



THE CALIFORNIA INSTITUTE FOR FEDERAL POLICY RESEARCH
1608 Rhode Island Avenue, NW, Suite 213, Washington, D.C. 20036
202-974-6384 fax:202-223-2330 e-mail: ransdell@calinst.org web: <http://www.calinst.org>

California Capitol Hill Bulletin

Volume 14, Bulletin 3– January 19, 2007

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.

BIPARTISAN CALIFORNIA DELEGATION MEETS TO CONSIDER COMMON PRIORITIES

On Wednesday, January 19, 2007, a bipartisan cross-section of roughly half of the California Congressional delegation met to discuss items of common interest. The meeting, held in the U.S. Capitol building, was intended to be the first in a series of collaborative discussions that will work to identify issues on which Californians can broadly agree.

The Wednesday meeting began with a focus on various funding issues -- such as federal grants, entitlements, and procurement contract spending -- and included a briefing by California Institute director Tim Ransdell and comments by representatives for the State Legislature and the Governor.

GOVERNOR SCHWARZENEGGER SEEKS FEDERAL AID FOR CITRUS FREEZE EMERGENCY; BIPARTISAN CONGRESSIONAL DELEGATION WORKS TO EXPEDITE REQUEST

On January 16, 2007, Governor Arnold Schwarzenegger issued a disaster declaration for the counties of Fresno, Kern, Kings, Madera, Merced, Monterey, San Luis Obispo, Santa Barbara, Tulare, and Ventura, and he also visited Fresno citrus farms to assess cold weather damage. The Governor, with Secretary of Agriculture A.G. Kawamura and Emergency Services Director Henry Renteria, reiterated efforts to assist farmers with the damaged citrus crops. The prolonged cold spell has dropped temperatures in vital citrus growing areas to the low 20s which has had a devastating affect on the industry. Estimates of crop loss reach as high as 70% of oranges, lemons, and grapefruits; causing losses in the billions of dollars. Other crops such as strawberries and avocados suffered less substantial damage, but nevertheless losses are estimated to be in the hundreds of millions of dollars. Estimates of threatened

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jobs exceed 12,000, and State officials have expressed intention to offer unemployment assistance to displaced workers.

A bipartisan effort by the California Congressional Delegation is under way to speed up federal support to California farmers, rural communities and unemployed workers. U.S. Department of Agriculture Secretary Mike Johanns has been urged by the delegation to immediately approve the Governor's requests for federal disaster designations resulting from the freeze and provide immediate assistance to those impacted by the disaster.

California Republican Congressional Delegation Chairman David Dreier (Covina) commented that, "It is imperative that we do all we can to expedite federal assistance. That is why the quick action of the entire California Congressional Delegation is critical and I am proud of the continued bipartisan cooperation of our colleagues." He specifically cited the leadership of Reps. Devin Nunes (Tulare) and Dennis Cardoza (Merced) on the issue.

In a letter transmitting the request to Secretary Johanns, Governor Schwarzenegger noted that "California is the nation's number one producer of fresh citrus, and the damages to the citrus industry alone could surpass three-fourths of California's overall production." The Governor's letter estimates that, "The financial losses to the agricultural industry will likely reach \$1 billion – an amount that will far surpass the damages sustained in California during the freeze disasters of 1990-1991 and 1998-1999."

Senator Dianne Feinstein, in a January 17 letter supporting the Governor's request, pointed out that 95 percent of the nation's fresh citrus comes from California. She also said, "The prolonged nature of this freeze could have devastating effects, not only on current crops, but also on the trees themselves, resulting in diminished production for years to come." Senator Barbara Boxer said that there is "unprecedented coordination" among bipartisan California lawmakers in response to the crisis.

For text of the disaster declaration, visit: <http://www.gov.ca.gov> .

SENATE HEARING DRAWS ATTENTION TO NEED FOR TRANSIT SECURITY FUNDING

On January 18, 2007, the Senate Committee on Banking, Housing, and Urban Affairs held a hearing to examine the state of transit security. As the first hearing under the new Congress and incoming Chairman Christopher J. Dodd (CT), it demonstrated that transit security is a top priority for the committee. Senator Dodd began by emphasizing the need for enhanced safety measures in all modes of public transportation through additional federal funding. He provided statistics illustrating the severely disproportionate amount of funds being allocated to public transit since 9/11, with \$24 billion spent on aviation security and only \$386 million spent on security for public transit, which serves to transport a relatively much larger population on any given day.

Daniel P. Malloy, current mayor of Stamford, Connecticut, testified on behalf of the U.S. Conference of Mayors. He shared in the desire for

guaranteed federal funding to address the priority of securing all bus, rail, and ferry systems. Malloy stated that the most important first step would be to ensure that all “first responders and preventers” had the resources they needed. He felt this could be achieved through a comprehensive and flexible security grant system that would funnel mandated national funds directly to transit authorities rather than states. Malloy is hopeful that this would address what is essentially a federal responsibility, protecting federal investments while allowing money to be spent where it is most needed on a case-by-case basis.

William Millar, President of the American Public Transportation Association, and Warren George, President of the Amalgamated Transit Union, joined in the push for a federal commitment to the protection of public transit systems and the estimated 33 million Americans that use such transit each day. They agreed that security initiatives, largely hampered by funding constraints, cannot be sustained by unions and the industry alone. Both focused on improved employee training as the most cost effective measure for enhancing overall security, recognizing transit workers as both the frontline first responders to any disaster, as well as those most likely to prevent a terrorist attack.

Foreign witnesses were also in attendance to provide insight on the most pressing security risks of modern public transit systems. Aurelio Rojo Garrido, Operational Director of Metro Madrid and Secretary General of Latin American Metros and Subways, reviewed the recent Madrid transit attacks and outlined the first set of exceptional security measures implemented in the Madrid Metro following the incident. Actions ranged from sealing trash bins to an increased security presence, complete with bomb sensitive detectors and trained dogs. Garrido also chose to emphasize the need for increased security training to keep staff prepared and on lookout. Tim O’Toole, Managing Director of Transport for the City of London, advised the committee from his experience handling security of the London Underground. His primary lesson was to rely on investments in staff, not technology. He had found his staff to be most effective because of drills and simulations that built trust among employees and prepared them to address the complexity of disaster situations before management was able to get involved. O’Toole did not discount the value of investments in technology, but only advised that they be based on firm risk based analysis and made part of a more comprehensive security plan.

For witness testimony, visit the Committee’s website at: <http://www.banking.senate.gov> .

SENATE FINANCE APPROVES SMALL BUSINESS TAX RELIEF

On Wednesday, January 17, 2007, the Senate Finance Committee approved an \$8.3 billion package of tax cuts for small businesses by voice vote. Against the wishes of the House leadership, however, the package will probably be attached to the House-passed minimum wage increase (H.R. 2) before it goes to the Senate floor.

Among the bill’s provisions are the following:

- Extends through 2012, the work opportunity tax credit for employers who hire certain low-income workers, including those on welfare and food stamps and high-risk youth. The cost is estimated at \$3.6 billion over ten years.

- Extends through 2010 the so-called Section 179 expensing provision that allows small businesses to deduct from income as much as \$112,000 in new investments in the year in which they are made. The cost is estimated at \$257 million over ten years.

For further information on the bill, go to the Committee’s website at <http://www.finance.senate.gov> .

ALTERNATIVE MINIMUM TAX CALLED TOP TAXPAYER PROBLEM FOR 2007

On January 9th, 2007 the National Taxpayer Advocate Nina E. Olson released her annual report proclaiming the Alternative Minimum Tax (AMT) as “the most serious problem facing taxpayers

today.” The Advocate is According to Treasury Department data, Californians paid more than 22 percent of the nation’s AMT bill in 2004.

The AMT was originally intended to ensure that millionaires paid a fair share of federal taxes, relative to their income. However, since its inception in 1969, cutoffs and benchmarks for the AMT has not been adjusted for inflation and Congress has only managed to limit the number of affected middle-class taxpayers by enacting yearly “patches” that fail to provide any permanent solution.

The Tax Policy Center, a Washington research group, presents several alarming statistics on the matter. It estimates that in 2006 nearly 19 million taxpayers will have been subject to the AMT. This shows a dramatic increase from 3.4 million taxpayers in 2004, and only 1.3 million in 2000. Half of the people paying the alternative minimum tax will be living in one of four high-tax states: California, Massachusetts, New Jersey, and New York. If left unchanged, by 2009 the AMT will produce more revenue than the ordinary federal income tax, according to the Tax Policy Center.

Senate Finance Chairman Max Baucus (MT), and Ranking Member Charles E. Grassley (IA) have again introduced a bill to end the AMT but they have encountered problems providing ways to pay for the cost of a repeal of the tax which has been estimated at \$60 billion per year, approaching \$1 trillion over ten years. The House leadership is also considering legislation to solve the AMT problem.

In addition to the AMT, Olson in her report points to the need for improved IRS services and a focus on ensuring taxpayer compliance in an effort to correct failures to collect an estimated \$290 billion per year.

For more information, including a copy of the report, visit <http://www.irs.gov/advocate/index.html> .

CALIFORNIANS SUPPORT GOVERNOR SCHWARZENEGGER’S HEALTH PLAN, ALTHOUGH NOT FOR ILLEGAL IMMIGRANTS

On January 11, 2007, the Survey and Policy Research Institute at San Jose State University released a report entitled “*Californians Firmly Favor State-guaranteed Health Insurance: Uphill Battle for Public Opinion on Including Illegal Immigrants.*” The report, authored by Philip J. Trounstine, contains the results of a survey of 985 Californians, 676 of whom are voters. The study finds that a majority of Californians say the state should guarantee that everyone has health insurance, yet an equal number oppose extending that support to illegal immigrants.

A few key points from the report:

- 6 in 10 Californians say the state should guarantee that all children have health insurance
- 6 in 10 voters are opposed to providing insurance to illegal immigrants
- 4 in 10 Californians and voters believe the state should oversee insurance
- 3 in 10 prefer to use the existing health insurance system
- All adults favor state-guaranteed health insurance 52-35%; voters favor the idea 50-37%
- Democrats support the state-guaranteed health insurance 67-19%, independents 50-33%, Republicans are opposed 28- 62%
- Liberals are in favor 69-18% and moderates by 52-26%, conservatives oppose 25-29%

For more information, please visit: www.sjsu.edu/spri .

RAND STUDY REPORTS UNDOCUMENTED IMMIGRANTS DEMAND LITTLE PUBLIC FUNDING FROM HEALTH CARE SYSTEM

In December 2006 the RAND Corporation published a study of some of the first empirical data on health care use and costs among immigrants. The study, *Immigrants and the Cost of Medical Care*, was conducted by demographer James Smith and health economists Dana Goldman and Neeraj Sood within

Los Angeles County, looking at the largest concentration of immigrants in the nation. Their estimates were then extrapolated to the national level.

The Los Angeles Family Neighborhood Survey of 2000 and 2001 provided the researchers information from interviews with nonelderly (ages 18 to 64) participants about their health, medical insurance, the type and amount of care they used, and their immigration status. Overall, foreign-born residents were found to spend less on health care than citizens born in the United States, with undocumented immigrants making up 3.2 percent of the population and accounting for only 1.5 percent of all medical costs. It was shown that foreign-born residents demanded less funding from public insurers, instead paying more out-of-pocket costs for health care. In fact, it was estimated that only \$1.1 billion is spent annually on undocumented immigrants for health care, a relatively modest amount of government funds, according to the report. Lower medical spending can be linked to lower utilization of services, with many immigrants having almost no contact with the formal health care system and relatively better health to begin with. The study discourages a focus on health care while at the same time encouraging a fuller analysis of all economic benefits and costs in the debate surrounding immigration policy.

To read the entire report, go to RAND's website at: <http://www.rand.org>.

NEW PPIC ITEM, BALANCING REGULATION AND COMPETITION, OFFERS PROGRESS REPORT ON THE CALIFORNIA ELECTRICITY MARKET

On January 17, 2007, the Public Policy Institute of California released its report entitled "California's Electricity Market: Are We Making Progress?" The report, authored by Carl Pechman, discusses California's active and aggressive role in balancing customer needs and environmental concerns. Primarily, California has done so by using a hybrid of market and regulatory tools, according to the report. The current strategy is a mix of measures that seek to benefit from the best that both competition and regulation can provide. According to the report, this approach has tilted more heavily toward developing regulations, leaving important questions about the role electricity markets will play in California's future.

The Public Policy Institute of California is a private, non-profit organization dedicated to improving public policy in California through independent, objective, nonpartisan research on major economic, social and political issues.

For more information from the report, please visit: <http://www.ppic.org>.

SURVEY FINDS DISPARITIES IN HIV TREATMENT

Survey work conducted in January 2007 sheds new light on the status of HIV positive individuals. The survey, HIV Costs and Services Utilization Survey (HCSUS), was initiated by RAND in the early 1990's as the first comprehensive U.S. survey of health care use among a nationally representative sample of HIV positive people currently undergoing treatment. Studies and participant interviews sought to answer whether some HIV-positive Americans were less likely than others to receive effective HIV treatment and other needed health care, what constituted the barriers to care, if any, and what could be done to remove barriers and improve access to care. In addition, the HCSUS was aimed at estimating the costs associated with HIV care and assessing how HIV-positive status affects quality of life, productivity, and family life.

HCSUS largely focused on highly antiretroviral therapy (HAART), which is the dominant treatment method for HIV patients. Although HAART was found to be the appropriate treatment for more than 99 percent of HCSUS participants, by the end of 1996, only 38 percent of eligible participants reported receiving some form of it. The sickest patients, those with the lowest number of white blood cells

known as CD4 cells, were the most likely to be receiving HAART. Results from the survey revealed other factors that contributed to disparities in treatment. Six factors were found: whether the patient was African American or Hispanic, lacked health insurance or had public insurance, were exposed to HIV through intravenous drug use, had less than a college education, faced competing demands, and received their care from non-specialists. In order to examine why the disparities existed, analysts examined access to HIV treatment and services and socioeconomic factors.

The study outlined multiple reasons to describe the presence of disparities in HIV treatment. First, delays in entering care affected the receipt of treatment. HCSUS found nearly one-third of the participants delayed treatment for three to six months or more after initial diagnosis. Those who delayed treatment were most likely diagnosed before 1992, African American or Hispanic, sick at diagnosis, or had no usual source of health care. A low enrollment in investigative therapy also influenced treatment. Privately insured people that received health care through health maintenance organizations (HMOs), people further away from clinical trial locations, and African Americans and Hispanics were less likely to participate in clinical trials and experimental medications. Most of the disparities were due to minorities seeking experimental treatments less often. Geographic barriers prevented rural residents from getting to locations administering HAART. Moreover, physician factors were important predictors of treatment. Infectious disease specialists and high-HIV-volume specialists also known as “expert generalists” were more likely to use HAART than low-HIV-volume generalists or “non-expert generalists.” Selective physicians also employed HAART less often than non-selective physicians. Patients with competing needs, usually women, found it difficult to receive HIV treatment because of their social and economic demands. Final factors influencing the receipt of treatment involved people with co-occurring disorders and unmet needs for supportive services.

Results from the HCSUS analysis found that although disparities in access to HAART existed between African Americans and other ethnic groups, the risk of death was not greater for African Americans. Those with lower income, lower educational attainment, and less wealth tend to have higher mortality rates, but not because of their race. Group differences also subsisted when other types of HIV treatment were considered. African Americans were one-and-a-half times less likely than whites to receive medication to prevent *Pneumocystis carinii*, a fatal type of pneumonia. People with only a high-school education and people with private fee-for-service care or Medicaid were also less likely to receive the treatment. Finally, only 40-60 percent of the general HIV population reported receiving care outside of HAART.

Although disparities still exist, racial and ethnic disparities in access to HAART had narrowed by the conclusion of the HCSUS study. The research brief on the study emphasized the need for a “greater coordination of health care services and other needed social services as well as expanded access to case management” to continue to decrease disparities in HIV treatment.

To obtain the report, go to RAND’s website at: <http://www.rand.org> .

LEGISLATIVE ANALYST’S OFFICE RELEASES ANNUAL “OVERVIEW OF THE GOVERNOR’S BUDGET”

On January 12, 2007, the Legislative Analysts Office (LAO) released their report “Overview of the Governor’s Budget.” The report, authored by Brad Williams and Elizabeth G. Hill, discusses the upside benefits and downside risks of the Governor’s 2007-08 budget and potential outcomes of various new proposals. The Governor’s proposal would both produce a balanced budget with a healthy reserve in 2007-08 and significantly reduce the state’s ongoing structural shortfall. According to the report, it is likely that the actual amount of budget savings and new revenues would fall somewhat short of the levels estimated by the administration.

Some of the observations presented in this report:

- The administration's forecast is down from LAO's November projections by \$70 million in the prior year, but up by \$328 million in the current year, and \$383 million in 2007-08—for a three-year total of \$641 million
 - There are a number of areas where the budget's estimates of revenue increases or spending reductions resulting from its proposals are overly optimistic, in the estimation of the report authors. For example, LAO believes that the additional revenues that would result from the Governor's proposed amendments to certain tribal gambling compacts are overstated by \$300 million
 - The administration is assuming that local property taxes available to support Proposition 98 will increase by 10 percent, despite the current slowdown in the real estate market
 - The downside risks in this budget could easily exceed the \$2.1 billion reserve budgeted for 2007-08
- For more information, please visit: <http://www.lao.ca.gov> .

RAND REPORTS ON GOVERNING URBAN SCHOOL DISTRICTS

In late 2006 the RAND Corporation published a report analyzing the bid for mayoral control of the Los Angeles Unified School District (LAUSD). It sets the struggles of the many competing parties in a national context, reflective of the difficulties of governing other urban schools with high drop out rates and low achievement scores. The report seeks to determine if effective governance is indeed a necessary condition for reforming urban districts and if mayoral takeover is beneficial in this regard. Early research of the LAUSD case found some positive effects but no conclusive evidence that mayors are more effective than locally elected governing bodies. Mayor Villaraigosa was forced to compromise as the situation became increasingly politicized. Resulting legislation set to have taken effect as of January 1st, 2007 introduced a cluster management project with potential to both help and hurt the district. RAND researchers concluded that strong accountability would have to be in place on multiple levels to ensure that any chance remains for students to benefit from the changes.

For the full report follow this link: http://www.rand.org/pubs/technical_reports/TR428/ .

MARK BALDASSARE SELECTED TO BE NEXT PRESIDENT & CEO OF PPIC

On Thursday, January 19, 2007, the board of directors of the Public Policy Institute of California announced the selection of Mark Baldassare as PPIC's next president and chief executive officer. Baldassare, currently the institute's director of research, will assume his new role on March 7, 2007. He will replace David Lyon, PPIC's founding president and longstanding strategic visionary, who announced his retirement plans in December.

"The board had no need to look further than our own director of research to find a person of extraordinary talent and vision," said Thomas C. Sutton, chairman of PPIC's board of directors. Sutton, who is Chairman and CEO of Newport Beach-based Pacific Life, added, "Mark has devoted his career to the improvement of policymaking in California. He is the right person to lead PPIC at this critical juncture in the state's history. We are confident that Mark will take PPIC to a new level of productivity and accomplishment as a highly valued resource for those who make and influence policy in the state."

Baldassare joined PPIC in 1996. In addition to his position as director of research, he holds the Arjay and Frances Fearing Miller Chair in Public Policy and directs the PPIC Statewide Survey -- the largest-scale public opinion project in the state. He is the author of nine books, including *A California State of Mind: The Conflicted Voter in a Changing World*. Before joining PPIC, he was a professor of urban and regional planning at the University of California, Irvine. He holds a Ph.D. in sociology from the University of California, Berkeley.

“I am deeply honored by the board’s decision and excited about the opportunity to help PPIC move forward in its mission to inform and improve public policy in California,” said Baldassare. “PPIC has been my home for a decade. I have tremendous respect for the institution and for the dedicated colleagues who have made its success possible. I look forward to working with them – along with our partners in government and the foundation community – in the quest to help policymakers in Sacramento and Washington, D.C. tackle some of the big challenges for the state’s future.”

PPIC’s current President and CEO, David Lyon, will continue his association with PPIC, serving as founding president emeritus until June 2009. “The board expresses once again its profound gratitude to David for his 12 years of remarkable service to PPIC and to the state of California,” said Sutton.

Established in 1994 with an endowment from William R. Hewlett, the Public Policy Institute of California is a private, nonprofit organization dedicated to improving public policy in California through independent, objective, nonpartisan research on major economic, social, and political issues.

For more information, visit the PPIC website at <http://www.ppic.org>.

WEDNESDAY LUNCH BRIEFING RE HIGHER EDUCATION AND LATINO STUDENTS

On Wednesday, January 24, 2007, *Excelencia* in Education will hold a luncheon briefing entitled, “California Policy Options To Accelerate Latino Student Success in Higher Education.” Held in collaboration with the California Institute, the event will take place from 12:00 noon to 1:30 p.m. on the 24th in Room B-369 of the Rayburn House Office Building. Persons wishing to attend the luncheon may sign up at <http://www.edexcelencia.org/lunch.htm> or by calling 202-778-8323.

In California, Latino students represent 46 percent of the school-aged children, however, they represent only 29 percent of students entering community colleges, 8 percent of students entering the CSU system, and 3 percent of students entering the UC system. Unless the college attainment of Latino students improves, the income of California residents is projected to decline over the next two decades.

The organization’s recent report, “*California Policy Options to Accelerate Latino Student Success in Higher Education*,” provides new research analysis and proposes a range of policy options to expand college access for members of California’s Latino population, an issue that will have a significant impact on the state’s - and the nation’s - economic future.

Presenters at the briefing will include Sarita E. Brown, President of *Excelencia* in Education; Deborah A. Santiago, Vice President for Policy and Research at *Excelencia* in Education; Andrés E. Jiménez, Director of the California Policy Research Center.

Excelencia in Education conducted the analysis and developed the brief in association with the Tomás Rivera Policy Institute, the California Policy Research Center and supported by a grant from USA Funds. The report and other information are available at <http://www.edexcelencia.org/>.