



# THE CALIFORNIA INSTITUTE FOR FEDERAL POLICY RESEARCH

1608 Rhode Island Avenue, NW, Suite 213, Washington, D.C. 20036  
202-974-6384 fax:202-223-2330 e-mail: [randsell@calinst.org](mailto:randsell@calinst.org) web: <http://www.calinst.org>

## California Capitol Hill Bulletin

### Volume 15, Bulletin 21 – July 18, 2008

*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.*

#### **IMMIGRATION: HOUSE HOMELAND SECURITY EVALUATES VISA WAIVER PROGRAM**

The House Homeland Security Subcommittee on Border, Maritime and Global Counterterrorism held a hearing on Wednesday, July 16, 2008 entitled “Implementing the 9/11 Act Mandates for Enhancing the Visa Waiver Program.” The Subcommittee heard from Richard C. Barth, Assistant Secretary at the Office of Policy Development, Department of Homeland Security (DHS); Stephen A. Edson, Deputy Assistant Secretary for Visa Services, Bureau of Consular Affairs, Department of State; Robert Mocny, Director of the US-VISIT Program at DHS; Douglas E. Lavin, Regional Vice President for North America, International Air Transport Association; Greg Principato, President of the Airports Council International; and Nathan Sales, Assistant Professor at George Mason Law School.

In her opening remarks, Chairwoman Loretta Sanchez (Anaheim) stated: “US-VISIT exit is an essential tool to identify visa overstays and ensure that visitors who enter the country actually leave, by obtaining their biographic and biometric data upon departure. However, recent GAO reports have shown that the DHS US-VISIT pilot program, had a low compliance rate, was poorly planned, and had inadequate evaluations by senior officials.” Sanchez stated that she opposes a proposed DHS rule to would require the airline industry to be in charge of collecting and maintaining traveler sensitive biometric information, “as it not only imposes an additional burden on an already stressed industry, but it will also cost the industry over 12 billion dollars to implement the program and train their employees.”

In their testimony, the Homeland Security representatives pointed out that the proposed rule would not require the air and sea carriers to process the exit data collected, but only to collect it and transmit it to DHS. They did not address in their written statement, however, the financial impact on the carriers. They stated that DHS would publish a final rule before the end of this year.

Mr. Lavin testified that IATA strongly opposes the proposed rule, arguing that the federal government does not have the legal authority to force airlines to fund the program, DHS has significantly underestimated

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the cost to the airlines of implementing the program, and the carriers are not in a financial position to fund the program.

For the testimony of all witnesses, go to: <http://homeland.house.gov> .

**EDUCATION: HOUSE EDUCATION AND LABOR COMMITTEE  
SEEKS INSIGHT ON PARTNERSHIPS IN EDUCATION**

On Thursday, July 17, 2008, the House Education and Labor Committee held a hearing entitled "Mayor and Superintendent Partnerships in Education: Closing the Achievement Gap."

The hearing, called by Chairman George Miller (Martinez), was held in an effort to learn lessons from the successes of Mayor-Superintendent partnerships in some of the nation's largest cities.

Chairman Miller said it is important to look at all programs that have helped close the achievement gap among students and learn all we can about their success. He also said this is of critical economic importance because American students are falling behind students in other countries when it comes to mastering basic skills, like math, science, and reading.

Hearing witnesses included New York City Mayor Michael Bloomberg and Washington DC Mayor Adrian Fenty, as well as schools chiefs for Chicago, Atlanta, New York, and Washington. Mayors Bloomberg and Fenty gave examples of their successful programs, outlined how some No Child Left Behind (NCLB) measures have helped them achieve success, and made recommendations for improvements to the program.

Chairman Miller commented: "As Congress considers how we can best improve our federal education laws, we need to pay attention to the impressive work [our witnesses] are doing, how [they] are doing it – and most importantly – what [they] have learned along the way...We know we need to do a better job of providing all students with an excellent education that will prepare them to take on the jobs of tomorrow, to be our next great generation of innovators and leaders.

Rep. Buck McKeon (Santa Clarita), the Ranking Republican on the Education & Labor Committee, drew attention to a common theme among the witnesses: the belief that high-quality teachers are essential to improving student academic achievement. He commented, "Education reform is one of the most difficult challenges facing our nation's mayors and local leaders. But it is also one of the most important. What these school leaders have in common is their steadfast commitment to casting aside the status quo in favor of reforms that put students ahead of the system."

DC schools Chancellor Michele Rhee cited forward progress already made and said, "To further these gains and decrease the achievement gap, we must continue to increase the level of accountability for everyone in the system, including teachers. We must be able to significantly reward teachers who are successful and to exit those who, even with the right supports, are unable to increase their students' academic growth."

McKeon said, "There are many ingredients necessary to successful education reform, and I believe most of them are rooted in the notion of parental empowerment and a 'students first' mentality."

For more hearing information visit <http://edlabor.house.gov> .

## **APPROPRIATIONS: SENATE PANEL APPROVES FY 2009 AGRICULTURE SPENDING BILL**

On July 17, 2008, the Senate Committee on Appropriations approved its FY 2009 Agriculture, Rural Development, Food and Drug Administration, and Related Agencies funding legislation. Following are some highlights of the legislation:

- Food Safety and Inspection Service (FSIS): The bill provides \$973.566 million for FSIS, which is an increase of \$43.446 million above FY 2008 and \$21.620 million above the budget request.
- Watershed Rehabilitation Program: The bill provides \$20 million for the Watershed Rehabilitation Program and allows the obligation of \$30 million in mandatory Farm Bill funds.
- Special Supplemental Nutrition Program for Women, Infants, and Children (WIC): The bill provides \$6.750 billion for WIC, which is an increase of \$1.13 billion above FY 2008 and \$650 million above the budget request. Once again this year, the nation is faced with rising food and participation costs. The Committee rejected several budget request program modifications including changes to the amount allocated for Nutrition Services Administration (NSA) and certain eligibility criteria.
- Rental Assistance: The bill provides \$1.005 billion for rental assistance, which is \$526.285 million above the fiscal year 2008 level and similar to the budget request. The funding increase is the result of nearly all the rental assistance contracts for the 515 multi-family rental assistance program expiring in the same year. Failure to renew these contracts would result in large-scale evictions of tenants, which are largely comprised of elderly, disabled, and single head-of-household families.

The Institute will prepare a more detailed analysis from a California perspective which will be made available in the near future.

For more information visit <http://appropriations.house.gov> .

## **INTELLECTUAL PROPERTY: SENATE FINANCE ASSESSES IP ENFORCEMENT**

On Tuesday, July 15, 2008, the Senate Finance Committee held a hearing on "International Enforcement of Intellectual Property Rights and American Competitiveness." The Committee received testimony from the following witnesses: Andrew Lack, Chairman, SONY BMG Music Entertainment, New York, NY; Jeffrey Kindler, Chairman & Chief Executive Officer, Pfizer Inc., New York, NY; John Barton, George E. Osborne Professor of Law, Emeritus, Stanford Law School, Stanford, CA; and J. Walter Cahill, International Vice President, International Alliance of Theatrical Stage Employees, Moving Picture Technicians, Artists and Allied Crafts, Washington, DC.

Mr. Lack testified that the record industry now "faces a piracy phenomenon on two fronts. One involves the physical marketplace, in which we confront increasingly organized and multinational criminal enterprises involved in massive production and trafficking of pirate CDs and other optical media. The second front of the piracy war exists in the online marketplace. Here, too, global criminal organizations are engaged in illegal distribution directed at generally law abiding citizens who, in the privacy of their own homes, are now actively involved in trading or sharing unauthorized recorded music files." To combat this piracy, SONY BMG is employing a multi-pronged strategy, he said. "First, we are expanding legitimate avenues for digital distribution through creative new business models and experimental licensing arrangements. Second, we are educating the public and our industry partners about the risks involved with piracy and steps they can take to curb infringement. And, finally, we are taking enforcement actions against infringers, and against services that effectively encourage or induce infringement." However, he stressed, the federal government must continue to take a leadership role in protecting intellectual property and enforcing the law. He called for adequate enforcement resources with "dedicated personnel who are focused on seeking out and stopping illegal trafficking in pirated goods." He also noted that Congress has a continuing role in protecting IPR "by holding oversight hearings such as this, by ensuring that the Administration has adequate resources to safeguard this unique American asset, and by ensuring that all trade programs provide maximum leverage to require beneficiary countries to provide effective copyright

protection. Unilaterally extended U.S. benefit programs crafted by Congress continue to play a key role in providing incentives to countries to meet their IPR obligations.”

Mr. Kindler noted three threats facing the pharmaceutical industry: the growth of counterfeiting; the assault on patents; and the failure of foreign countries to reward innovation properly. He stated that “Pfizer’s Viagra is the most counterfeited drug on earth, with losses to counterfeits estimated at \$2 billion per year, significantly more than last years’ Viagra sales of \$1.8 billion.” He called for continuing the attack on counterfeiting overseas, as well as stepped up efforts to prevent counterfeits from entering the United States.

Kindler argued that the May 10, 2007 Agreement on trade between Congress and the Administration to strengthen the labor and environmental provisions of Free Trade Agreements has weakened IPR for pharmaceuticals by making it more difficult to compete internationally in three areas: data exclusivity; patent linkage; and patent term extension. Kindler called for stronger enforcement, as well as stronger enforceable provisions in trade agreements. He also argued for a new anti-counterfeiting trade agreement and greater data exclusivity.

Dr. Barton’s testimony discussed some of the negative effects of the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) and IP trade policy on developing nations, especially in the areas of pharmaceuticals, agricultural, and climate change technology. In conclusion, he stated that he believes it is in the best interests of both the U.S. and the world “to transfer technologies to the developing world in areas like medicine, agriculture, and clean energy. This reflects a humanitarian concern; it builds markets; and it contributes to building a world that is safe for all of us to live in on a long term basis. In all three of these sectors, the industries and markets are global, the cost of research is shared by public and private institutions, the expenditure and investment patterns are shaped by a variety of regulatory and pricing regimes, and the developing world’s access to innovation is beneficial to us. Each of the areas is best approached in a sector-specific manner that recognizes the role of IP without overweighting that role, and that seeks to structure the entire world research incentive system in a way that balances the need for innovation with the need for access to that innovation.”

To obtain the testimony of all the witnesses, go to: <http://www.finance.senate.gov> .

## **TECHNOLOGY: SENATE JUDICIARY EXAMINES FUTURE OF INTERNET ADVERTISING**

The Senate Judiciary Subcommittee on Antitrust, Competition Policy and Consumer Rights held a hearing on “The Google-Yahoo Agreement and the Future of Internet Advertising” on Tuesday, July 15, 2008. The Subcommittee heard testimony from the following: David Drummond, Senior Vice President, Corporate Development and Chief Legal Officer, Google, Mountain View, CA; Michael Callahan, General Counsel, Yahoo!, Sunnyvale, CA; Brad Smith, Senior Vice President and General Counsel, Microsoft, Redmond, WA; Matthew Crowley, Chief Marketing Officer, Yellowpages.com, on behalf of AT&T; Glendale, CA; and, Tim Carter, President and CEO, Askthebuilder.com, Cincinnati, OH.

Mr. Drummond explained that on June 12, 2008, Google announced a non-exclusive advertising agreement giving Yahoo! the option to display Google-supplied ads alongside Yahoo!’s search results, web pages, and partner properties in the United States and Canada. Yahoo! can use Google ads on as many or as few of its search result and content pages as it chooses. The agreement lasts for four years, and can be renewed for two additional three-year terms. He stressed that the agreement will not affect Yahoo!’s natural search results. “Yahoo! will continue to operate its own search engine and display natural search results in the same manner it does today. The arrangement therefore will not increase Google’s share of search traffic, contrary to some claims,” Drummond said. He stressed that it is a non-exclusive agreement and that Google was not required to obtain approval from the Department of Justice antitrust office before implementing the agreement.

Mr. Callahan testified that the agreement will in fact make Yahoo! an even stronger competitor to Google, to Microsoft and to others in online advertising. Callahan laid out a number of arguments supporting the agreement and refuted the claim some have made that Yahoo! and Google are price-fixing. He argued that “prices for search terms are set by open and

fair market-based auctions, and advertisers only pay when consumers click on their ads.” He concluded by stressing that the privacy of its consumers will remain of paramount importance to Yahoo!

Mr. Crowley strenuously criticized the agreement, saying “ it would do nothing to ensure a vibrant, innovative, competitive check on Google’s dominance – it would merely create a dependent and atrophying Yahoo!” He argued that under the agreement, “Yahoo! will turn over some material percentage of its search advertising inventory to Google and will, in turn, become dependent on payments from Google. If this is allowed to happen, it seems obvious that advertisers will have a diminishing ability to play Google and Yahoo! against one another in a competitive marketplace. The result, of course, would be less choice and higher prices for advertisers...” Furthermore, Crowley testified, “the deal would dramatically lessen Yahoo!’s incentive to invest in its search advertising technology, leading to a downward spiral of decaying capabilities on Yahoo!’s advertising platform and eventual monopoly control over this important segment of the Internet marketplace by the already dominant player – Google.”

For the testimony of all the witnesses, go to: <http://www.judiciary.senate.gov> .

### **RESOURCES: RESOURCES SUBCOMMITTEES CONSIDER CALIFORNIA LEGISLATION**

On Tuesday, July 15, 2008, the House Natural Resources National Parks, Forests, and Public Lands Subcommittee held a hearing on pending legislation, including three bills sponsored by California members.

HR 5671, sponsored by Rep. Wally Herger (Chico) would amend the laws establishing the Whiskeytown-Shasta-Trinity National Recreation Area and the Columbia River Gorge National Scenic Area to authorize the Secretary of Agriculture to retain and utilize special use permit fees collected by the Secretary in connection with the operation of marinas in the recreation area and the operation of the Multnomah Falls Lodge in the scenic area. Rep. Herger testified in support of his legislation.

HR 6305, sponsored by House Speaker Nancy Pelosi (San Francisco), would clarify the authorities for the use of certain National Park Service properties within Golden Gate National Parks and San Francisco Maritime National Historic Park. Craig Middleton, Executive Director of the Presidio Trust, testified in support of HR 6305.

HR 6159, the Deafy Glade Land Exchange Act, sponsored by Rep. George Miller (Martinez), provides for a land exchange involving certain National Forest System Lands in Mendocino National Forest. John M. Vasquez, Member of the Solano County Board of Supervisors and Fouts Springs Joint Powers Authority Board of Directors, spoke in support of HR 6159.

In other action, on Wednesday, July 16, 2006, by a unanimous voice vote, the House Natural Resources Subcommittee on Water and Power, chaired by Rep. Grace F. Napolitano (Norwalk), approved H.R. 2535 -- The Tule River Tribe Water Development Act, sponsored by Rep. Devin Nunes (Visalia).

H.R. 2535 directs the Secretary of the Interior to conduct a study on the feasibility and suitability of constructing a storage reservoir, outlet works, and a delivery system for the Tule River Indian Tribe of California to provide a water supply for domestic, municipal, industrial, and agricultural purposes.

For more information on these bills visit [www.resourcescommittee.house.gov](http://www.resourcescommittee.house.gov) .

### **ENERGY: SENATE ENERGY HEARS TESTIMONY ON CLEAN ENERGY LEGISLATION**

On Tuesday, July 15, 2008, the Senate Energy and Commerce Committee heard testimony from industry investors and experts on two pieces of clean energy legislation: S. 3233, The 21st Century Energy Technology Deployment Act, and S. 2730, The Clean Energy Investment Bank Act of 2008.

S. 3233 is intended to promote the domestic development and deployment of clean energy technologies through the establishment of a 21st Century Energy Deployment Corporation. Its aim is to provide for an attractive investment environment through the development of a stable secondary market for clean energy technology deployment loans. It would also seek the cooperation and support of the private capital market in order to promote access to affordable debt financing for accelerated deployment of advanced clean energy technologies and first-of-a-kind commercial deployments.

S. 2730 would create the Clean Energy Investment Bank of the United States with authority to make investments in eligible clean energy projects using a variety of tools, including loans, loan guarantees, purchase of equity shares, and participation in royalties, earnings and profits.

The Honorable Alexander Karsner, Assistant Secretary for Energy Efficiency and Renewable Energy at the U.S. Department of Energy (DOE); John Denniston, Partner with Kleiner Perkins Caufield & Byers; and, Dan Reicher, Director of Climate Change & Energy Initiatives at Google.org delivered witness testimony.

Assistant Secretary Karsner said the DOE is still reviewing the language of the legislation and has not taken an official position. However, he did offer insight into certain elements of the legislation with which DOE may take issue upon the completion of its review. He commented: "While the Administration has not finished its review of either bill, certain aspects of the new government entities and financing mechanisms proposed in the bills raise a number of issues concerning Federal credit policies, and financial risk and cost to the Federal government, along with certain constitutional concerns that the Justice Department has indicated would need to be carefully considered and addressed. We would have strong concerns about provisions that provide additional exposure of the Federal government to large liabilities

"The private sector is the appropriate and most efficient means of delivering the solutions to the market at scale, but the government can play a facilitating role, where deemed appropriate such as it is currently doing by providing direct funding for research, development, and demonstration programs; by providing additional support such as risk insurance, loan guarantee programs including Title XVII, and production tax credits."

Mr. Reicher said that Google.org, a non-profit founded by Google.com to do philanthropic advocacy concerning clean, renewable energy and global poverty, among other things, was supportive, in concept, of both pieces of legislation. However, he offered recommendations for improvement to the bills that would help technologies reach market faster. Reicher said that S. 3233 would focus "primarily on...the deployment of clean energy technologies at a scale significant enough to actually address our energy-related challenges like climate change, national security, economic competitiveness, and poverty alleviation. The good news is that there is an array of clean energy technologies that have been developed with government and private sector investment that could address our many energy-related challenges. The not so good news is that investment in the actual deployment of these technologies is inadequate."

He offered some of the reasons for this inadequacy, including the following: sometimes the risk profile of the technology is too high; sometimes the return profile of the technology is too low; and, sometimes the technology is too costly in comparison with competing technologies.

"The most important point I will make today," he said, "is that aggressive federal policy can drive private sector investment – measured in the trillions of dollars – that will be required to move the nation and the globe toward a more sustainable energy future." The witness opined that there are several critical steps the federal government must take:

- First, the federal government must put a price on greenhouse gas emissions in order to internalize the costs of climate change and move energy investments toward lower carbon and more efficient technologies.
- Second, the U.S. must remove barriers to cleaner and more efficient technologies and establish rigorous standards to move these technologies to market.
- Third, the government must significantly increase public funding of research and development of advanced energy technologies.
- And fourth, the federal government must provide financial support to the private sector to help move immature and often higher risk technologies to the market - and from there to commercial scale.

Reicher commented that the current bill helps to move towards these ends by providing more capital for investment in projects and increasing the willingness of banks to make loans for clean energy projects by providing a secondary market for their loans through the 21<sup>st</sup> Century Energy Deployment Corporation. The implementation, though, still leaves room for error. "The question is whether the Corporation in its operation

would also purchase loans from higher risk 'Valley of Death' projects... A key issue... will be the level of project risk that the Corporation is willing to assume as it develops a portfolio of loans for the secondary market. I am concerned that the bill will fail to address precisely the kind of higher risk Valley of Death projects - as part of a larger portfolio of projects - that most need a smart push from the government", he said.

He concluded: "S. 3233 as drafted may not result in loans for high-risk projects finding a home in the secondary market and will not provide credit support, such as loan guarantees, for these high risk projects."

Denniston also spoke about the importance of expanding financing projects and loan guarantees. He commented: "[V]enture capital and technology industry professionals are deeply concerned about the risks posed by our energy crisis, encompassing climate change, the rising scarcity and cost of fossil fuels, and increasing threats to our global competitiveness. At the same time, our industry is in a unique position to recognize the opportunities these challenges present to build our economy, creating jobs and prosperity.

"Only by means of a massive deployment of renewable energy can we hope to address all three dimensions of our energy crisis, protecting our environment and enhancing our national security, while at the same time advancing our economy," Denniston added.

"A key impediment to more rapid commercialization of renewable energy is the scarcity of debt financing. More available credit would help many emerging green technologies transition to large-scale production. Yet lenders have been hesitant to finance these projects, mostly due to the novelty of the technologies and their lack of a track record. This leaves green entrepreneurs who want to grow fast with the sole option of financing that growth through equity investments. Thus, they start out at a major disadvantage compared to most conventional energy sources, which have historically had easy access to the credit markets. Loan guarantees would not only eliminate that disadvantage but also help renewable energy projects get more affordable financing terms. That, in turn, would help reduce their production costs, addressing another handicap relative to incumbent energy sources."

For more information visit <http://energy.senate.gov>

## **TRANSPORTATION: HOUSE T&I COMMITTEE ADDRESSES HIGHWAY SAFETY**

On Wednesday, July 16, 2008, the House Transportation and Infrastructure Subcommittee on Highways and Transit convened a hearing on highway safety. The hearing, entitled "Improving Highway Safety: Assessing the Effectiveness of the National Highway Transit Safety Administration (NHTSA's) Highway Traffic Safety Programs", addressed the effectiveness of the highway traffic safety programs operated by the National Highway Transit Safety Administration.

Jim Ports, Deputy Administrator of the National Highway Traffic Safety Administration and Katherine A. Siggerud, Director of Physical Infrastructure Issues at the Government Accountability Office (GAO) presented testimony.

Ports spoke about the dangers addressed by the Highway Traffic Safety Programs; the effectiveness of current programs; challenges faced by these programs; and, what NHTSA is doing to improve outcomes. Ports commented: "In 2005, according to the Centers for Disease Control, once again motor vehicle crashes were the leading cause of death for Americans for every age 2 through 34. In 2006, more than 42,600 people lost their lives on U.S. roadways and 2.6 million were injured in vehicle crashes. The associated financial costs are staggering: over \$230 billion each year."

Most of these deaths are preventable, according to Ports: "[M]any of these deaths were preventable. Over 90 percent of crashes are caused by human factors, such as speeding, lack of seat belt use and alcohol impairment...In 2006, alcohol-impaired driving fatalities accounted for more than 13,400 deaths or 32 percent of all traffic fatalities."

Current Highway Safety Programs are aimed at curbing fatalities from the aforementioned problems. Included in the NHTSA's approach to reducing these preventable fatalities are:

- High visibility enforcement campaigns targeting impaired driving, combining the efforts of State and local law enforcement partners with national promotional efforts to increase enforcement and create a general deterrence to drinking and driving.
- Support for the criminal justice system to prosecute and adjudicate impaired driving cases
- Expanding the use of ignition interlocks and pursuing other advanced alcohol detention technology solutions.

Concerning seat belt use, Ports reports the most effective efforts are “high visibility enforcement campaigns – like our ‘Click It or Ticket It’ campaign – together with strong primary seat belt laws.” However, he says that not enough states have primary seat belt laws. He remarked: “[P]rogress has been hindered by the fact that only 26 States have primary enforcement laws. One State has no adult seat belt law and the other 23 have less effective secondary laws that only allow officers to issue a seat belt citation to a motorist after they stop the driver for another violation.”

He recommended that more states adopt primary seatbelt laws, mandatory motorcycle helmet laws, and that the NHTSA and state departments of transportation continue to focus on keeping children safe by enhancing and enforcing children’s restraint – or child seat – laws.

Siggerud said the GAO found that there has not been a full assessment of these programs’ effectiveness, and that some key issues persist. She also made recommendations for the reauthorization of the programs. She commented: “NHTSA has not yet assessed the effectiveness of the grant programs, but selected state officials told GAO the programs are helping to address key traffic safety issues such as unrestrained driving and alcohol-impaired driving...[A] key indicator of effectiveness at the national level—the number of traffic fatalities annually—has remained essentially constant over the last 10 years, although traffic fatalities per vehicle mile traveled have declined by about 14 percent. During this time, some causes of fatalities have changed...The challenges associated with the safety incentive grants, the lack of performance accountability mechanisms to tie state performance to the receipt of grants, and the persistence of substantial numbers of traffic fatalities nationwide raise issues that Congress may want to consider in reauthorizing funding for traffic safety programs when SAFETEA-LU expires in 2009.”

For more information visit <http://transportation.house.gov> .

## **HEALTH: SENATE FINANCE COMMITTEE ADDRESSES EFFECTIVENESS OF HEALTH INFORMATION TECHNOLOGY**

On Thursday, July 17, 2008, the Senate Finance Committee held a hearing entitled "The Right Care at the Right Time: Leveraging Innovation to Improve Health Care Quality for All Americans." The committee heard from leading industry experts about the effectiveness of implementing Health Information Technology (HIT) systems to improve the effectiveness and efficiency of the American health care system, and ultimately improve patient care.

Richard Hillestad, Principal researcher and professor at RAND Graduate School in Santa Monica, CA; and, George C. Halvorson, Chairman and CEO of Kaiser Foundation Health Plan Inc., in Oakland, CA, delivered primary witness testimony.

Hill spoke about the potential benefits and costs of broader adoption and effective use of HIT as estimated by a RAND study from 2005. His testimony focused on how HIT might transform care and reduce costs; the potential savings and costs if HIT is widely adopted and done right; and some of the important disincentives to achieving the benefits along with possible government actions to reduce barriers.

He commented: “The hope of many is that the broad adoption of HIT systems ...will transform health care in terms of making it more efficient and effective simultaneously. Efficiency would be enhanced by reduced test duplication, improved drug utilization, better scheduling, reduced paper record handling, and improved claims processing and billing. Effectiveness would be enhanced by reduced errors, reminders to improve preventative care... improved management of chronic illness, and improved continuity of care for those patients seeking care away from their primary provider.”

“The RAND study of HIT estimated the potential benefits and costs of a much broader adoption and effective use of HIT systems.. [W]e estimated that the efficiency savings enabled by HIT could reach approximately \$80 billion per year at the 90 percent adoption level for hospitals and physicians. In turn, we estimated the costs to achieve those efficiency savings in 15 years would average about \$8 billion per year or \$120 billion total. During the 15-year adoption period, the cumulative net savings would be about \$510 billion or approximately \$34 billion per year. To put these potential savings in perspective, \$80 billion is 4 percent of the annual \$2 trillion cost of health care in the United States. About 75 percent of the potential efficiency savings are associated with hospitals and 25 percent are associated with physician offices.”

There are significant barriers to adoption though, he argued. “The primary one being what can be called a ‘market failure’: Those who must purchase the systems (the providers—hospitals and physicians) are not the same ones receiving most of the savings (the payers) or the health benefits (the patients)”, he said. Other issues include the concern that “the larger, better endowed hospitals and physician practices are adopting HIT at a significantly higher rate than smaller, lesser-endowed hospitals and physician practices. The effect of this uneven adoption in the rate of adoption could be to increase disparities in health care.” Overcoming these disincentives to adoption may require subsidies, he said.

Halvorson said the health care industry is so dysfunctional that it “will not be reformed without intervention by public policymakers and purchasers. There is no incentive -- in fact, there is a disincentive -- for providers to adopt more coordinated and efficient approaches to care delivery.” Kaiser Permanente has already begun to adopt HIT technology with great results, though, and they are planning on expanding the program. Halvorson commented: “At Kaiser Permanente, we are already realizing the value of health IT. With secure 24/7 access to comprehensive health information, our care teams are able to coordinate care at every point of service – physician’s office, laboratory, pharmacy, hospital, on the phone, and even online. Our early results demonstrate that health IT...helps to make care safe, effective, patient-centered, timely, efficient, and equitable.

“My advice for you today is this: Our nation’s current non-system -- depending on siloed and separate paper medical records and providing perverse financial incentives that directly reward sub-optimal care and discourage efficiency -- will never reform itself. It will also never magically become a “system.” We need to focus on the areas of the greatest potential - and we need to put computerized support systems in place as soon as that work can be done.”

For more information visit <http://finance.senate.gov> .

## **WATER: SCHWARZENEGGER & FEINSTEIN PROPOSE WATER BOND MEASURE**

On July 11, 2008, Governor Arnold Schwarzenegger and Sen. Dianne Feinstein presented legislative leaders with a compromise water bond proposal to address the state’s worsening water crisis.

The \$9.3 billion bond proposal that the Governor and Senator Feinstein have proposed includes the following elements from all stakeholders and is intended to be a compromise approach that will move California toward a reliable water future:

- Increased water storage to ensure our water supply is more reliable year-to-year and the state is able to capture excess water in wet years to use in dry years
- Improved water conveyance to reduce water shortages
- Restored Delta ecosystem to allow California to take control of its own water systems
- Increased conservation and tools to use water more efficiently

Association of California Water Agencies (ACWA) Executive Director Timothy Quinn lauded the Schwarzenegger and Feinstein for their leadership in jumpstarting negotiations to put a comprehensive water bond package on the November ballot. However, he also stressed that the legislature “must move to immediately appropriate funding for critical projects already authorized under Proposition 84, Proposition 50 and Proposition 1E. The funding should be disbursed to local water agencies swiftly to allow conservation, recycling and other projects to proceed as soon as possible.”

For details of the proposal, go to: <http://gov.ca.gov/index.php?/press-release/10148/> .

## **WATER: NEW REPORT FROM PPIC FINDS PERIPHERAL CANAL “MOST PROMISING STRATEGY” FOR BALANCING WATER GOALS**

A report released by the Public Policy Institute of California on July 17, 2008 concludes that building a peripheral canal to carry water around the Sacramento-San Joaquin Delta is “the most promising strategy to balance two critical policy goals: reviving a threatened ecosystem and ensuring a high-quality water supply for California's residents.”

The report's authors find that sending water south through the Delta to pumps for delivery across California “disrupts the natural water flow, has threatened native fish and made the Delta attractive to invasive species. Furthermore, it is unsustainable. Projected sea level rise, crumbling ancient levees, larger floods, and high earthquake potential will inevitably result in a dramatically different Delta environment. This environment will have saltier water, which will be much more costly to treat for drinking and ultimately unusable for irrigation.”

The report, *Comparing Futures for the Sacramento-San Joaquin Delta*, was funded in part by Stephen Bechtel Jr. and the David and Lucile Packard Foundation and was authored by a multidisciplinary team including Ellen Hanak, PPIC associate director and senior fellow, and Jay Lund, William Fleenor, William Bennett, Richard Howitt, Jeffrey Mount, and Peter Moyle from the University of California, Davis.

It continues to build on the findings of a 2007 PPIC study by the same team, which concluded that the need for a new Delta strategy is urgent. Among the report's recommendations are:

- Plan to allow some Delta islands to flood permanently;
- Begin the transition from the current Delta management system; and
- Develop a new framework for governing and regulating the Delta.

To obtain the report, go to: <http://www.ppic.org> .

## **BRIEFING: WEDNESDAY PRC-CALIF INSTITUTE EVENT ON CAPITOL HILL TO ADDRESS WATER SCARCITY IN WEST**

On Wednesday, July 23, 2008, from 3:00 to 5:00 pm, the Population Resource Center and the California Institute will hold a briefing and roundtable discussion entitled “2030: Population and Water Scarcity in the West.” The briefing will take place on July 23, 2008 from 3:00 pm to 5:00 pm in Room 1324 of the Longworth House Office Building in Washington, D.C.

The discussion will focus on the long-term water outlook for California and the Southwest and the policy implications. Participants in the roundtable include:

- Jeff Jacobs, a scholar with the Water Science and Technology Board at the National Research Council and study director of an important report released last year -- “Colorado River Basin Water Management: Evaluating and Adjusting to Hydroclimatic Variability”;
- Paul Townsley, President of the Western Region of American Water;
- Betsy Cody, Specialist in Natural Resources Policy at the Congressional Research Service (CRS); and
- David L. Reynolds, Director of Federal Relations for the Assn of California Water Agencies (ACWA)

The moderator will be Robert J. Walker, President of the Population Resource Center. Former California Congressman Anthony Beilenson, a member of the Population Resource Center's Board of Directors, will give welcoming remarks.

To attend, please contact: Larry Wilcher at PRC at 202.467.5030 or [lwilcher@prcdc.org](mailto:lwilcher@prcdc.org) .

## **UPCOMING: BRIEFING RE CALIFORNIA AB 32 SCOPING PLAN, JULY 29**

On Tuesday, July 29, from 3:00 - 4:00 pm the California Institute will join with the Business Council for Sustainable Energy to co-host a Congressional briefing on California AB32 Scoping Plan - "The California Global Warming Solutions Act: What Can Congress Learn from the California Experience?" in Room 2247 Rayburn House Office Building. More details will be provided in the near future.