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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.

HOUSE PANEL CONSIDERS AMT PROBLEMS

On March 7, 2007, the House Subcommittee on Select Revenue Measures held a hearing to examine the growing scope of the AMT (alternative minimum tax) and its interaction with individual-based tax provisions, specifically focusing on the history of the AMT and how it has continually grown to affect a broader spectrum of taxpayers. Californians pay a disproportionate share of the nation's AMT bill -- in the 2006 tax year, 22 percent of the nation's AMT payers resided in the state.

Four witnesses offered testimony on the issue. They included: Eric Solomon, Assistant Secretary for Tax Policy at the U.S. Department of the Treasury; Nina Olson, National Taxpayer Advocate at the Internal Revenue Service; Leonard Burman, Director of the Tax Policy Center; and Alan Viard, Resident Scholar at the American Enterprise Institute.

Mr. Solomon said the AMT has created a far larger issue than the one it was intended to address. If the AMT patch is not extended or the AMT is not otherwise addressed, the number of taxpayers projected to be affected by the AMT will rise sharply, from 4 million in 2006 to 25 million in 2007. He stated that the AMT will increasingly affect middle-income taxpayers, children, and married couples.

Nina Olson advocated the elimination of the individual AMT because she said it is frustrating for taxpayers and bad for the tax system. Just a few of the problems Olson outlined concerning the AMT included its impact on middle-income taxpayers, the lack of AMT knowledge, the unpredictability of estimated tax payments, and the increase in the use of paid preparers. In her written testimony, Olson stated, "The AMT is a time bomb, and it is set to detonate very soon."

Mr. Burman said the AMT threatens to grow from a footnote in the tax code to a major component affecting tens of millions of taxpayers every year. He discussed two problems that have made the AMT a "mass tax." First, the AMT is not adjusted for inflation whereas the regular income tax is. And second, the 2001-2006 tax cuts reduced regular income tax liability, but made only temporary changes to the AMT. Burman suggested

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that rather than repealing the AMT, it could be reformed to shield middle- and upper-middle-income taxpayers from its effect.

Mr. Viard's testimony also focused on the AMT's failure to account for inflation. In his written testimony, Viard stated that "the fundamental reason for the spread of the AMT is that the exemption amount has never been indexed to inflation."

High income states such as New Jersey, New York, Connecticut, the District of Columbia, and California have the highest percentage of taxpayers subject to the AMT.

For additional information or witness testimony, visit <http://waysandmeans.house.gov/hearings.asp>.

HEAD START HEARING FOCUSES ON EARLY EDUCATION

On February 28, 2007 the Elementary and Secondary Education Subcommittee of the House Committee on Education and Labor held a hearing to hear testimony on the need for continued support of the federal Head Start program and suggestions for improvements in the future. A panel of childhood development experts gathered to provide their insight into issues concerning the upcoming reauthorization of Head Start. This included perspectives on accountability, school readiness, and expanded access to Early Head Start, which serves children from birth to age three. Head Start helps provide early development needs to nearly one million children in low-income families and has not been reauthorized since 1998.

Among the witnesses was Dr. Ross A. Thompson, a professor of psychology at the University of California, Davis, specializing in early social, emotional, and personality development. He described how a range of scientific research today agrees that the early years of a child's life are of the utmost importance to their later success in school and life. Thompson outlined a set of fundamental conclusions regarding the science of early childhood development:

- The early years matter: The development of essential human competencies is at its most accelerated pace in the early years and is directly linked to the emergence of school readiness and lifelong skills.
- Early learning is based on both cognitive and non-cognitive skills: The presence of a sensitive, attentive care-giver can dramatically improve both a child's mentality and behavior.
- Early experiences and relationships are influential: Positive experiences can strengthen brain areas related to early thinking and reasoning while early deprivation and stress can have enduring, detrimental consequences for brain development and physical health.
- Early interventions can be effective: Early prevention of stress is a better course in both biological and economic terms for helping children at risk of long-term difficulty.

Thompson ended with a few brief implications of the science for Head Start, concluding that significant expansion of the program is warranted.

Webcast and statements from the hearing are available on the web at: <http://edworkforce.house.gov/hearings/ecese022807.shtml>. Online information for the national Head Start program: <http://www.acf.hhs.gov/programs/hsb/>.

SENATE HEALTH, EDUCATION, LABOR & PENSIONS EVALUATES HIGHLY QUALIFIED TEACHER PROVISIONS OF NCLB

On March 6 2007, the Senate Committee on Health, Education, Labor, and Pensions held a roundtable discussion style hearing entitled “No Child Left Behind (NCLB) Reauthorizations: Strategies for Attracting, Supporting, and Retaining High Quality Educators.” High Quality Teachers (or educators) have been shown as the key element differentiating low performing schools and high performing schools under NCLB. Generally, low performing schools have a smaller percentage of staff in the “Highly Qualified” category than high performing schools. The Committee heard testimony from educators and researchers discussing methods and programs to encourage Highly Qualified Teachers to work at low-performing schools, especially in the areas of math and science.

The roundtable discussion featured eight witnesses including two from California, Dr Linda Darling Hammond, Professor of Education at Stanford University, and Dr. Beverly Young of California State University Long Beach.

Some of the main points discussed during the session included:

- Offering educators professional development at school sites during the summer helps retain new teachers
 - The programs that are most effective and likely to reach eligible but insured children and enroll them
 - The need for data and research concerning SCHIP outreach, enrollment and retention and the effects on Medicaid enrollment
 - Financial incentives and their effectiveness on state spending and coverage
 - Finding the resources to give teachers time to focus on student learning and resources necessary to understand and analyze student data
 - The U.S. lacks a systematic approach to recruiting, preparing and retaining teachers resulting in dramatically different levels of training, sharply disparate salaries, radically different teaching conditions, and little or no on-the-job mentoring to help teachers improve
 - There is not an overall shortage of teachers, however there is a maldistribution of qualified teachers across states and districts and a shortage of teachers willing to work for low wages and poor working conditions
 - There are shortages of teachers for specific fields such as: mathematics, science, special education and English as a second language.
 - A recent analysis of Los Angeles data concluded that having a highly qualified teacher rather than a poor teacher four years would be enough to close the black-white test score gap
 - Value-added assessment is an effective testing framework, marking an individual child’s progress over time using each student as his/her own control
 - Effective, well-trained principals influence school improvement
- For more information, please visit: <http://help.senate.gov> .

CATO CONFERENCE DISCUSSES NCLB FUTURE

On March 7, 2007 the Cato Institute hosted a half-day conference titled “NCLB and the Future of Federal Education Policy”. Panelists debated the major proposals of the No Child Left Behind Act (NCLB), giving a range of suggestions on whether or not the law should be changed or discarded altogether.

The discussion centered on the upcoming NCLB reauthorization and offered various political and academic viewpoints on the matter. Martin A. Davis, a senior writer and editor for the Thomas B. Fordham Foundation, spoke of how the promising potential of standards based reform NCLB intended has been hindered by the law’s largest flaw, an unrealistic 2014 deadline for reading and math proficiency among all students. He also expressed concern over the paradox of state freedom, predicting most would submit to the intense pressure to lower achievement goals so as to make fewer schools seem in need of improvement without legitimate progress actually taking place. Davis advocated making a diverse national exam available to the states, paid for by the federal government, required only if national standards are not being met.

Dan Lips, an education analyst in domestic policy analysis at the Heritage Foundation, argued for a restoration of federalism in education by giving states the option to opt out of NCLB requirements as long as they implement their own transparent state level testing and reforms geared towards closing the achievement gap. He

described similar aims of the upcoming A-PLUS (Academic Partnerships Lead Us to Success) bill sponsored by Senator Jim DeMint (R-South Carolina) and Representative Pete Hoekstra (R-Michigan).

Andrew J. Rotherham, co-director of the independent think tank, Education Sector, and member of the Virginia Board of Education, defended federal involvement and discussed the careful marriage of accountability and choice that is sure to emerge in the years to come. He urged that it is not a technocratic issue, but a problem of political will for the development of a new federal strategy to ensure that accountability be more proactive, prioritizing ways in which to help the very lowest performing schools in the most effective manner.

Cato's Director of the Center for Education Freedom, Andrew J. Coulson, closed by questioning the constitutionality of federal involvement in education, which he felt had so far been both ineffective and harmful to a system better left to the states. He also expressed support for increasing competition to drive school improvement by giving power back to parents through school choice.

Download audio from the event at <http://www.cato.org/event.php?eventid=3527> .

HUMAN CONTRIBUTIONS TO GLOBAL WARMING REVIEWED

On Wednesday, March 7, 2007, the House Subcommittee on Energy and Air Quality held a hearing entitled "Climate Change: Are Greenhouse Gas Emissions from Human Activities Contributing to a Warming of the Planet." The committee received testimony from five witnesses: Dr. James Hurrell, Director of the Climate and Global Dynamics Division at the National Center for Atmospheric Research; Dr. Michael Oppenheimer, Professor of Geosciences and International Affairs at Princeton University; Dr. Gabriele Hegerl, Associate Research Professor in the Earth and Ocean Sciences Division at Duke University; Dr. Roni Assivar, Professor and Chair of the Department of Civil and Environmental Engineering at Duke University; and Dr. John Christy, Professor and Director of the Earth System Science Center at the University of Alabama.

Chairman Boucher (D-VA) began the hearing by asking the panel of witnesses to address three questions: Are global temperatures increasing? To what extent is the increase attributable to greenhouse gas emissions from human activity as opposed to natural variability or other causes? and How will future global temperatures be affected by greenhouse gas emissions from human activity?

Dr. Hurrell, Dr. Oppenheimer, and Dr. Hegerl all referenced the recent Intergovernmental Panel on Climate Change's (IPCC) report when answering the above questions. Dr. Hurrell quoted the report, "the warming of the climate system is unequivocal," and he said discernible human influences now extend to other aspects of the climate such as ocean warming, continental-average temperatures, temperature extremes, and changes in precipitation. Dr. Oppenheimer said global temperatures are certainly increasing, it is very likely that most of the recent climate change is attributable to human activities, and during this century global mean temperatures are expected to increase by amounts that are larger and occur faster than any in the history of civilization. Dr. Hegerl concurred that global temperatures are increasing, that greenhouse gas increases were very likely to have caused most of the warming, and global temperatures will continue to increase.

Dr. Avissar and Dr. Christy offered different perspectives on the IPCC report. Dr. Avissar said the Earth system is still not understood well enough to precisely answer the question of how future global temperatures will be affected by greenhouse gas emissions from human activity. He emphasized the uncertainties in the scientific models used to measure climate change. Dr. Christy also discussed the climate change models, stating that estimates today are given by climate model simulations made against a backdrop of uncertain natural variability, assumptions about how greenhouse gases affect the climate, and model shortcomings in general.

The hearing concluded with a series of questions and answers on the three preceding questions concerning global climate change.

For additional information, including witness testimony, visit <http://energycommerce.house.gov/Subcommittees/eaq.shtml>

BOXER COMMITTEE CONSIDERS CALIFORNIA STATE LEADERSHIP PERSPECTIVES ON GLOBAL CLIMATE CHANGE

On March 1, 2007, Chairwoman Barbara Boxer convened the U.S. Senate Committee on Environment and Public Works to hear testimony on state, regional, and local perspectives on global warming. Sen. Boxer took

the opportunity to recognize that California, along with other states, has led the way for the rest of the nation in taking strong, bipartisan action to set standards and limit greenhouse gas emissions.

California Assembly Speaker, Fabian Nunez, gave testimony on his state's experience with confronting climate change. He described AB 32, the nation's first economy-wide global warming bill recently passed in California, which establishes regulations that will phase in a 25 percent cut in carbon dioxide emissions from the state's five largest emitters by 2020. The legislation requires industries to report emission numbers while providing outreach programs to educate executives on how to achieve reductions. Nunez spoke of an emerging high-tech, green economy in the state, as carbon emissions are brought down to 1990 levels.

Don Perata, California's Senate President pro Tem, joined in advocating an expansion of statewide policy to the national level. He pointed out how California, which has achieved one of the lowest per capita carbon emissions rates in the country, can serve as a model for federal efforts to combat the impacts of global warming. Perata urged the committee to help states transform our current fossil fuel economy by establishing measurable emission reductions and flexible incentives while developing more efficient transportation policies. He added that reducing greenhouse gas emissions can actually create jobs and stimulate the economy, pointing out California's ability to attract business and jobs to the state alongside aggressive clean air and energy policies.

All in attendance seemed to agree that the struggle against global warming and climate change cannot endure separately at the state level, ultimately requiring strong and decisive action by the federal government and international community.

Hearing webcast and statements online at:

http://epw.senate.gov/public/index.cfm?FuseAction=Hearings.Hearing&Hearing_ID=f19521d5-802a-23ad-4139-4448d5c5337e .

WAYS & MEANS RE CLIMATE EFFECTS ON ENERGY, TAX

On February 28, 2007, the House Ways and Means Committee held the first of a series of hearings discussing the effects of global climate change on energy and tax policy. A panel of four witnesses offered testimony on the subject. Witnesses included Ronald Prinn, Professor in the Department of Earth, Atmospheric, and Planetary Sciences at MIT; Stephen Schneider, Professor in the Department of Biological Sciences at Stanford University; Eileen Claussen, President of the Pew Center on Global Climate Change; and David Montgomery, Vice President of Environmental Practice for CRA International.

Chairman Rangel (NY) stated the goal of the hearing as helping the committee gain a full scientific understanding of climate change. He said global warming is a fact, human energy consumption contributes to global warming, and the federal government must use the tax code to provide incentives that encourage increases in renewable energy and energy efficiency. Ranking minority member Jim McCrery (LA) concurred that there are dangers associated with global climate change, and that America needs to improve its energy independence. He stressed the need to consider the direct and indirect effects of climate change legislation on the economy, and he questioned whether or not the U.S. could act unilaterally to slow global warming.

Following the opening statements, each witness offered testimony on the subject. Dr. Prinn agreed that human influence/activity has proven significant to climate change. He emphasized the consequences of not enacting global warming policies versus enacting stringent policies. When considering how much money to spend, he said we should look at the risks of climate change. Dr. Schneider also expressed his concern about risk- management and the future of global warming. He said the growth rate in the economy would cover the costs of litigation, but we need to make sure policy "rules do not create positive incentives to do the wrong thing." Eileen Claussen offered three solutions in her testimony. She advocated a portfolio of policies and technologies that included a national, mandatory market-based emissions trading system, an international climate change framework, and the development of technologies to be diffused globally. Dr. Montgomery concluded by explaining the economic impact of climate change policies. He said legislation limiting emissions would impact the economy, producing losses in G.D.P. In addition, he believed policies to reduce global warming were not economically feasible on a large scale with today's technologies.

After the testimonies, members of the committee questioned the witnesses on topics such as the implementation of a tax incentive system, the existence of conflicting views on global warming, and whether or not unilateral U.S. action would be effective.

To access the hearing testimony, visit <http://waysandmeans.house.gov/Hearings.asp?congress=18> .

WEST COAST GOVERNORS DISCUSS CLIMATE OPTIONS

On February 26, 2007, governors from five Western states, including California, announced an agreement to create a regional effort to lower greenhouse gas emissions. The five governors signed a landmark collective strategy to curtail greenhouse gas emissions from Santa Fe to Seattle. "This agreement shows the power of states to lead our nation addressing climate change," said Gov. Arnold Schwarzenegger. Unveiled at a meeting of the National Governors Association in Washington, D.C., the agreement calls for creating a regional goal to reduce emissions within the next six months and for developing a Western market that could allow companies to buy and sell carbon emission credits, most likely through the use of a cap-and-trade system.

A report released this month by an international panel of scientists predicted that the Western United States would be hit hard by global warming, with temperatures rising by as much as 10 degrees and with an increase in droughts and hurricanes. Last year Gov. Schwarzenegger signed landmark legislation requiring the state to lower greenhouse gas emissions by 25 percent by 2020. In addition, California recently accelerated its Renewable Portfolio Standard (RPS) target, which requires retail sellers of electricity to purchase 20 percent of their electricity from renewable sources by 2010, and 33 percent by 2020. The state's Air Resources Board has just begun the process of determining which industries will be required to lower emissions and by how much.

Although polls in California show widespread support for tackling global warming, the green politics of the state may not translate as easily to other states. Officials from the four additional states that signed the agreement - Arizona, New Mexico, Washington and Oregon - indicated that they were not close to adopting the same kind of strong global-warming law that California has in place. Nevada, the state that has doggedly pursued California companies with promises of lower taxes and fewer regulations, did not sign the pact. Nor did Utah and Wyoming - states that produce significant amounts of energy from dirtier coal-powered plants. Many businesses have been voicing concern, even threatening to move to Nevada or other states, because they believe California's approach would accomplish little while driving businesses and jobs out of state.

The regional agreement may allow Schwarzenegger to respond to critics. V. John White, an environmental advocate from the Center on Energy Efficiency and Renewable Technologies, applauded the regional agreement because he said it might prod other states to learn from California's efforts to require more energy-efficient appliances and other emissions reduction strategies, and because he predicted that federal requirements are still a long way off.

HOUSE AG SUBCOMMITTEE ON FARM BILL PROPOSALS

On February 28 2007, the House Committee on Agriculture, Subcommittee on Horticulture and Organic Agriculture held a hearing entitled "Farm Bill Reauthorization: Specialty Crops, Organic Agriculture." Nationwide, specialty crops account for more than 28% of net farm receipts. More than 90 percent of the crops grown in California are considered specialty crops. California is the nation's sole producer (99% or more) of a large number of speciality crops including: almonds, artichokes, clingstone peaches, dried plums, figs, olives, persimmons, pomegranates, raisins, seed, ladino clover, sweet rice, and walnuts. In total, California produces more than \$27 billion worth of agricultural products annually. The Committee heard testimony from the Honorable Chuck Conner, Deputy Secretary of the USDA.

Some of the main points discussed in the hearing included:

- Accessibility for the new Conservation programs for specialty crop growers, \$7.8 billion over the next 10 years will be added to conservation programs
- Mandatory funding for the Market Access Program (MAP) will be expanded by \$250 million over 10 years; increased funding will be specifically focused on non-program commodities which has been shown to be effective for specialty crops
- Mandatory funding for the purchase of additional fruits and vegetables for use in the National School Lunch programs, which will serve both as a price control and a step against obesity; \$2.75 billion will be made available under Section 32

- \$100 million is proposed for a new, temporary program to support producers of cellulosic ethanol, the program would focus on specialty crop wastes and other biomass rather than exclusively corn
 - Many specialty crop growers were extremely concerned about research funding; the USDA proposes \$1 billion over 10 years to establish a Specialty Crop Research Initiative
 - The requirements to be certified organic are lengthy and can be quite costly, especially for small farmers. The USDA proposes increasing reimbursement up to 75% of certification costs to help producers transition to organic farming
 - Many producers and policy makers are frustrated with the lack of data on organic production and markets. The USDA proposes \$10 million until expended in organic research
- For more information, please visit: <http://agriculture.house.gov> .

IMMIGRATION OPTIONS REVIEWED BY SENATE JUDICIARY

The Senate Judiciary Committee held a hearing on February 28, 2007 on comprehensive immigration reform, receiving testimony from Secretary of Commerce, Carlos M. Gutierrez, and Homeland Security Secretary Michael Chertoff. Witnesses laid out three guiding principles for U.S. immigration policy: first, a secure border; second, effective enforcement of employer sanctions; and third, a “lawful channel for employment through a temporary worker program.” Secretary Chertoff laid out the steps being taken by DHS to secure the border, including: deploying 6,000 National Guard to the border; eliminating the “catch and release” program, implementing Operation Jump Start, expanding the use of expedited removal procedures; increasing worksite enforcement and implementing US-VISIT’s biometric tracking system.

Secretary Gutierrez pointed out that businesses across the country repeatedly report difficulty filling jobs, and that there were 4.4 million job openings in December, 2006. He stressed that the U.S. economy has added jobs for 41 straight months, with more than 7.4 million jobs created, and that since 2001 productivity has had strong annual average growth of 3.1 percent. He argued that “immigration has been an essential part of this growth: immigrants make up 15 percent of our labor force and account for about half of the labor force growth since 1996. Even with the flux of immigrants, the American labor market remains tight, with the unemployment rate at 4.6 percent.”

Secretary Gutierrez also testified that President Bush is against amnesty and has suggested several possible alternatives, which are more fully discussed in his testimony, to bring undocumented workers out of the shadows without granting amnesty. He also stressed that immigrants in the United States must be encouraged and given assistance to learn English, as it is the only way they will become totally assimilated.

During the question and answer period, Senator Dianne Feinstein stated that her initial support for comprehensive immigration reform has changed since last year. She now believes that the expansion included in the failed 2006 bill was “too wide, too deep,” and the guestworker program too big and too subject to fraud. She suggested that the best way would be to implement reform in tranches, with border security always being the first priority, but the second tranche incorporating the AgJobs bill and the Dream Act.

She also suggested that a path to citizenship be designed around a point system, with points being assigned for such things as length of time in the United States, work history, family connections, and the like. Secretary Chertoff responded that the idea is interesting in principle, but it might be less than workable because many immigrants may lack the documentation necessary to prove their eligibility for certain points, and the review process to prove eligibility may be unacceptably long and complicated.

For more information, go to the Committee’s website at: <http://judiciary.senate.gov> .

DEADLINE EXTENDED FOR REAL ID IMPLEMENTATION

The Department of Homeland Security (DHS) announced on February 28, 2007 that it will give states more time to implement the Real ID Act (P.L. 109-13). The Act requires states to toughen requirements for obtaining driver’s licenses and was supposed to go into effect by May 11, 2008. States have complained about the potential \$11 billion cost of implementing the program, as well as the increased workload imposed on them. DHS extended the compliance deadline until December 31, 2009.

The Department's decision to delay implementation will allow states to "seek justifiable extensions," according to Secretary Michael Chertoff. It also heads off a confrontation with the Senate, where Sen. Susan Collins (ME) was prepared to offer an amendment to the 9/11 Commission recommendation bill (S. 4) delaying the Real ID launch date by two years. Some Senators argued that the program was an unfunded federal mandate and that DHS has failed to spell out what requirements the states would have to meet in issuing driver's licenses, even though the bill was passed almost two years ago. DHS did not file a notice of proposed rulemaking spelling out the minimum standards for state-issued driver's licenses and identification cards until March 1, 2007. The standards being proposed include: security features that must be incorporated into each card; verification of information provided by applicants to establish their identity and lawful status in the United States; and physical security standards for locations where licenses and identification cards are issued.

DHS also announced that up to 20 percent of a state's Homeland Security Grant Program funds can be used to help implement REAL ID.

To view the proposed standards go to www.dhs.gov.

SENATE APPROPRIATIONS TRANSPORTATION PANEL DISCUSSES CROSS-BORDER TRUCKING WITH MEXICO

On March 8 2007, the Senate Committee on Appropriations, Subcommittee on Transportation, Housing and Urban Development and Related Agencies held a hearing entitled "Cross-border trucking with Mexico." It has been estimated that \$200 billion a day in trade passes across the Mexico/U.S. border and freight volumes are expected to double in the next two decades. Under the provisions of the North American Free Trade Agreement (NAFTA), a system for cross-border trucking with Mexico was scheduled to be implemented. The pilot program, satisfying these provisions, was announced by the Administration will allow a select group of Mexican trucking companies to operate beyond the 25 mile commercial zones along the southwest border. The Department of Transportation's (DOT) Fiscal Year 2002 Transportation Appropriations Act (Section 350) established safety requirements and preconditions that must be met before authorizing Mexican motor carriers to operate beyond the commercial zones. The Subcommittee heard two panels of witnesses from labor and business representatives, Customs and Border Protection, and both Mexican and American government officials.

Some of the main points discussed in the hearing included:

- The results and implementation of a cross-border trucking program if the pilot program is successful and how representative the pilot program will be actual cross-border trucking
- The program allows Mexican truck to immediately gain access to American markets while American trucks must wait 6 months before gaining access to Mexican markets
- How will Mexican trucks be insured and who will provide proper insurance coverage
- The strength and quality of Mexican security practices and hiring practices before allowing the cargo and driver to enter the U.S.
- Drug testing and fitness certification in Mexico is not equal to that of the U.S.
- Mexican labor laws are not as strict as those in the U.S. that would apply to Mexican workers in the U.S.
- The Mexican government has not established a cargo tracking computer system or a standardized truck inspection for safety and security standards

For more information, please visit: <http://appropriations.senate.gov>

DELTA OPTIONS DISCUSSED AT PPIC BRIEFING RE SACRAMENTO-SAN JOAQUIN RIVER

On February 16, 2007 a briefing was given to congressional staff and other interested Californians that covered new analyses of issues surrounding the declining environmental state of California's Sacramento-San Joaquin Delta, a vast, low-lying inland region that forms the eastern portion of the San Francisco estuary. Ellen Hanak, a research fellow and director of the Economy Program at the Public Policy Institute of California (PPIC), and Jay Lund, professor of civil and environmental engineering at the University of California, Davis, presented findings from PPIC's new report, "Envisioning Futures for the Sacramento-San Joaquin Delta."

Five central themes were discussed:

- The current management of the Delta is unsustainable for all stakeholders.

- Improved understanding of the Delta environment allows for more innovative solutions.
- Several promising alternatives do indeed exist to current Delta management.
- Most Delta users have the ability to adapt economically to risk and change.
- Solutions are unlikely to arise from a stakeholder-only process, so political decisions will be needed for major changes to occur.

Hanak pointed to the main concerns in the region of water supply, agriculture, ecosystem, infrastructure, recreation, and housing. She explained how these deserve more attention now because of the increasing risk to levees, a steep decline in fish species in the area, and the severe lack of governing institutions. Lund described the nine long term alternative plans for Delta management presented in the report. Each was screened in a preliminary evaluation of their ecosystem performance, water exports, economic costs, and other Delta services. The interdisciplinary team of experts working on the study determined five of these options to be promising in each of these issue areas. Lund outlined the report's long and short term suggestions. This included the concept of user finance to pay for change in the Delta, which would free public funds for restoration and mitigation while helping to ensure that investments are cost-effective.

The presentation ended with questions from the audience. It was concluded that numerous institutional imperatives remain to be addressed, but the authors of the report hope their work will make it easier for political leadership to emerge. The speakers expressed that the most promising path to improving the Delta may be a hybrid of multiple alternatives. All agreed that demand for change has increased dramatically over the last five years and that this report is an important step towards a viable solution.

The full report and research brief are available online: <http://www.ppic.org/main/publication.asp?i=671> .

MAINTENANCE “UNACCEPTABLE” AT 37 CALIFORNIA LEVEES

The U.S. Army Corps of Engineers recently released the locations of levee units nationwide with unacceptable maintenance inspection ratings. The Corps inspects some 2,000 levee units, or 13,000 miles, on an annual basis, which include projects built and maintained by the Corps, projects built by the Corps and transferred to a local owner to operate and maintain, and nonfederal projects built by a local community. A levee is given an unacceptable maintenance rating when one or more deficient conditions can reasonably be foreseen to prevent the project from functioning as designed. Some examples include animal burrows, erosion, tree growth, movement of floodwalls, and faulty culvert conditions.

Of the 122 levees given an unacceptable maintenance inspection rating in 2006 according to the Corps(February 1, 2007 report, 37 of them were located in California (1 in the Los Angeles area , 1 in San Francisco, and 35 in the Sacramento region).

For more information and to see the 37 levees cited, go to <http://www.usace.army.mil> .

HOMELAND COMMITTEE, T&I SUBCOMMITTEE REVIEW RAIL AND TRANSIT SECURITY

On March 6, 2007, the House Homeland Security Committee held a full committee hearing to discuss the committee print entitled “Rail and Public Transportation Security Act of 2007.” The hearing consisted of two panels. The first featured four witnesses who shared their personal recommendations for the Act from their experience as administrators and managers for front-line security programs. The second panel featured five labor and rail representatives to discuss their reading and recommendations for the bill.

On March 7, 2007, the House Transportation and Infrastructure Committee's subcommittees, the Subcommittee on Highways and Transit and the Subcommittee on Railroads, Pipelines, and Hazardous Materials, held a joint committee hearing to discuss current issues in transit and rail security. These issues specifically included the roles and responsibilities of the Department of Homeland Security, the Federal Transit Administration, and the Federal Railroad Administration. The hearing consisted of two panels. The first featured five witnesses who discussed the need for federal funding and effectiveness of current federal agencies in addition to reviewing HR 1269. The panel emphasized employee training and the creation of threat assessment plans as consistent with the Government Accountability Office's recommendations. The second panel featured three labor and business representatives to discuss their security concerns and suggestions for HR 1269.

The federal government spends approximately 1 cent for security for each public transportation or rail passenger compared to \$9 per passenger for air travel. However, historically more terrorist attacks have occurred on buses, trains, or subway lines. The following are a few common themes which were mentioned during the discussions of the 'Rail and Public Transportation Security Act of 2007':

- Hazardous materials routes should be planned or moved through unpopulated areas, and hazardous materials should not be left standing without security
- The majority of employees in the rail and transit systems have not received terrorism response training or terrorism preparedness training
- Threat and Vulnerability assessments identify gaps in security and propose methods to close those gaps
- Whistle blower protections established by the act are necessary and commendable but also parallel with existing whistle blower protections for rail safety (but do not include security)
- The increased reporting requirements require extra strain and resources for local organizations and the reporting does not benefit local organizations
- The amendment which calls for background checks, standards of enforcement of background checks and a process of redress for employees who feel they have been wrongfully let go due to a background check was debated
- Safety funding versus security funding was a key issue and different methods to create synergy between the two goals

For more information, please visit: <http://hsc.house.gov> or <http://transportation.house.gov>

SUBCOMMITTEE MARKS UP RAIL & TRANSIT SECURITY

On March 1, 2007, the House Homeland Security's Subcommittee on Transportation and Infrastructure Security held marked up H.R. 534, the "Rail and Public Transportation Security Act of 2007." The bill is aimed at fulfilling the recommendations made in *Detour Ahead: Critical Vulnerabilities in America's Rail and Mass Transit Security Programs*, a report issued by Democrats on the Homeland Security Committee in June 2006. It requires a national plan, supplementing the existing National Strategy for Transportation Security, which aims to: clarify roles and responsibilities of federal, state, and local agencies, strengthen intelligence sharing, lay out plans for public outreach and education initiatives, create a framework for resuming operations in the event of an attack, include a strategy and time-line for research and development of new security technologies, and describe lessons learned from past attacks. The bill also requires vulnerability assessments, training and exercise programs, dictates penalties for non-compliance, proposes an intelligence sharing plan, authorizes grant programs, and provides protections for whistle-blowers.

The following are amendments from the session:

- Lungren - the "Safe Truckers Act", agreed to be withdrawn and discussed at another time
- Brown-Waite - limits accessibility of assessments and plant to the public under the Freedom of Information Act to keep sensitive information unavailable for the public, defeated by a 4 - 4 vote
- Jackson-Lee - increase penalty amount for people who do not comply and add inspectors to enforce compliance, passed by verbal agreement
- Clark En Bloc - authorize grants for security training programs, includes language that does not exclude labor unions, passed by voice vote
- Brown-Waite - mandating some of the security exercises and training be conducted at the border, passed by voice vote
- Lungren - strike language dealing with whistle-blower protections and replace with language from other bills dealing with whistle-blowers, defeated by recorded vote 5 - 3
- Perlmutter - National Domestic Preparedness Consortium authorizes central facilities to be used for training, passed by voice vote
- Lungren - authorizes current Viper teams to increase modes of transportation to assist with terrorist strikes, but not take over for local authorities, passed by voice vote

- Perlmutter, co-sponsored by Chairwoman Jackson-Lee - background checks on transportation employees mandated with guidelines for dismissible offenses and chronological limitations; adds a redress process for employees who believe themselves to be terminated wrongly due to Security Threat status, passed by voice vote
For more information visit: <http://hsc.house.gov> .

NEXT STEP SENATE FOR "TUITION SENSITIVITY" REPEAL

On February 27, 2007 the House of Representatives passed a bill (HR 990) to eliminate the limit on Pell grant funds available to students attending the least expensive schools in the United States, which are most commonly community colleges. The bill, referred to as the Pell Grant Equity Act of 2007, was introduced by Education and Labor Chairman George Miller (Martinez) and ranking Republican Howard P. "Buck" McKeon (Santa Clarita). In a February 3rd statement, Miller stated that "students should not be financially penalized for attending a low-cost school, and colleges and universities should not be punished for reducing their tuition costs." The legislation is of particular importance to Californians because community college tuition fees in the state were reduced from \$26 to \$20 per unit on January 1st.

The passage of the bill effectively increases the maximum Pell grant award available to students at schools where tuition and fees are less than \$675 per year, giving the 90,000 to 100,000 affected students an average of \$108 more per year. Proponents of the bill point to the significant difference this amount can make for the poorest students, the majority of whom attend community colleges. They have also explained that repealing "tuition sensitivity" would not reduce the number or amount of Pell grant awards available to other students.

H.R. 990 passed by voice vote under suspension of the rules. The following day, February 28, Senators Dianne Feinstein and Barbara Boxer introduced identical legislation and vowed to push it through the Senate.

SAN JOAQUIN RIVER SETTLEMENT BILL DISCUSSED

The House Natural Resources Subcommittee on Water and Power held a hearing on H.R. 24, the San Joaquin River Restoration Settlement Act, introduced by Rep. George Radanovich (Mariposa) and co-sponsored by Reps. Grace Napolitano (Norwalk), Joe Baca (Rialto), Dennis Cardoza (Atwater), Jim Costa (Fresno), and George Miller (Martinez). The bill will implement the settlement agreement reached in *National Resources Defense Council v. Rodgers*, an 18-year old lawsuit over water supply and allocation of the San Joaquin River in the Friant Division of the Central Valley Project. Parties to the settlement are the Friant Water Users Authority, Natural Resources Defense Council and U.S. Department of the Interior. Over the life of the lawsuit numerous claims and counterclaims were made, but one of the most important became the contention that the operation of Friant Dam was in violation of the California Fish and Game Code, which requires dam operators to release sufficient water to keep fish in good condition below the dam.

The hearing was chaired by Rep. Napolitano, with several members of the California delegation in attendance, including Reps. Radanovich, Costa, Cardoza, and Devin Nunes (Tulare). The witnesses included: Dan Dooley, Attorney for the Friant Water Users Authority; Hamilton Candee, Attorney, Natural Resources Defense Council; Jason Peltier, Principal Deputy Assistant Secretary for Water and Science, U.S. Department of the Interior; Nancy Saracino, Chief Deputy Director of the Department of Water Resources, State of California; Lois Wolk, Assembly Member and Chair, Committee on Water, Parks, and Wildlife, California State Assembly; Thomas W. Birmingham, General Manager/General Counsel, Westlands Water District; Cannon Michael, Landowner in San Joaquin River Exchange Contractors Water Authority; Kenneth M. Robbins, Attorney, Merced Irrigation District; and Allen R. Ishida, Supervisor, Tulare County Government. The Subcommittee members and witnesses engaged in a long and thorough discussion of the provisions of the settlement and its implementation.

In directing the Secretary of the Interior to implement the settlement agreement in cooperation with the state of California, H.R. 24 directs Interior to, among other things, (1) design and construct channel and structural improvements; (2) modify Friant Dam operations to provide Restoration Flows and Interim Flows; (3) acquire water, water rights, or options to acquire water from willing sellers; (4) implement terms and conditions related to recirculation, recapture, reuse, exchange, or transfer of water released for such flows; and (5) develop and implement the Recovered Water Account.

It also directs the Secretary to identify impacts on adjacent and downstream water users and landowners and measures to mitigate those impacts. It also provides for the reintroduction of Chinook Salmon into the San Joaquin River, but further provides that the settlement and the salmon reintroduction are not to result in the involuntary reduction in contract water allocations to Central Valley Project long-term contractors other than Friant Division contractors.

For the testimony of the witnesses, go to the Committee's website at: <http://resourcescommittee.house.gov> .

GOVERNOR AND DELEGATION LEADERS DISCUSS PRIORITIES

In town for the annual meeting of the National Governors Association, California Governor Arnold Schwarzenegger met with the key members of California Congressional Delegation. Among those involved were Senators Dianne Feinstein and Barbara Boxer, House Speaker Nancy Pelosi, and Reps. Zoe Lofgren and George Miller.

The participants discussed various issues, such as ensuring California receives its fair share of federal spending, health care needs, reimbursement for costs associated with incarcerating undocumented felons, emergency relief for citrus growers harmed by recent cold weather, and funding for federal formula grants such as education and homeland security first responder programs. In addition, the Governor discussed his proposal for broadened health care coverage and California's leadership on climate change policy.

More generally, all participants discussed opportunities to bridge divides and seek collaborative solutions that transcend partisanship, geographic parochialism, and other fragmenting forces in state and federal politics.

CALIFORNIA COUNTY LEADERS MEET FEDERAL LAWMAKERS

Leaders of CSAC - the California State Association of Counties - were in the nation's capital the week of March 5 to meet with key members of the California congressional delegation and the Bush administration. The association's representatives - along with dozens of other California county officials - were in Washington, DC for the National Association of Counties' (NACo) annual Legislative Conference, which was held March 3-7.

The CSAC contingent - led by Madera County Supervisor and CSAC President Frank Bigelow - met with lawmakers and White House officials to discuss the association's top federal legislative priorities for 2007. The issues that were discussed with key policymakers included the Secure Rural Schools and Community Self Determination Act, Medicaid funding, reauthorization of the State Children's Health Insurance Program, and funding for the child support enforcement program. CSAC leaders also discussed funding for the State Criminal Alien Assistance Program, the Community Development Block Grant, and Homeland Security. Additionally, CSAC representatives discussed several issues related to Indian Gaming, the reauthorization of the Water Resources Development Act, and telecommunications reform.

As part of this year's agenda, CSAC hosted its first annual congressional breakfast at the US Capitol building. The event featured presentations by a bipartisan cross-section of the state's congressional delegation, including Senator Barbara Boxer, the chair of the Senate Environment and Public Works Committee. Attendees also heard from Rep. Zoe Lofgren (San Jose), the chair of the California Democratic Congressional Delegation, as well as Reps. George Radanovich (Mariposa), Gary Miller (Diamond Bar), Barbara Lee (Oakland), Hilda Solis (El Monte), and Mike Honda (San Jose). The members discussed a number of key issues of interest to California's counties, including funding for health care reform and implementation of a surface transportation pilot demonstration program.

CSAC members also heard from Tim Ransdell, the executive director of the California Institute, who discussed several items of interest to California's counties, including federal taxing and spending in the state and funding for health care, transportation, and other formula grants.

In addition to the members that attended the CSAC breakfast, association leaders met separately with Representative John Doolittle (Roseville), a key member of the House Appropriations Committee, and Representative Devin Nunes (Tulare), a member of the powerful House Ways and Means Committee. The CSAC leadership team also had a productive meeting with key staff to House Speaker Nancy Pelosi (San Francisco), as well as a meeting with staff to Senator Dianne Feinstein. The group also met with staff to

California Republican Congressional Delegation chair David Dreier (San Dimas), House Appropriations Committee member Lucille Roybal-Allard (Los Angeles), and Governor Arnold Schwarzenegger.

LEGISLATIVE ANALYST ASSESSES GOVERNOR'S BUDGET

On February 21 2007, the Legislative Analysts Office (LAO) released their complete analysis of the Governor's Fiscal Year 2008 budget proposal, building on their earlier article "Overview of the Governor's Budget." The report discusses the downside risks of the budget and potential adverse outcomes of the 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 short of the levels estimated by the administration.

Some of the facts presented in this report:

- The LAO recommends a reduction of \$1.7 billion in general and special fund spending from the proposed amounts
- The LAO also recommends \$4 billion on bond changes and other reforms to increase efficiency
- The Perspectives and Issues portion of the report contains independent economic and revenue forecasting and an assessment of the state's fiscal condition
- There is also a Prop 98 roadmap aimed at the legislature to help K thru the Community Colleges
- The LAO analyses the Administration's policy assumptions in terms of the LAO's own revenue and expenditure estimates
- The LAO anticipates the California FY 2008 budget to end with \$726 million deficit rather than the \$2.1 billions surplus that was estimated
- The LAO also predicts that the structural shortfall for the budget will persist throughout the next five years and reach \$8 billion in the current fiscal year and \$ 2.6 billion in the budget year

For more information, please visit: www.lao.ca.gov

CALIFORNIANS STILL MIGRATING TO OTHER STATES

On February 2 2007, the California Chamber of Commerce published the results of a study conducted by United Van Lines entitled "The 2006 Migration Study." California is continuing to lose more residents to other states than it is gaining, according to the study by United Van Lines, as reported by the California Chamber of Commerce. United Van Lines (UVL) has been tracking where its customers moved from and the most popular destinations since 1977. The study mirrors figures released in December of 2006 by the California Department of Finance which reported the state's population grew overall, but 67,000 more people left for other states than moved to California.

Some of the facts presented in this report:

- Outbound moves accounted for 53.9% of shipments handled by UVL for California versus 46.1% percent were inbound moves
- 55.7% of moves handled by UVL were leaving California, making California a "high outbound" state, California had not been a "high outbound" state for the past 10 years
- Oregon, Nevada and Arizona are also classified as "high outbound" states by UVL
- However, the Southeastern states saw many new residents; North Carolina, South Carolina and Alabama were the top three "high inbound" states

For more information, please visit: www.calchamber.com

NATIONAL HOUSING CONFERENCE BUDGET FORUM

On March 2 2007, the National Housing Conference and Fannie Mae held a breakfast Forum entitled "The FY 2008 Budget Forum." On 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. However, all but \$3.6 billion of the increase is slated for security-related spending. The remaining one percent increase allocated to other

domestic spending will not keep up with inflation. This forum discussed the Federal Budget and the outlook for public housing.

The forum featured four panels each with one presenter. Martha Coven, Senior Legislative Associate from the Center on Budget and Policy Priorities, presented “The Bigger Picture: What’s the Budget Outlook for FY 2008?” The panel on Section 8 and public housing was presented by John Bohm, Department Head of the Legislative Programs and Media of the National Association of Housing and Redevelopment Officials. Cheryl Patton Malloy, Senior Vice President of Multifamily and Governance at the Mortgage Bankers Association discussed the housing finance system, specifically Government Sponsored Enterprises, Federal Home Loan Banks and the Federal Housing Administration. The final panel discussed tax issues delivered by Robert M. Rozen a partner at Washington Council Ernst & Young.

Some of the main points discussed in the forum included:

- The effects of the federal budget squeeze on low-income housing assistance
 - Actions policymakers will take to address budget shortfalls
 - Large and growing numbers of low-income families face rising housing costs: 8.8 million renter households spend more than half of their cash income for housing
 - Federal low-income housing assistance reduces housing affordability gaps
 - Funding cuts already are affecting low-income families and threaten major housing policy goals
- For more information, please visit: <http://www.nhc.org>

MUSIC AND MOVIE INDUSTRIES APPLAUD PIRACY REPORT

On February 16 2007, the Motion Picture Association of American (MPAA) and the Recording Industry Association of America (RIAA) rallied behind the results of a study conducted by the Los Angeles Economic Development Corporation (LAEDC) entitled “A False Bargain: The Los Angeles County Economic Consequences of Counterfeit Products.” Global piracy and counterfeiting cost Los Angeles-area companies \$5.2 billion and cost the city another \$483 million in tax revenues in 2005. The study by LAEDC was commissioned by Los Angeles Mayor Antonio Villaraigosa, Councilmembers Wendy Greuel and Jan Perry, and County Board of Supervisor Zev Yaroslavsky. The study identifies measurable losses in local revenues, jobs, wages and taxes due to piracy and shows the entertainment industry to be the most impacted by the losses.

According to the report, global piracy disproportionately hurts Los Angeles because of its concentration of so many businesses that make the original products. As a result, the local blackmarket across nine identified sectors could be valued as high as \$17.4 billion. The motion picture and television industry in 2005 generated more than 1.3 million American jobs, 500,000 of which were in California. Those jobs equate to \$30.24 billion in wages to American workers and \$10 billion in state and federal taxes. Worldwide, the motion picture industry lost \$18.2 billion to pirated products, while the recording industry reports \$4.5 billion lost to pirated music.

In response, local officials announced the formation of an Inter-Governmental Task Force on Piracy and Counterfeit Goods. The group will be made up of a diverse cross section of the community affected by piracy, including industry, law enforcement, business leaders, government, prosecutors and judges. The goals of the task force will be to recommend policy decisions to combat piracy and identify resources to deal with the problem.

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