs, fingerprints and other biographic information for detailed identification purposes.

The IG's office found a number of weaknesses in the system, and the report states, "TWIC prototype systems are vulnerable to various internal and external security threats. ... Until remedied, the significant security weaknesses jeopardize the certification and accreditation of the systems prior to full implementation of the TWIC program." Later, it states, "The security related issues identified may threaten the confidentiality, integrity, and availability of sensitive TWIC data.

For the GAO report, "DHS Must Address Significant Security Vulnerabilities Prior To TWIC Implementation," visit [http://www.dhs.gov/interweb/assetlibrary/OIGr\\_06-47\\_Jul06.pdf](http://www.dhs.gov/interweb/assetlibrary/OIGr_06-47_Jul06.pdf).

In related news, the U.S. Senate was unsuccessful in its efforts to consider a major port security bill prior to its August recess (which began one week later than the House recess.) Introduced by Senate Homeland Security & Governmental Affairs Committee Chair Susan Collins (ME), S.2459, the "GreenLane Maritime Cargo Security Act" will likely be considered on the Senate floor very soon. In May, the House passed the SAFE Ports Act (H.R. 4954), which is broadly similar to but has various significant differences from the Senate version of port security legislation.

### **PPIC'S JULIAN BETTS DISCUSSES EFFECTS OF SAN DIEGO'S SCHOOL CHOICE PROGRAMS ON INTEGRATION AND STUDENT ACHIEVEMENT**

On Wednesday, September 6, 2006, the Public Policy Institute of California and the California Institute hosted a briefing drawing over 30 congressional staff, government representatives, and other interested parties to discuss the current School Choice programs of San Diego. The briefing presented findings from the recently published report, "Does School Choice Work? Effects on Student Integration and Achievement" co-authored by Mr. Julian R. Betts and his colleagues at PPIC. In addition to being a Senior Fellow at PPIC, Mr. Betts is a Professor in the Department of Economics, University of California San Diego, a member of the National Technical Review Panel for the Longitudinal Study of No Child Left Behind, and a Member of the National Working Commission on Choice in K-12 Education at the Brookings Institution.

Betts' study is particularly telling since the San Diego school district is the eighth largest in the nation and approximately one out of every three of its students participates in a School Choice program (one of the highest rates in the nation). The district offers four different school choice programs, the Voluntary Ethnic Enrollment Program (VEEP), Charter Schools, Magnet Schools, and *Choice* (a state established open enrollment program).

Betts and his associates analyzed the achievement and integration realized by the students who applied to the various School Choice programs. Among the report's findings:

- African American students are nearly twice as likely to apply for a choice program as white students
- Non-whites are the most common applicant for School Choice programs
- English Learning students are less likely to apply for School Choice programs
- Girls are more likely to apply than boys
- Distance is not a factor in school choice when busing is provided, and programs with bus services are more successful at integrating students.
- Open-enrollment (with no busing or regulation) actively segregates school populations while VEEP and Magnet school programs (with busing and regulation) promote integration.

-Lottery winners who transferred to their school of choice did not necessarily improve on achievement tests. Lottery losers who do not switch schools perform about equally over time as the lottery winners.

San Diego superimposed the No Child Left Behind program onto its existing School Choice programs. While there was no direct data concerning No Child Left Behind in his work, Betts believes that the School Choice measures from the No Child Left Behind program will mimic the pattern he discovered in his research in San Diego.

In short, the authors found that School Choice does not seem to be actively improving school achievement in San Diego. But, School Choice with busing programs and loose regional/socio-economic regulation is successfully increasing integration.

The report is available from PPIC at <http://www.ppic.org> and a videotape of Wednesday's briefing is available in streaming media format from the California Institute at <http://www.calinst.org/video.htm> .

## **LACK OF ONGOING ORDERS FORCES START OF C-17 PRODUCTION SHUTDOWN**

On August 18, 2006, after extensive efforts by federal, state, and local officials and by the aerospace giant itself, Boeing announced that it will be forced to begin shutting down production of the C-17 production line. The move comes because of a lack of new orders for the cargo plane; absent new business, the line will be terminated after completing its current 180-plane contract with the Air Force. At present, the Defense Department budget does not include any additional C-17 orders for the 2008 and 2009 fiscal years. The decision will affect the Long Beach plant's 5,500 Boeing employees and as many as 25,000 employees of the various companies that supply parts and systems for the plane.

In advance of and pursuant to the announced shift, California officials have been scrambling to find ways to keep Boeing's plant active to preserve the estimated \$3 billion it contributes to the California economy each year. Governor Arnold Schwarzenegger wrote to the White House in August requesting additional aircraft orders. His letter noted that, "Discontinuing production of the C-17 would have disastrous economic repercussions in California - and across the nation. Currently C-17 production has an estimated economic impact of \$8.4 billion nationally. In California, that impact exceeds \$3.7 billion. If production is shut down in California, 346 company suppliers employing over 6,000 people will lose work with Boeing." In addition, State legislator Betty Karnette of Long Beach introduced a measure granting tax credits for worker wages and materials for the KC-X tanker -- hoping to encourage the tanker's production and offset the loss of the C-17 production -- but her proposal was not included in the final state budget.

While aircraft production may be declining in Southern California, the state's Employment Development Department on September 5 reported an increase in jobs for aerospace engineers, because suppliers in Southern California are making electronic components and other precision parts for commercial aircraft makers and defense contractors.

## **GAO REPORT OUTLINES U.S. SEMICONDUCTOR AND SOFTWARE INDUSTRIES PRODUCTION IN CHINA AND INDIA**

The Government Accountability Office recently released a report, GAO-06-423, on offshoring entitled U.S. Semiconductor and Software Industries Increasingly Produce in China and India. The report found the U.S. semiconductor industry began offshoring labor-intensive manufacturing operations in the 1960s,

followed in the 1970s and 1980s by increasingly complex operations, including wafer fabrication and some research and development (R&D) and design work. Software services offshoring began in the 1990s after Internet communications made it possible to trade services such as software programming and software design. The year 2000 changeover, according to GAO, hastened this offshoring trend related to software services because programmers knowledgeable in the appropriate programming languages were available, primarily in India. In the 2000s, firms further expanded their offshoring operations, based on the low-cost and high-quality work from the offshored services undertaken in the late 1990s.

Nevertheless, although offshoring continues to grow in both the semiconductor manufacturing and software services industries, the United States remains one of the largest and most advanced producers of semiconductors and software services. The ability of the United States to compete in the future, according to GAO, will depend on research and development investment, innovative academic environments attracting top-quality students, and a competitive business environment. The report concludes that it will be important for U.S. businesses and policymakers to keep alert to technological changes and competitor countries' strategies while enhancing the elements of the innovation environment in the United States.

The report can be obtained from GAO's website at: <http://www.gao.gov/new.items/d06423.pdf>

## **PPIC REPORTS POLICY EFFECTS ON PRISON DEMOGRAPHICS AND COSTS**

The Public Policy Institute of California recently published "*Who's in Prison? The Changing Demographics of Incarceration*" a study confirming that California's prison population is aging and becoming more violent resulting in higher costs. Amanda Bailey and Joseph M. Hayes co-authored the report and conclude that the aging prison demographic costs Californians more in prison health care costs. The authors present evidence that links these two trends in prison demographics to specific policy changes – namely Three Strikes, Truth in Sentencing, and Prop 36.

Three strikes legislation is causing the prison demographic to age because it institutes longer sentencing for repeat offenders and increases the likelihood of older individuals becoming incarcerated, according to the report. Truth in Sentencing also increases prison sentences and increases the older population of prisons. Prop 36 diverts non-violent drug crimes to community rehabilitation centers for treatment instead of prison confinement. As a result, the percentage of prisoners who commit violent crimes increases in proportion to the entire prison population.

The prison population demographic, presented in the report, reflects severe imbalances in the prison population by race, education level, and region. The report also suggests that California's parole policies may contribute to the trends.

Some key points to note from this study:

- The percentage of prisoners aged 40-49 almost doubled and those over 50 years old nearly tripled between 1990 and 2005
  - The San Joaquin Valley and Inland Empire contribute disproportionately to the state's prison population
  - 67% of prison inmates are being returned from parole
  - 52% of men are imprisoned for violent crimes. Women are more likely to be incarcerated for property crimes (36%) or drug offenses (30%)
  - 64% of female inmates have children under the age of 18
  - U.S.-born adults are nearly three times as likely as foreign-born adults to be incarcerated
  - "Three Strikes and You're Out" legislation (1994) has affected African Americans disproportionately.
- To obtain a full copy of the report go to: <http://www.ppic.org>