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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.

THURSDAY (10/18) LUNCHEON BRIEFING ON LATEST DATA FROM PPIC STATEWIDE SURVEY: CALIFORNIANS & THEIR GOVERNMENT

The Public Policy Institute of California recently released the latest PPIC Statewide Survey: *Californians and Their Government*, which examines Californians' overall perceptions of state and national issues, including approval ratings for various elected officials. It finds voter discontent continues to increase, and support for reform is rising as well. At the state level, the survey looks at residents' perceptions of health care reform and health care policy proposals, the governor and legislature's handling of the state budget, and legislative reform options. At the national level, residents are asked about the situation in Iraq, candidate preferences in the Democratic and Republican presidential primaries, attitudes toward elected officials, and trust in the federal government.

Mark Baldassare, President, CEO, and survey director at PPIC, will present these and other new findings from the PPIC Statewide Survey at this briefing, which will be held Thursday, October 18, 2007, at 12:00 noon in Room B-354 of the

Rayburn House Office Building in Washington, D.C. A sandwich lunch will be served. Copies of the survey will be available at the briefing as well as online from the PPIC website at <http://www.ppic.org>.

Author of many publications, Mark Baldassare is an expert in public opinion, including political, social, economic, and environmental attitudes. He founded the PPIC Statewide Survey and served as the Institute's Director of Research until being appointed President and CEO in March 2007. Previously, he was a department chair at University of California, Irvine, and conducted polls for the *Los Angeles Times*, *Orange County Register*, *San Francisco Chronicle*, and California Business Roundtable.

To attend the October 18 luncheon briefing, reply (acceptances only) to 202-974-6384, or send an email to rsvp@calinst.org.

PPIC and the California Institute are both 501(c)(3) nonprofit organizations that do not employ federal lobbyists. PPIC is a private, nonprofit organization dedicated to improving public policy through objective, nonpartisan research on the economic, social, and political issues that affect Californians. It was established in 1994 with an endowment from William R. Hewlett.

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HOUSE-PASSED CARDOZA AMENDMENT OFFERS PARTIAL RELIEF FOR HOMEOWNERS HIT WITH NEW FLOOD INSURANCE OBLIGATIONS

During September 27, 2007, floor action on the Flood Insurance Reform and Modernization Act (HR 3121), the House passed an amendment authored by Rep. Dennis Cardoza (Merced) to provide a phase-in period so that many Californians can get used to the idea that they will have to pay for new flood insurance.

The underlying bill overhauls the National Flood Insurance Program (NFIP) and requires the Federal Emergency Management Agency (FEMA) to certify levees and update flood maps. When FEMA completes its certification and mapping process, homeowners all across the country, and many in California, will suddenly find themselves within an area deemed to provide insufficient protection from 100 year floods and be required purchase flood insurance. The Cardoza amendment eases the burden on these homeowners by cutting in half the insurance premium for the first five years. Since FEMA and the Corps of Engineers first announced in 2005 that they would be reviewing flood maps and re-certifying levees, it has been a top priority to mitigate the impact on residents who will be affected by the changes. The Cardoza amendment deflects some of the cost by requiring the affected residents to pay only 50% of the flood insurance premiums. The Cardoza amendment passed by voice vote and the underlying legislation passed by a vote of 263-146. The legislation will now go to the Senate where it will be considered by the Senate Banking Committee.

For additional California-focused information regarding the Flood Insurance bill, see last week's *Bulletin, Vol. 14, No. 32 (10/5/2007)*. For more information regarding floor action on the bill, visit: <http://www.house.gov>.

CHCF REPORT ASSESSES CALIFORNIA'S ABILITY TO HANDLE NEW SCHIP REQUIREMENTS

On August 17, 2007, the U.S. Centers for Medicare and Medicaid Services (CMS) issues a letter to state health officials establishing new requirements to cover higher-income children in the State Children's Health Insurance Program (SCHIP). The new requirements aim to prevent "crowd-out" - a phenomenon where public insurance coverage displaces children already covered under private insurance.

The new requirements must be fulfilled by states that offer SCHIP coverage to children in families earning above 250 percent of the Federal Poverty Level (FPL). The recent HHS rules also limit new SCHIP enrollments unless a child has been without health insurance for at least one year, and states would be required to cover 95 percent of families who are at or below the program's designated poverty level before being able to enroll children above the threshold.

California is required to meet the new requirements as the state enrolls some individuals into SCHIP-funded programs with higher family incomes. The requirements could pose a significant barrier to the plans of Governor Schwarzenegger and legislative leaders to further expand eligibility for public

health insurance to children in families earning up to 300 percent of the FPL. A recent report released from the California Healthcare Foundation, entitled *Assessing California's Ability to Comply with New Federal SCHIP Rules*, outlines the new federal requirements and examines California's ability to comply.

The following are a few key points from the report:

- California has the largest SCHIP program in the nation, covering more than 1 million low-income uninsured children and women and spending about 16% of all federal SCHIP funds
- California's Healthy Families Program is open to children in families with incomes up to 250% of the FPL as defined by the State on a "net income" basis
- The new CMS directive only considers gross income, or total family income, while net income refers to how much a family makes after specific deductions
- California's Access for Infants and Mothers (AIM) Program covers pregnant women and their babies (until age 2) between 200% and 300% of the FPL
- The directive could be interpreted to include pregnant women as excluded from coverage
- California has approved a state plan amendment to extend SCHIP funds for coverage from 250% and 200% of the FPL in certain areas and has submitted an application to expand the amendment to other areas
- California's application to expand is on hold pending a request for information from CMS related to the new directives

For more information about the program or to download a copy of the CHCF report, please visit:

<http://www.chcf.org> .

A FEW COMMENTS ABOUT POVERTY RATES AND GEOGRAPHIC BLINDNESS

When considering adjustments to poverty thresholds for SCHIP or other programs, it may be helpful to note that the federal poverty line is a flat standard for the entire continental U.S.; only the rates for Alaska and Hawaii are different from (higher than) the uniform national level. Because of this, advocates for high-cost areas have for many years complained that a static poverty rate set ignores the vast geographic variability of the cost of living. They point out that a dollar buys far less in California than in, say, Iowa and suggest that poverty rates should be adjusted by geography to reflect that fact.

For all states except Alaska and Hawaii, the federal poverty level in 2007 for a family of four is set at a yearly income \$20,650. The federal government does not provide cost-of-living comparisons by state, but a private sector estimate provided by the American Chambers of Commerce Research Association is widely accepted (so much so that the Census Bureau cites information from ACCRA in its annual *Statistical Abstract* book. The data are not flawless, but they do rely on respondents from several hundred localities across the nation.

According to ACCRA, California's cost of living in 2007 was 39 percent above the national average, meaning that the \$20,650 official poverty-level income would in California be the equivalent of a \$14,867 income for a family of four in an average state --72 percent of the US average. Likewise, a family earning \$20,650 in an average state would need a income of \$28,623 to maintain the same living standard upon moving to the Golden State.

Interestingly, at 39 percent above average, California's cost of living is 2nd highest among states, below Hawaii's (a whopping 65.3 percent above average) but above Alaska's (29 percent above average). The driving force behind the discrepancy for California is the cost of housing, more than twice what is paid by the average family, though the state also experiences relatively high costs for groceries, health care, and transportation. Only the cost of utilities are below average for Californians at 97 percent of the US figure.

For additional information, feel free to contact Tim Ransdell at the California Institute.

WRDA BILL APPARENTLY WILL AWAIT SCHIP VETO DISPOSITION

According to press reports of the situation, Democratic Congressional leaders intend to wait a little while before sending to the White House a bill to renew the Water Resources Development Act (WRDA). The President has vowed to veto the WRDA legislation once it reaches his desk, complaining that its price tag remains too high.

Observers say that Congressional leaders want to let the SCHIP veto override efforts play themselves out before beginning the veto dance on another bill, which would or could distract attention from the more challenging SCHIP battle. Speculation holds that, if vetoed, the WRDA bill can easily win an effort to override. When on the floor initially, the WRDA bill passed the Senate on a 81-12 vote and in the House on an even more lopsided 381-40 tally; both margins substantially exceed the two-thirds majority required to override a veto.

The margins were less comfortable, especially in the House, for the bill to reauthorize and greatly expand SCHIP, the State Children's Health Insurance Program. The President has also balked at the high price tag associated with the SCHIP bill, which would add \$35 billion over five years to the program. The House is expected to take up the SCHIP measure during the week of October 15, 2007.

GOVERNOR SCHWARZENEGGER RELEASES REVISIONS TO STATEWIDE HEALTH CARE OVERHAUL PROPOSALS

During a Sacramento news conference on October 9th, 2007, Governor Schwarzenegger released new details on his plan to revamp California's health care system. The revised proposal still needs to be negotiated with leaders of the State Legislature. The new proposal includes provisions to lease the state lottery to help finance the plan.

Altering the original overhaul plan in part in response to resistance from small businesses and doctors, the revised plan no longer requires employers with 10 or more employees to contribute a flat 4 percent of their payroll for insurance. Instead, employers who do not offer health care coverage would be required to make a contribution based on a sliding scale fee from 0 to 4 percent, based on total payroll while Democratic leaders in the legislature want to require that employers contribute at least 7.5 percent of their payroll totals to health care. Under the new proposal, doctors would no longer be required to contribute 2 percent of their revenues to subsidize insurance for the poor.

The Governor's new \$14 billion-a-year plan will make up for lost revenues by leasing the lottery to a professional management company. The administration projects that a 40-year license to operate the lottery would raise \$2 billion annually for health care. Proceeds from the lottery would no longer go to education, which provided an average of \$1.1 billion in revenue to schools in the last three years. That loss of revenue would be replaced with money from the general fund. All financing for the governor's plan would have to be approved by voters.

Schwarzenegger's proposal, named "shared responsibility", relies on hospital and employer fees and leverages contributions from federal, state and county governments. It would also require individuals to contribute to the cost of their insurance coverage while providing subsidies to the poor. The plan also includes tax credits for individuals and families between 250 and 350 percent of the federal poverty level.

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

HOUSE PASSES NATIONAL AFFORDABLE HOUSING TRUST FUND ACT OF 2007

On October 10, 2007, the House passed H.R. 2895, the National Affordable Housing Trust Fund Act of 2007. The House voted 264 to 148 to pass the legislation despite strong GOP and White House opposition. One effort to defeat the bill would have merged the trust fund into the Department of Housing and Urban Development's (HUD) HOME program. The amendment, which also would have eliminated program funding sources, fell by a vote of 163-257. Another effort, a motion to recommit the legislation, was shot down by a 199-218 vote.

HR 2895 seeks to establish the National Affordable Housing Trust Fund in the US Treasury to provide for the construction, rehabilitation and preservation of decent, safe and affordable housing for low-income families, thereby significantly expanding the federal government's involvement in affordable-housing construction. The fund, which expressly aims to help build, refurbish or maintain 1.5 million affordable-housing units over 10 years, would be financed by House-passed bills that would divert money from the Federal Housing Administration's (FHA) mortgage lending surpluses (HR 1852) and from a portion of the portfolios of mortgage finance giants Fannie Mae and Freddie Mac (HR 1427). The trust fund, which would distribute grants to state and local governments to finance low-income housing units or to help low-income home buyers make a down payment on a first home purchase, has scattered support from House Republicans. Groups including the National Association of Homebuilders, the National Association of Realtors and the U.S. Conference of Mayors also back it.

Before passing the House bill, members adopted, 418-2, a manager's amendment by Rep. Barney Frank (MA) that made a variety of minor changes. Seven other Democratic amendments that also made minor changes were adopted by voice vote.

For more information, please visit: <http://banking.house.gov> or <http://www.house.gov> .

SENATE ADDS SOUTHWEST BORDER FUNDS TO DEFENSE APPROPRIATIONS MEASURE

Late on October 3, 2007, the Senate approved its version of a defense appropriations bill for fiscal year 2008, which started two weeks ago. During floor debate, the Senate unanimously approved an amendment, offered by Sen. Jeff Sessions (AL) to increase National Guard funding for operations on the nation's southwestern border. Sessions said that it would serve to support 6,000 National Guard members posted in the border region for the remainder of the year --a doubling of the number currently in place.

In support of his amendment, Sessions said, "Approximately 3,000 National Guard members are currently serving in Operation Jump Start, a federal program to enhance the Custom and Border Patrol's (CBP) ability to enforce security on the southern border. Those troop levels are down from the 6,000 National Guard personnel which were deployed as part of the program last year." He also commented, "The number of illegal aliens attempting to cross the border has decreased by about 25 percent since National Guard troops were deployed. This program is a proven success and it would be unthinkable to back away so soon from this critical part of our border enforcement strategy. My amendment will make certain that our troops have the funding they need to continue their mission throughout the next year."

A statement he provided stated that a recent review of the Operation Jump Start program found that National Guard troops have assisted in the apprehension of 84,748 illegal aliens at the border since they were deployed last year. National Guard troops are also responsible for the recovery of 4,783 pounds of cocaine, 703 vehicles, \$60,000 in currency, and a 22 percent increase in the amount of marijuana interdicted at the border.

The Administration has not sought to fund this increase, arguing instead that the responsibilities currently shouldered by the can be assumed by a recently beefed-up Border Patrol. Sessions, with the assent of his Senate colleagues, want to wait a longer time before troop withdrawal occurs.

The Defense Appropriations bill includes less funding for ballistic missile defense. Both the House and Senate worked to shave approximately \$300 million from the President's requested \$8.85 billion, with funds shifted to more immediate needs.

Both the House and Senate also used the spending bill to add \$500 million to provide funding for a second engine design for the Joint Strike Fighter.

HOUSE JUDICIARY EXTENDS INTERNET ACCESS TAX MORATORIUM

On Wednesday, October 10, 2007, the House Judiciary Committee acted to extend the current ban on Internet-access taxes by four years. By unanimous vote of 38 members, the Committee approved HR 3678, maintaining the current moratorium from October 2007 through October 2011.

The primary debate in the Committee had been how long the ban should last, and a strong push from members seeking for a longer extension was narrowly held back. The panel rejected by a 15-21 vote an amendment by Rep. Robert Goodlatte (VA) to make the ban permanent.

The panel then backed Goodlatte and his extension supporters with a 20-18 vote to extend the ban for eight years. But Chairman John Conyers (MI) rounded up more votes for his side and pushed for a revote. He won it 17-22, overruling the 8-year extension amendment and changing it to a 4-year extension.

HR 743, authored by Anna G. Eshoo (Menlo Park), would establish a permanent moratorium. It has 239 cosponsors as of this writing, including a bipartisan majority of California's Congressional delegation.

A similar debate, and push for a longer-term or permanent extension, is expected when the measure is considered in the Senate in the near future.

LABOR-H INCREASES FUNDING FOR SAN FRANCISCO HIV/AIDS PATIENTS

On October 9, 2007, HR 3043, the Fiscal 2008 Labor-HHS-Education Appropriations bill became a focal point due to a provision that increases aid to San Francisco's AIDS and HIV patients. If the House-passed spending bill becomes law, it would provide \$6.2 million to San Francisco HIV/AIDS treatment programs, the Government Accountability Office says. According to the GAO, an additional \$3.2 million in the provision would be divided among nine other areas. Proponents intend the money to partly make up for an \$8.5 million cut San Francisco took this year under a new funding formula created in a law (PL 109-415) passed in the last days of the 109th Congress. Rep. and House Speaker Nancy Pelosi (San Francisco) noted in a statement that the bill would provide \$32 million extra in 2008 for city HIV/AIDS programs across the country, the largest increase in seven years. For more information, please visit <http://www.house.gov>.

CALIFORNIA BUDGET PROJECT'S SCHOOL FINANCE REPORT COMPARES STATE'S PERFORMANCE

Last week The California Budget Project (CBP) released a new School Finance Facts paper entitled: *How Does California Compare?: Funding California's Public Schools*, authored by CBP Director Jean Ross. The report analyzed various comparisons of California public school spending and other state's spending. California's spending on public education has generally lagged behind that of the nation, with the gap widening after the passage of Proposition 13 in 1978. California's system of financing education relies heavily on state funding rather than local property taxes, which differs from the pattern of the nation as a whole. This difference is largely due to Prop 13's limits on the local property tax and other local revenues as well as other measures which help schools and local governments cope with the loss of local revenues. This report compares school spending and revenues in California to those of other states and addresses where California schools get their money.

A few key points from the report include:

- Ranked 34th among the 50 states in K-12 spending per student, California's spending is \$959 less per student than the US average
- To reach the US level of spending per student, California's schools would have had to spend an additional \$5.9 billion in 2005-06, an increase of 11.1%
- Ranked 48th in the nation with respect to the number of students per teacher, California averaged 19.1 students for each teacher, while the US as a whole averaged 14.7 students per teacher in 2005-06
- During the 1970s, California's school spending per student was close to, or even higher than, that of the US as a whole. But since 1981-82, California's has consistently spent less per student than the US average
- During most of the 1990s, California lagged the nation in per student spending by more than \$1,000 in inflation-adjusted dollars

- California's schools spent 95.3 cents of each education dollar on instruction and student services, while schools in the US as a whole spent 93.9 cents for the same purposes
 - In 2005-06, California's elementary and secondary schools received 61.4 % of their revenues from the state and 27.3 % from local sources, primarily local property taxes while schools in the US as a whole received 47.7 % of their dollars from state sources and 43.2 % from local funds, primarily property taxes
- To view the report, please visit <http://www.cbp.org> .

CMTA SEEKING RETENTION OF EPA OZONE STANDARD

Testifying before a recent US EPA Field Hearing in Los Angeles, California Manufacturers & Technology Association President Jack Stewart urged the agency to continue the EPA's on-going efforts to improve the nation's air quality and not to change course mid-stream, as it is considering doing. In July 2007, EPA proposed new rules for ozone that would replace the current standard, which has yet to be fully implemented.

At present, 391 counties nationwide are deemed to be in "nonattainment" for ozone, i.e. not in compliance with EPA's ozone standard. According to Stewart, that number could triple, to as many as 1,243 counties, should EPA's most stringent ozone standard option take effect. Stewart and CMTA have expressed concern that stricter standards under consideration could lead to "plant closures and massive manufacturing job losses, significantly higher energy and transportation costs, and new environmental controls requiring billions of dollars in capital expenditures." CMTA recommended that "The EPA should focus on helping communities meet the current standard before imposing new standards."

In supporting his argument that the current ozone standard is working, Stewart noted that EPA's own data show that total emissions of the six principle air pollutants have dropped 54% since 1970 and the national average for ozone levels has decreased by 21% since 2006. He suggested that current federal and state initiatives will significantly reduce ozone-producing emissions from power plants by 50 percent by 2015 and from cars and trucks by more than 70 percent by 2030. His testimony also questioned the marginal benefit of the proposed further standard tightening -- particularly when balanced against the potential costs, which EPA estimated to be \$27 billion annually with a cumulative cost of more than \$180 billion. He commented, "A term I learned during California's global warming debate is 'leakage,' or the inadvertent act of moving jobs and their related emissions from one geographic region to another due to increased regulatory costs. If the cost of complying with a lower ozone standard causes U.S. manufacturers to move industrial operations to less costly, less regulated locations in such places as Mexico, South America or Asia, then we have succeeded only in doing harm to our economy while transferring emissions to another region of the world."

EPA accepted comments through October 9, 2007, and will now begin deliberating regarding the next phase of its rulemaking process.

Counterintuitively, the proposed change to a stricter standard could somewhat dilute California's share of federal transportation funding. Federal funds for the Congestion Mitigation & Air Quality (CMAQ) program are based primarily on which regions are in compliance with federal air quality standards for ozone (and other pollutants). Since most California counties -- and the vast majority of the state's population centers -- are already in noncompliance, the change could yield far greater competition for the federal funds the state currently wins handily. Unlike the 9% share of most federal highway money, California now receives nearly 22% of CMAQ dollars.

For more information about the standard or proposed changes to it, visit <http://www.cmta.net/> or the US EPA at <http://www.epa.gov> .