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California Capitol Hill Bulletin

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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.

INSTITUTE ANALYSIS OF FEDERAL BUDGET ONLINE

The California Institute’s analysis of President Bush’s Fiscal Year 2008 Budget proposal is available on the web at <http://www.calinst.org/pubs/BudgetProposal2008.htm>

On Monday, February 5, 2007, President George W. Bush released the Administration’s Budget Proposal for Fiscal Year 2008, which begins October 1, 2007. The Budget proposes \$2.9 trillion for fiscal year 2008, and reduces non-security spending for the third straight year. Discretionary spending would be set at \$930 billion, an increase of 6.5 percent or \$57 billion, not including the costs of the war in Iraq and Afghanistan. However, all but \$3.6 billion of the increase is slated for security-related spending. The remaining one percent increase is allocated to other domestic spending.

CALIFORNIA BILLS PASS HOUSE UNDER SUSPENSION

Under suspension of the rules on Wednesday, February 7, 2007, the House passed H.R. 238 by voice vote. The bill, introduced by Rep. Henry Waxman (Los Angeles), repeals the prohibition against use of certain funds for any segment of the downtown Los Angeles to San Fernando Valley Metro Rail project unless the Southern California Rapid Transit District notifies the Urban Mass Transportation Administration that no part of the Metro Rail project will tunnel through any zone designated as a potential risk zone for methane gas. Since the existing prohibition went into effect in 1985, new findings and technologies have come to light, showing that it is possible to drill through methane pockets safely. By allowing for tunneling, the bill will open the way for planning the expansion of the Los Angeles Metro Red Line Subway.

The House also passed, by a vote of 425-0 under suspension, H.R. 482 on Wednesday. Introduced by Rep. John Doolittle (Roseville), the bill directs the Secretary of the Interior to transfer ownership of the American River Pump Station Project located at Auburn, California, to the Placer County Water Agency.

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HOUSE APPROVES METH LAB BILL

By a vote of 426-2 on Wednesday, February 7, 2007, the House approved H.R. 365, the "Methamphetamine Remediation Research Act of 2007." The bill gives the Environmental Protection Agency (EPA) one year to develop rules for cleaning up toxic sites that derive from the illegal production of methamphetamines. Ingredients and byproducts present at these so-called meth labs include a variety of chemicals and reactive agents that are hazardous to human health. Meth has grown into a serious problem in California, and California Congressional delegation members have been increasingly vocal advocates for addressing the issue at the federal level.

Details of the bill were outlined in a previous bulletin article, prepared when the House Science and Technology Committee initially approved the measure. See Bulletin, Volume 14, Number 4 (January 26, 2007), at http://www.calinst.org/bul2/b1404.htm#TOC1_2.

HOUSE SCIENCE COMMITTEE HEARS FROM SPEAKER PELOSI DURING GLOBAL CLIMATE CHANGE HEARING

On February 2, 2007, the U.S. House Committee on Science and Technology held a hearing to discuss the work of climate scientists on the newly released assessment report by the Intergovernmental Panel on Climate Change (IPCC). Committee Chairman Bart Gordon (TN) pointed out that this would be the first opportunity for Congress to examine the findings of the report, which he referred to as the "definitive scientific opinion on global warming".

House Speaker Nancy Pelosi (San Francisco), was on hand to show support for congressional action to confront climate change, which she said is "indisputably underway" and an issue as immediate to Americans as their own neighborhood, while simultaneously as global as the planet itself. She urged a bipartisan effort in this regard and noted that the U.S. Conference of Mayors has made energy efficiency and its effect on global warming their top priority.

Pelosi warned of the growing consequences of increasing greenhouse gas emissions. These included natural disasters, as well as political instability due to increasing numbers of environmental refugees. She emphasized the importance of mandatory actions to restrict global warming while also altering land use policies to protect older forests best at absorbing carbon-dioxide and providing sustainable biofuel. Pelosi spoke of her initiative to form a select committee to address climate change as a security issue, providing policy suggestions in the country's effort to become less dependent on foreign oil. The Committee questioned Pelosi on several points. In her answers, the Speaker expressed her belief that "green can be gold" by ensuring that alternative energy technology develops as a valuable economic opportunity through bipartisan cooperation with industry leaders to minimize overall costs and the outsourcing of U.S. jobs.

All four witnesses were authors of the new report entitled "Climate Change 2007: The Physical Science Basis of Climate Change", prepared by Working Group I of IPPC. The group's co-chair, Dr. Susan Solomon, testified that this comprehensive appraisal of the current state of scientific knowledge on climate change features the work of over 400 other scientists and has received over 30,000 comments on the record. Furthermore, what she called the document of "global consensus" was subject to an open review process and approved by 113

nations, including the United States. Solomon's key message was that greenhouse gas emissions have increased markedly since 1750 and that continued emissions at or above current levels will lead to severe environmental hazards. Dr. Kevin Trenberth, Coordinating Lead Author of the report, stated that warming of the global climate system is undeniable and that it is very likely due to human activity. He described how data shows an increasing rate of warming over time and how this has effected significant environmental changes since the 1970s. Trenberth focused on the disproportionate role of the United States in its contributions to global warming, considering that per capita the U.S. emits over 2.5 times the amount of carbon-dioxide of Europe, and 10 times that of China. Despite advances in modeling and observations, all witnesses admitted that there are processes of climate change yet to be understood. Still, each emphasized that the longer the delay, the worse global warming will become.

For statements and other information, see <http://science.house.gov> .

SENATE COMMITTEE ON AGRICULTURE, NUTRITION, AND FORESTRY DISCUSSES USDA'S FARM BILL PROPOSAL

On February 7, 2007, the Senate Committee on Agriculture, Nutrition and, Forestry held a hearing to discuss the reauthorization of the 2002 Farm Bill as proposed by the United States Department of Agriculture (USDA). Michael Johanns, Secretary of Agriculture, presented the farm bill proposal to the Committee. The Secretary said that the Administration's proposal is based on a series of open microphone forums held across the country with farmers, ranchers and rural residents voicing their opinions about the current farm bill. Based on the 4,000 written responses and 52 Farm Bill Forums in 48 states, the United States Department of Agriculture presented a comprehensive proposal. The following are a few of the provisions contained in USDA's proposal:

- A Commodity Title Payment Limits and Eligibility provision which would end commodity program subsidies to individuals with an Adjusted Gross income above \$200,000
 - The elimination of the three-entity rule and transition to direct attribution
 - A Revenue-Based Countercyclical Program to provide a safety net to farmers when crop yields dwindle
 - Loan Deficiency Payments and Marketing Loan Program adjustments which will lower loan rates to reflect the market and place a cap on formula-based loan rates
 - Increase the direct payment for commodities and enhance direct payments for beginning farmers
 - Create a Conservation Enhanced Payment Option
 - Eliminate the commodity program payments on all new land acquired through a 1031 tax exchange
- For more information, please visit: www.agriculture.senate.gov .

SENATE HEALTH, EDUCATION, LABOR, AND PENSIONS DISCUSSES REAUTHORIZING NO CHILD LEFT BEHIND

On February 8, 2007, the Senate Committee on Health, Education, Labor and Pensions held a full committee roundtable discussion entitled "No Child Left Behind (NCLB) Reauthorization: Strategies that Promote School Improvement." The discussion was held to address strategies and programs of NCLB that have been effective and successful in anticipation of the reauthorization of the bill. The hearing featured testimony from principals, teachers, superintendents, and researchers from a selection of schools and school districts. The witnesses discussed various programs and ideas that were successful in turning around schools listed by NCLB as failing and also difficulties and complications with NCLB.

The following are a few key points from the discussion:

- Leadership support specifically to principals has guided schools to success
- Data analysis and teaching informed by data has been successful
- Outside teacher training and technical assistance improves individual teacher classroom performance
- Teacher incentive programs bring more qualified and prepared (certified) teachers to challenging schools
- Pairing high performing schools with low performing schools has been successful
- Using successful teachers to teach other teachers successful methods has worked well

- Use of balanced scheduling, and year round school with extended school days has been effective
 - Voluntary state curriculum universalized to address mobility issues has shown success
- For more information, please visit: www.help.senate.gov

SENATE COMMERCE WEIGHS IN ON GLOBAL CLIMATE SCIENCE AND POLITICS

The Senate Committee on Commerce, Science, and Transportation held a hearing on February 7, 2007 to examine global climate change research and scientific integrity. In Chairman Daniel Inouye's (HI) opening remarks, he indicated that the purpose of the hearing was to assess possible political interference with scientific information related to global warming/climate issues. The committee heard from a panel of witnesses representing different scientific organizations who discussed the ability of climate scientists to relay information to Congress and the public.

Vice Chairman Ted Stevens (AK) followed Inouye's comments with a discussion of the effects of global climate in his home state of Alaska, emphasizing the need for sound science, a robust climate science budget, and efforts from both parties in Congress. Senators John McCain (AZ) and John Kerry (MA) offered their views on the current administration and global warming. According to McCain, the current administration has had a record of poor cooperation, and now that scientific evidence is abundant, hopefully the debate is will now be over how to address the issue, he stated. Senator Kerry said, "This administration has been beyond irresponsible" on the issue. In his opening remarks, Senator Lautenberg accused the Bush administration of interfering, obstructing, and delaying scientific information on global climate change because of a political agenda. Senator Klobuchar concluded with her worries about politics getting in the way of evidence and offered three policy options: work for the best science, support the scientists, and make sure the American public has the right to see the information.

After the Senators' comments, the panel of witnesses offered their views. Bill Brennan, Deputy Assistant Secretary for International Affairs with the National Oceanic and Atmospheric Administration (NOAA) and Acting Chairman, Climate Change Science Program, began with a discussion of the Bush administration's acceptance of reports from his organization. He described Bush's creation of a cabinet agency in response to a 2001 report regarding atmospheric science, and the administration's emphasis on openness and distribution of scientific information. Next, Richard Anthes, President of the University Corporation for Atmospheric Research, stressed the need to know more about the effects of global climate change and discussed recent cuts in NASA's funding, which is affecting research and analysis operations.

Thomas Knutson, a Research Meteorologist with the Climate Dynamics and Prediction Group and member of the Geophysical Fluid Dynamics Laboratory, expressed his personal opinion that national media attention on global climate change has been hindered due to hurdles and time constraints such as getting approval from public affairs representatives in Washington on what information is relayed. He discussed two specific interviews that were cancelled after he explained what he was going to say. Environmental consultant James Mahoney described NOAA's efforts as be transparent and reduce and eliminate scientific errors.

Rick Piltz, the Director of Climate Science Watch's Government Accountability Project, discussed the administration's suppression of the National Assessment of Climate Change Impact Report, which he believed was directed by the White House's Council on Environmental Quality. In addition, he contended that 435 incidents of political interference with scientific information have occurred in the last five years, emphasizing the National Union of Concerned Scientist's report. F. Sherwood Rowland, Bren Research Professor at the Chemistry and Earth System School of Physical Sciences, concluded with statements on the influence of atmospheric greenhouse gases and the need for accurate scientific information.

During the question and answer session, Chairman Inouye asked the panel about the letters from the American Enterprise Institute that offered \$10,000 to anyone who presented information that disputed the Intergovernmental Panel on Climate Change's findings. Piltz commented that the letters represented the beginnings of an orchestrated political effort to undermine scientific findings. Sherwood believed the issue was that the overwhelming opinion is that global warming is occurring. Senator Lautenberg raised other questions about governmental interference, and Knutson explained that public affairs representatives did not

interfere with his activities, but they monitored them. In response to the alleged muzzling of information within NASA, Senator Nelson expressed his view that the practice had stopped.

For witness statements, Senators' comments, or the webcast refer to <http://www.commerce.senate.gov>.

HOUSE TRANSPORTATION REPORTS WATER BILLS

The House Transportation Committee favorably reported three bills on February 7, 2007, dealing with water quality issues – the Water Quality Financing Act of 2007 (H.R. 720), the Healthy Communities Water Supply Act of 2007 (H.R. 700), and the Water Quality Investment Act of 2007 (H.R. 569).

H.R. 720, reauthorizes the Clean Water State Revolving Fund, which would provide \$20 billion over five years for loans to water-pollution-abatement projects. The bill also provides for greater flexibility in the financing packages states offer to cities and local communities, including principal forgiveness, negative interest loans, and other financing mechanisms that may be necessary to assist communities in meeting their water quality infrastructure goals. The Committee approved the bill 55-13 after a lengthy debate on the provision extending Davis-Bacon wage rates to the construction loans authorized by the bill.

The Committee also approved by voice vote H.R. 700, introduced by Reps. Jerry McNerney (Tracy) and Ellen Tauscher (Alamo), which authorizes \$125 million for the Environmental Protection Agency's (EPA) alternative water source grants program. Eligible projects include those designed to conserve, manage, reclaim, or reuse water or wastewater, or treat wastewater to meet critical municipal, industrial, and agricultural water supply needs.

H.R. 569, approved by voice vote, reauthorizes appropriations to municipalities to control combined sewer overflows (CSOs) and sanitary sewer overflows (SSOs). CSOs and SSOs are overflows of untreated waste that can occur during wet weather events as a result of poor maintenance, deteriorating infrastructure, or inadequate capacity.

IN BRIEFING WITH CAL INSTITUTE, PPIC STATEWIDE SURVEY AUTHORS OUTLINE CALIFORNIA VOTER OPINIONS RE CONGRESS, PRESIDENT, SPEAKER, STATE LEADERS

On February 8, 2007, the Public Policy Institute of California (PPIC) and the California Institute held a luncheon briefing to inform Congressional staff and business representatives about the results of the most recent PPIC Statewide Survey. The briefing was presented by PPIC Statewide Survey Director -- and incoming PPIC President and CEO -- Mark Baldassare, with comments by survey fellow Jennifer Paluch.

The Survey found that Californians support the recent congressional power shift but still remain deeply skeptical about their national leaders. Supported by funding from The James Irvine Foundation, the findings posit that much of Californians' distress arises from the bleak assessment of the situation in Iraq.

In contrast, Californians have a generally upbeat assessment of the state of the state; the majority believing the state is heading in the right direction with good economic times ahead. This optimism is somewhat surprising given the pessimism they hold with regard to the direction of the nation in general.

Some of the findings presented in this report:

- Californians' opinions differ about the U.S. Congress: 42% approve; 44% disapprove
- 56% approve of the policies and plans of the new Democratic majority in Congress
- 51% of California voters say they have a favorable impression of Speaker Nancy Pelosi
- 60% of Californian adults say the United States is headed in the wrong direction while 55% believe California is headed in the right direction and 50% expect good economic times in the coming 12 months
- 53% prefer to see Democratic congressional leaders rather than President Bush (30%) take the lead in solving the nation's problems.
- 56% believe Congress and the President will not be able to work together
- 29% approve of how President Bush is handling his job; 68% disapprove, while 58% approve of Governor Schwarzenegger's performance
- 75% of Californians and 72% of likely voters – including 91% of Democrats, 45% of Republicans, and 78% of independents - disapprove of the way President Bush is handling Iraq.

Streaming video of the presentation will be available in the near future on the California Institute's video page at <http://www.calinst.org/video.htm>.

For more information, including complete data from all PPIC surveys conducted since the program's inception, please visit: <http://www.ppic.org>.

REPS. BERMAN AND MCKEON PROMOTE "SOCIAL SECURITY FAIRNESS ACT"

On February 6, 2007, Representatives Howard Berman (North Hollywood) and Howard "Buck" McKeon (Santa Clarita) hosted a press conference on their newly introduced bill, H.R. 82, the Social Security Fairness Act. The event featured comments from both California Representatives and co-sponsor Lloyd Doggett (TX) in addition to representatives from the National Education Association, the American Federation of State, County and Municipal Employees, and the National Active and Retired Federal Employees Association.

H.R. 82 seeks to repeal the Government Pension Offset (GPO) and the Windfall Elimination Provision (WEP) from Social Security Law. These two provisions directly affect public servants in seven states, California included. California teachers, police officers, and fire fighters are especially impacted by these provisions, especially if, throughout the course of their careers, they earned both a Social Security benefit and a benefit from a Social Security substitute. The GPO reduces Social Security spousal benefits if the recipient has a government pension based on work not covered by Social Security. The GPO penalty reduces or completely eliminates payments to over 350,000 beneficiaries. The WEP reduces the Social Security benefits of workers who have pensions from both Social Security and non-Social Security employment. It does so by using a less generous formula in calculating benefits based on average earnings. The WEP in particular hurts people who work simultaneously in Social Security and non Social Security covered jobs and it hurts those who move from a job covered by Social Security to one that isn't. WEP affects over 700,000 recipients.

Margaret Cagle an award-winning middle school math teacher from California, spoke on the specific dangers of WEP and GOP for California teachers who move from the private sector to teaching. With over one third of California teachers reaching retirement age in the next 10 years, California has been looking to the private sector to solve its teacher shortage. Mrs. Cagle, who came to education from the private sector, warns that GOP and WEP will drastically reduce the number of teachers who will be recruited from the private sector, especially in math and science.

For more information, please visit: www.nea.org.

PPIC REPORT EXPLORES DIFFICULT BUDGET TRADEOFFS REQUIRED TO ACHIEVE POLICY DEMANDS

The January 2007 report by the Public Policy Institute of California (PPIC), "Fiscal Realities: Budget Tradeoffs in California Government", seeks to more closely identify and measure the gap that exists between what kind of state California residents *want* and what they are willing to *pay for*. It sets out by clarifying the finances of state and local budgets by outlining their implicit priorities and proposing what might happen if those priorities were changed to address public requests. California's expenses were examined in every major budget category.

The report's authors -- led by PPIC Research Fellow Tracy Gordon -- note that Californians pay more in taxes than residents in similar large states and the rest of the country. In 2002, California governments at the state and local levels raised \$5,099 in taxes and fees per resident, while the national average excluding California was \$4,530. It was also discovered that Californians spend about 20 percent more per capita for public services than the rest of the nation. The study attributes most of this difference to the state's larger population and higher labor costs, but other differences can be the result of policy choices. In any case, these conditions make it challenging to achieve public spending preferences, according to the report.

Recent surveys by PPIC indicate that Californians would like to see increased spending on K-12 education, social services, and infrastructure but reduced spending on correctional services. However, the report shows that some of the most desirable policy goals would be extremely expensive. For instance, over 70 percent of residents would like to spend more to reduce class sizes. California already spends more per

resident for education than all other states, but the state also has more total students, so spending per pupil is slightly below the national average. In order to match teacher-student ratios of other states it would cost California governments an additional \$15 billion per year. According to the report's analysis, such funding would require significant and possibly infeasible tradeoffs from other areas to overcome substantial legal, bureaucratic, and political barriers.

To obtain PPIC's report on the web go to: <http://www.ppic.org/main/publication.asp?i=578> .

GOLDEN STATE ROUNDTABLE LUNCHEON ON FEBRUARY 13 TO FEATURE CALIFORNIA HEALTH & HUMAN SERVICES SECRETARY KIM BELSHÉ

On Tuesday, February 13, 2007, the California State Society (CSS) will hold a Golden State Roundtable Luncheon featuring remarks by Kim Belshé, Secretary of the California Department of Health and Human Services. The event will take place from 12:00 to 1:30 p.m. at the Capitol Hill Club, 1st & C Streets, NW.

Please note: Unlike California Institute luncheons, there is a cost associated with attending this event. The cost is \$35 for CSS members and \$40 for non-CSS members. (The event is complimentary for members of the CA Congressional Delegation only.)

Appointed in November 2003 by Governor Arnold Schwarzenegger, Secretary Belshe serves as a member of the governor's Cabinet and as his chief advisor on health, social services and rehabilitative policies. She manages an agency that has more than 32,000 employees, with a state budget of more than \$76 billion, and is currently working to implement the Governor's \$12 billion universal health care coverage proposal.

For more information or to sign up, visit <http://www.californiastatesociety.org> . To attend the event, click "pay online" and reserve your tickets.

AEI CONFERENCE DISCUSSES ILLEGAL IMMIGRATION

On January 8, 2007, the American Enterprise Institute for Public Policy Research held a conference entitled "Illegal Immigration from Mexico to the United States." The conference included presentations from Gordon Hanson, Director of the Center on Pacific Economies and professor of economics at UC San Diego, and Allen Winters, Director of the Development Research Group at the World Bank and professor of economics at the University of Sussex.

Hanson addressed the economic and social factors that influence the flow of illegal migrants from Mexico, and he considered evidence on the effectiveness of policies that regulate the cross-border flow of illegal migrants and their access to U.S. jobs. He began the presentation by discussing two options Congress has concerning illegal migration. The first option involved Congress enacting "get-tough" policies advocating greater enforcement of border security. Accommodating illegal immigrants with a guest worker program and an eventual path to citizenship was the second option.

Next, Hanson described the composition of immigrants in the United States. About 11 million immigrants from Mexico live in the U.S., representing 10 percent of the Mexican population. Six million of the migrants are illegal, and each year an additional 300,000 immigrants are likely to enter the country. Immigrants exist nationwide and perform a wide variety of services in multiple industries. America has not experienced a wave of immigration similar to the current one since 19th century immigration from Germany and Ireland, he said.

The next segment of Hanson's presentation offered an analysis of the decision to immigrate. Migrants weigh the benefits, such as higher incomes, and weigh the costs, the psychological penalty of leaving home and the expense of getting established in the U.S. For the average immigrant, an education level of 8 or 9 years will yield a wage of \$2 an hour in Mexico, whereas in the United States they could earn \$8 an hour, receiving an annual income of \$12,000. Because the Mexican economy is extremely volatile and has endured crashes in currency, wages in Mexico frequently fluctuate, producing a surge in immigration to America. In addition, the Mexican baby boom population has entered the workforce and increased the supply of labor, driving down demand. Income has stagnated and deteriorated since the 1980's in Mexico. Thus, Hanson concluded wage differentials, family networks, and expectations for the future are important for determining immigration policy.

Hanson concluded with a discussion of U.S. immigration policy consisting of two components. The first component involves efforts at the border, where 12,000 officers enforce border security. The second component involves interior efforts such as the monitoring of employers; however, this effort has been almost non-existent in the last 10 years, according to Hanson. Border cities such as San Diego are seriously patrolled and contain fences and sophisticated electronic surveillance equipment. However, existing U.S. policy still relies on placing a large barrier at the border, and if a migrant gets over, they get a job, Hanson argued, and if an illegal immigrant is caught, he or she may undergo a screening process to see how entrenched they are in American society.

Alan Winter followed Hanson with a presentation of his own view of immigration and comments on Hanson's discussion. According to Winter, there are "gaping holes" in our knowledge of the issue, and we should be addressing the question of why immigration is so small, not why it is so large. Mexican immigration is particular, he noted, is localized and land-based. Due to shocks to the Mexican economy, structural changes, and pessimism among the work force, immigrants are pressured to leave their local and agricultural jobs.

In his analysis of why the U.S. is not stopping the illegal immigrants, Winter commented, "we aren't quite trying to...we are missing the ball." He believes lobbying groups give politicians an incentive to act tough, but there is no sense of follow through. Also, America has a strong tradition of assimilation. Although assimilation is emphasized, U.S. policy involves giving immigrants minimal rights in order to secure their cheap labor according to Winter.

Winter held that open borders would not be efficient or economical. Public goods are affected by illegal immigration because government funding and tax dollars are spread over a larger population. When Mexicans immigrate to the U.S., they tend to take jobs below their skill level. U.S. borders are porous and offer chances to get into the country, so the incentive for education is reduced in Mexico because immigrants can obtain better education and incomes in the U.S., Winter also argued.

For more information on the conference or report refer to www.aei.org.

CENTER FOR AN URBAN FUTURE REPORTS ON THE EFFECT OF IMMIGRANT ENTREPRENEURSHIP IN MAJOR CITIES

On February 6, 2007, the Center for an Urban Future released a new report titled "A World of Opportunity: Understanding & Tapping the Economic Potential of Immigrant Entrepreneurs." The report, authored by Jonathan Bowles and Tara Colton, presents data suggesting that immigrant entrepreneurs are starting a significant share of new businesses in urban areas. These businesses stimulate growth in many sectors and create many new jobs. According to the report, the principal areas of impact are New York, Los Angeles, Houston, and Boston. In Los Angeles specifically, immigrant entrepreneurs provided an important boost to the economy in the early 1990s following the riots and Northridge earthquake. According to the report, immigrants are starting as many as 80 percent of all new businesses in L.A. However, immigrant entrepreneurs face unique problems in their businesses as well, including mounting real estate costs, language and cultural barriers with respect to regulations, limited access to capital, and overzealous regulatory enforcement efforts hurting immigrant-run firms.

A few key facts from the report:

- 22 of LA's 100 fastest growing companies in 2005 were started by first-generation immigrants
- L.A. County has more Asian-owned firms and Hispanic-owned businesses than any county in the U.S.
- Foreign-born individuals accounted for 97% of overall population growth in L.A. between 1980 and 2000

For more information, please visit: www.nycfuture.org.

2006 CALIFORNIA DAIRY PRODUCTION SETS NEW RECORDS

According to the California Department of Food and Agriculture, in 2006 California's cheese production increased by 3.3 percent from 2005, totaling 2.2 billion pounds and setting a new record for the state. As cheese production has nearly doubled in the last ten years, California is rapidly approaching the leadership

position for cheese production nationwide. In fact, nearly one out of every four pounds of cheese made in the U.S. comes from California.

In addition, California remained the nation's leading milk producer. Milk production also reached a record high in 2006 at a total of 38.8 billion pounds, representing a 3.4 percent increase over 2005. Nearly half of California's milk supply is used in cheese production.

The California Milk Advisory Board recently declared that the state's dairy industry generated \$47.4 billion in economic activity and more than 434,000 full-time jobs in 2004 alone.

For more information, visit the CFDA website at: <http://www.cdfa.ca.gov/dairy/>.

NEW PPIC RELEASE EXPLORES OPTIONS FOR THE SACRAMENTO-SAN JOAQUIN DELTA

On February 7, 2007, the Public Policy Institute of California released a report entitled "*Envisioning Futures for the Sacramento-San Joaquin Delta*," describing the current and future status of northern California's Delta. The report was produced by research fellow Ellen Hanak and an interdisciplinary team of experts from the University of California, Davis. According to the researchers, California's critically important Sacramento-San Joaquin Delta is not only in poor health today, but is on a dangerously unsustainable path. Their report explores and compares long-term Delta solutions and considers a variety of options, constructing nine alternatives for Delta management and evaluating their performance in three key areas: water supply, environmental effects, and economic costs.

The Delta has been an important resource for California, providing agricultural and recreational use, wildlife habitat, infrastructure pathways, and water supply services throughout the state. Almost all Californians rely on the Delta for something, especially its water supply. In addition, several critical components of the state's civil infrastructure are found in the Delta, including gas and electricity lines, highways, rail lines, shipping channels, and underground natural gas storage. Moreover, Delta land is in high demand for urban, environmental, and recreational uses, and the Delta is a crucial habitat for both land and water species.

Because of changing conditions, deterioration, and increasing vulnerabilities to its system of levees, the Delta could become an environmental and economic disaster, the report finds. One dimension of the crisis is the health of the levees. The report indicates, "Subsiding land, rising sea levels, earthquakes, climate change, invasive species, and urbanization are all increasing the risks and consequences of a sudden levee collapse and steadily degrading the Delta's overall performance." When the Jones Tract levee broke in June 2004, repair costs reached approximately \$90 million. A recent study showed that if multiple levees broke due to an earthquake, the total cost to the economy over five years was estimated at \$30 billion to \$40 billion. A second dimension of the Delta crisis is the health of its fish species. Routine fish surveys from 2004 registered sharp declines in several pelagic (open-water) species. The third dimension of the crisis is institutional, the authors contend. CALFED, the joint federal and state program responsible for coordinating Delta solutions since the mid-1990s, has faced serious problems since late 2004, such as its failure to elicit anticipated funding and disagreements among stakeholders on some key elements of its program. According to the report, "the strong leadership and financial resources needed to address the Delta's problems are currently lacking."

In a response to concerns over the health of the levee system, the state significantly increased the budget for levee repairs in 2006, and two bond measures passed in November 2006 that allocate additional funds for flood control in the Delta. Although these measures along with the Governor's Delta Vision process were instituted, how the bond funds should be spent has not been addressed.

The report offers some new ways of thinking about the Delta. First, a comprehensive solution for the Delta needs to consider a new understanding of the Delta's ecosystem that has emerged over the last several years. The authors suggest working towards a Delta that is heterogeneous and variable in terms of its salinity levels and water flows, which would more likely support native species. Second, new management solutions must also include goals for the human use of Delta resources such as land use and water supply and quality. A special emphasis in the report is placed on the need for "Californians to recognize that the Delta cannot be all things to all people. Tradeoffs are inevitable. The challenge will be to pursue an approach that yields the best outcomes overall, accompanied by strategies to reasonably compensate those who lose Delta services."

Nine alternative approaches to a comprehensive solution for the Delta's problems were examined in the report. Three of the alternatives would maintain the Delta as a freshwater body, either by relying on current strategies or by building stronger systems. A second group of alternatives would manage the Delta as a more complex and fluctuating mosaic of uses, supporting water supply exports with peripheral or through-Delta aqueducts. A final group of alternatives would reduce overall dependence on the Delta or potentially abandon the Delta altogether.

Each set of alternatives has advantages and disadvantages, the authors conclude. The first three alternatives feature poor environmental performance at great financial expense, even though some of them would secure substantial quantities of fresh water for export and use within the Delta. The second set of alternatives has potential for more detailed development and consideration. Finally, the third set of alternatives modifies current water export policies to gain the flexibility to achieve other objectives. Although abandonment of the Delta was considered, the report finds that this would be a poor choice because the Delta would likely have many undesirable ecosystem properties, and economic costs to agricultural and other water users would be extreme. The report suggests the creation of a hybrid solution, relying on some combination of key elements from each alternative.

The report concludes with a discussion of financing change in the Delta, recognizing that changes will have significant costs and cause some dislocations. One suggestion is user finance, payment by the actual users of the investments. This frees public funds for truly public purposes, such as environmental restoration and mitigation, and it helps ensure that investments are cost-effective. When considering those who lose out economically or are displaced by future changes, the report said that "most users of Delta services have considerable ability to adapt; however, mitigation should be used to ease adjustment costs. Policies could also include various forms of assistance, such as investment cost sharing to help western Delta water users develop new storage or conveyance systems, financial compensation for those who lose income or assets as a result of new water management strategies, community mitigation funds to assist the transition to new economic activities, and performance bonds to cover the risks of cost overruns or delays in large construction projects.

The issues associated with the Delta require attention, the authors stress, stating: "If California fails to develop a viable solution and act on it soon, we risk the loss of native species and important ecosystem services and face significant economic disruptions." It continues, "All Californians are likely to see benefits (and costs) from a comprehensive long-term solution. Otherwise, we will all see only costs."

For more information on the report refer to <http://www.ppic.org/main/newpubs.asp>.

WATER BRIEFING TO BE PRESENTED FRIDAY FEBRUARY 16

California water policy expert and PPIC Program Director Ellen Hanak will be in Washington DC on Friday, February 16, 2007 to present a briefing regarding her new report, "*Envisioning Futures for the Sacramento-San Joaquin Delta.*" The presentation will take place at 12:00 noon in Room B-369 of the Rayburn House Office Building and a sandwich lunch will be provided.

The event will be part of a monthly luncheon briefing series hosted by the Public Policy Institute of California (PPIC) and the California Institute. For Congressional staff members concerned about gift ban rules, it may help to know that the lunch will be a widely-attended event, hosted by two 501(c)(3) nonprofit organizations (and home-state groups as well), that do not employ any lobbyists.