



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 web: <http://www.calinst.org>

California Capitol Hill Bulletin

Volume 15, Bulletin 28 – November 15, 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.

CAPITOL HILL: FOR CALIFORNIA, LITTLE CONGRESSIONAL CHANGE ENHANCES SENIORITY

The November 2008 elections yielded little change for California’s Congressional delegation, with no U.S. Senate races, only two open House seats, and all 51 standing incumbents reelected (despite a few close calls).

In the San Diego-area open seat, Duncan Hunter, Jr. won election to replace his father in Congress. And in the northeastern Sacramento area the votes are still being counted to see whether Tom McClintock or Charlie Brown will replace Rep. John Doolittle.

Thanks to the voters’ renewing terms for 51 of our 53 House members -- a more than 96% return rate -- the state will enjoy slightly more seniority in the House in 2009, meaning the potential for more committee and subcommittee chair positions and other potential benefits.

ECONOMY: EDUCATION AND LABOR HEARING DISCUSSES “THE IMPACT OF THE FINANCIAL CRISIS ON WORKERS’ RETIREMENT SECURITY”

On Wednesday, October 22, 2008 the House Committee on Education and Labor held a field hearing in San Francisco on the “Impact of the Financial Crisis on Workers’ Retirement Security.” The hearing was one of many held by federal lawmakers in the wake of the financial crisis and the passage of the \$700 billion financial rescue bill. California members participating in the hearing included full Committee Chairman George Miller (Martinez) and Ranking Republican Member Howard P. “Buck” McKeon (Santa Clarita), and Subcommittee Chair Lynn Woolsey (Petaluma).

Two of the expert witnesses included Shlomo Benartzi, a professor at the UCLA Anderson School of Management and Jacob Hacker, a professor at UC Berkeley.

Benartzi highlighted three behavioral contributors and obstacles to the current financial crisis and its subsequent impact on retirement security. He identified the tendency for individuals to ‘buy’ and ‘sell’ at inopportune times out of panic, the tendency for individuals to focus on short term losses, instead of long-

CONTENTS:

Capitol Hill: For California, Little Congressional Change Enhances Seniority.	1
Economy: Education and Labor Hearing Discusses “The Impact of the Financial Crisis on Workers’ Retirement Security”.	1
Capitol Hill: Californians Seeking Energy & Commerce Chairmanship for Waxman.	2
Capitol Hill: Rep. Lungren Seeking Post of House Republican Leader.	2
Resource s: Interior Department Opens Door to Offshore Oil Exploration.	3
Housing: Governor Announces Proposal Seeking To Help Californians Keep Their Homes.	3
Resour ces: Governor’s Delta Vision Plan Adopted	4
Capitol Hill: Californian To Lead Obama White House Lobbying Team.	5
Immigration: Report Looks At ICE & Local Gang Suppression Efforts.	5
Education: PPIC Statewide Survey Finds Californians Satisfied with University, College Education Quality, But Concerned about Cost	6
Health: Report on Child Health and Infant Mortality By Family Education and Income Finds California at Bottom.	6
Energy: Next 10 Report Assesses Energy Efficiency, Innovation, and Job Creation in California.	7

ADVISORY BOARD SUPPORTERS
OF THE
CALIFORNIA INSTITUTE

The California Institute wishes to express its heartfelt thanks to the following donors for their generous support, without which none of our work would be possible.

BENEFACTORS

Public Policy Institute of California
The California State University
Sempra Energy
Southern California Edison
PG&E Corporation

PATRONS

AT&T
The Boeing Company
General Atomics
Safeway Inc.
University of California
Verizon Foundation

Hewlett-Packard

SPONSORS

Applied Materials
California Chamber of Commerce
California Federation of Teachers
California Institute of Technology
Center for California Studies, CSU
Chevron
League of California Cities
Pacific Life
Rockwell Collins
SAIC
University of Southern California
Wine Institute

CONTRIBUTORS

Association of California Water Agencies
California Bankers Association
California School Boards Association
California State Association of Counties
City of Los Angeles
International Brotherhood of Teamsters
RAND

Bay Area Economic Forum
California Association of Realtors
California Farm Bureau Federation
California Space Authority
Fleishman-Hillard Government Relations
Metropolitan Water District of So. Calif.
Platinum Advisors
Trimble Navigation
Wyle Laboratories
Xilinx

California Institute for Federal Policy Research
1608 Rhode Island Ave, NW, Suite 213
Washington, DC 20036 www.calinst.org

term benefit, and the tendency for individuals to place too much weight on past performance. He also identified potential opportunities to improve increased retirement security and decrease individual and personal behaviors that are contributing to the problem. These included suggestions that individuals have greater access to information about their retirement accounts and programs, fixing company stock problems, and incorporating retirement income solutions into defined contribution plans.

Hacker discussed the breakdown of the traditional retirement security framework as a result of employers backing away from guaranteed retirement benefits. He suggested that the private pension system is poorly designed for low and middle income Americans, and that most Americans are not protected against major risks as they plan for retirement. He also indicated that the problems that the U.S. is currently facing are only the tip of the iceberg and that fundamental reform will be required to effectively solve the major failures of the current system.

For a list of other witnesses and hearing testimony, go to:
<http://edlabor.house.gov/> .

CAPITOL HILL: CALIFORNIANS SEEKING ENERGY & COMMERCE CHAIRMANSHIP FOR WAXMAN

One of the most significant political conversations during the post-election gathering of House Democrats next week will be who will chair the House Energy & Commerce Committee during the 111th Congress. Rep. Henry Waxman (Los Angeles), currently the aggressive chairman of the House Oversight and Government Reform Committee, is seeking to replace John Dingell (MI) at the helm of Energy & Commerce.

Now 84 years of age, Dingell first came to Congress in 1955 and is the oldest House member. He is presently the longest-serving House member and is the fourth longest-serving member of all time. The seniority system has kept him the top Democrat on Energy & Commerce for nearly 3 decades -- since 1981. However, some criticize his staunch pro-automaker stance (his west-of-Detroit district includes car plants), particularly since his committee theoretically should be the lead panel on clean air and global warming legislation.

The fight for the top committee job has developed into a major struggle. Rep. Waxman has the backing of California's Congressional Democrats, who alone make up 15% of House Democratic Caucus. Influential majority members across the country are lining up on one side or the other. The Steering and Policy Committee is expected to take up the matter next week, and the loser will likely appeal the decision to the entire Democratic caucus shortly thereafter. Both votes will be by secret ballot.

CAPITOL HILL: REP. LUNGREN SEEKING POST OF HOUSE REPUBLICAN LEADER

On Friday, November 14, 2008, Rep. Dan Lungren (Folsom) announced that he would challenge Rep. John Boehner (OH) for the job of House Republican Leader. A veteran

member of Congress and former California Attorney General, Lungren will face off for the post in the next week.

It is common for a party's top House leader to step aside when the party loses a substantial number of members in an election, as Speaker Denny Hastert (IL) did after the 2006 elections. (Rep. Roy Blunt (MO) has decided not to run for another term as Republican Whip.) However, Leader Boehner has stated his intention to remain at the top job in 2009, despite the loss of a similar number of House Republican seats in the November 2008 election.

Lungren said he felt it is inappropriate for the current leader to run unopposed for another term after this fall's losses. Despite Lungren's belief that Boehner is a man of honor and integrity, he commented, "It is my belief that it is neither in the interest of our party or the advancement of our conservative principles to simply affirm the status quo by acclamation in light of what happened on November 4." He stated, "I am embarking on this effort because I think our party is in trouble. If we don't admit our difficulties and address them aggressively, we not only run the risk of becoming a permanent congressional minority, but we will do a disservice to our nation."

RESOURCES: INTERIOR DEPARTMENT OPENS DOOR TO OFFSHORE OIL EXPLORATION

On Wednesday, November 12, 2008, the U.S. Minerals Management Service announced that it will initiate procedures to open up an area 50 miles off the Virginia coastline to offshore oil exploration leases.

A 45-day period for public comment is now underway and will continue through December 29, and no new Virginia leases anticipated before 2011.

The move is concentrated in one location at present, but it signals the first stage in the revival of new offshore drilling. Outside of areas in the western portion of the Gulf of Mexico (off Texas and Louisiana), exploration for new sites has been off limits since 1981. With record gasoline prices last summer raising the political stakes for new energy development, Congress this fall allowed the 1981 moratorium to lapse.

The Minerals Management Service is expected to prepare and present a list of potential sites -- which may include sites off the coasts of California -- before the Bush Administration leaves office on January 20. Such a list would not open any sites to drilling in areas that do not want it, but it is seen as an opportunity for supporters of increased development to shed light on the potential for future drilling if states and other stakeholders were to go along with the idea. The new Administration and the 111th Congress are likely to address the issue as part of broader energy policy discussions in 2009.

California Members of Congress, State Legislators, the Governor, and others have repeatedly expressed opposition to opening any of California's coastline to additional drilling. The moratorium on offshore drilling was in part catalyzed by a 1969 spill off Santa Barbara County. Rep. Lois Capps (Santa Barbara) commented, "President Bush's 11th-hour effort to open sensitive coastal areas to new offshore drilling is nothing more than a desperate attempt to give one more parting gift to his friends in the oil and gas industry." In July, Governor Schwarzenegger said that "in California we know offshore drilling is not the answer. We will continue to foster a market for alternative energies because choice is the only way we will ultimately bring down fuel costs."

HOUSING: GOVERNOR ANNOUNCES PROPOSAL SEEKING TO HELP CALIFORNIANS KEEP THEIR HOMES

In response to the growing mortgage foreclosure crisis, Governor Arnold Schwarzenegger on November 5, 2008 announced an "aggressive" plan to help bring down foreclosure rates in the state. The plan is aimed at helping both borrowers and lenders modify existing home loans in ways that benefit both parties, according to the Governor's office. The Governor's plan also prescribes changes to the way mortgages will be brokered and originated in the future to make lenders more accountable and guard against risky mortgages and unsustainable housing bubbles.

Schwarzenegger intends to call on the legislature to take action on the plan during the special session he expects to call to address both the state budget revenue shortfall and a package of legislation to stimulate California's economy.

Specifics of the plan include:

- A 90-day stay of the foreclosure processes for each owner-occupied home subject to a first mortgage on which a Notice of Default has been filed.
- A "Safe Harbor" under which lenders will be able to exempt themselves from the 90-day stay procedure altogether if they provide evidence to the state official that the lenders have an aggressive modification program in place. An "aggressive modification program" is one designed to keep borrowers in their homes where doing so will ultimately bring investors a better return than simply foreclosing and selling at a loss.
- Loan modification Model: modifications will be based on a 38% housing debt-to-income ratio so that the modified loan is sustainable for the homeowner. The lenders can achieve that 38% level by invoking some or all of the following modification plans:
 - reducing the interest rate to a lower rate for five years or more; e.g., to a rate as low as 3%;
 - increasing the amortization of the loan to 40 years from the start of the amortization period; and
 - deferring some amount of the unpaid principal balance to the end of the loan term, so that the borrower will repay that amount upon refinancing or sale of the property.

The Governor expects that these actions will reduce monthly payments by 25-30%.

In order to prevent another mortgage crisis in the future, the Governor put forth an additional set of proposals, including:

- The Department of Real Estate and Department of Corporations would be able to enforce federal laws and regulations such as the Truth in Lending Act and others, and to discipline real estate licensees who violate those laws and regulations.
- Lending practices would be reformed to protect borrowers by expanding fiduciary duties for mortgage brokers so that borrowers can be assured they are getting a loan that suits their circumstances and penalizing lenders who make false or misleading statements.
- Licensing requirements for loan originators would be increased and standardized.
- California would contribute to a national database for the public to access license status and disciplinary records of all loan originators to prevent dishonest originators from victimizing consumers.
- Pre-counseling interviews would be required for borrowers entering into risky "non-traditional" mortgages, as defined by the federal government, to ensure they understand and accept the terms to which they are agreeing.

The Governor also urges the federal government to require loan originators to retain a portion of the loan risk to encourage sound underwriting of loans and encourages it to promote the use of "covered bonds" which allows lenders to securitize loans but requires them to retain those assets on their balance sheets.

Additionally, Governor Schwarzenegger is advocating that the federal government use a portion of the \$700 billion Troubled Assets Relief Program to buy up and modify troubled home loans or to guarantee modified home loans. The Governor stated that he will also convene a housing summit in the beginning of 2009 to further craft modification and foreclosure abatement solutions.

RESOURCES: GOVERNOR'S DELTA VISION PLAN ADOPTED

Governor Arnold Schwarzenegger's Delta Vision Blue Ribbon Task Force adopted its Delta Vision Strategic Plan on October 17, 2008. The Plan is a comprehensive set of recommendations designed to ensure long-term sustainable management of the Sacramento-San Joaquin Delta, that balances the need for a reliable water supply for California, and protection for the Delta's environmental resources. The 205-page Plan was developed over 20 months by the seven-member Task Force, which received hundreds of comments from stakeholders and citizens.

The Strategic Plan lays out seven key goals and strategies which California policy makers must recognize in order to achieve a healthy Delta and a more reliable water system for Californians. They are:

- Legally acknowledge the *co-equal* goals of restoring the Delta ecosystem and creating a more reliable water supply for California.
- Recognize and enhance the unique cultural, recreational, and agricultural values of the California Delta as an evolving place, an action critical to achieving the co-equal goals.
- Restore the Delta ecosystem as the heart of a healthy estuary.
- Promote statewide water conservation, efficiency, and sustainable use.
- Build facilities to improve the existing water conveyance system and expand statewide storage, and operate both to achieve the co-equal goals.
- Reduce risks to people, property, and state interests in the Delta by effective emergency preparedness, appropriate land uses, and strategic levee investments.
- Establish a new governance structure with the authority, responsibility, accountability, science support, and secure funding to achieve these goals.

To achieve the seven goals, the Task Force recommends 22 strategies and 73 actions, organized under the seven goals. Additionally, ten near-term actions are recommended to address “immediate threats as soon as possible.” The ten near-term actions are:

- Obtain needed information on water diversion and use.
 - Initiate collection of improved socio-economic, ecosystem, and physical structure data about the Delta to inform policy processes and project level decision making by all public agencies, local, state, and federal.
 - Accelerate completion of in-stream flow analyses for the Delta watershed by the Department of Fish and Game.
 - Conduct a Middle River Corridor Two Barrier pilot project.
 - Complete construction of an alternative intake for the Contra Costa Water District.
 - Evaluate the effectiveness of a Three Mile Slough Barrier project.
 - Construct a demonstration fish protection screen at Clifton Court Forebay.
 - Advance near-term ecosystem restoration opportunities.
 - Stockpile rock and other emergency response materials.
 - Assess and improve state capacity to respond to catastrophic events in the Delta.
- To view the report in its entirety, go to: <http://deltavision.ca.gov> .

CAPITOL HILL: CALIFORNIAN TO LEAD OBAMA WHITE HOUSE LOBBYING TEAM

On Friday, November 15, 2008, President-elect Barack Obama officially named Phil Schiliro to head the Administration’s Congressional relations efforts. A key aide to the Obama-Biden campaign and its lead Capitol Hill liaison, Schiliro is a former chief of staff to Rep. Henry Waxman (Los Angeles) and the House Oversight Committee, aide to Sen. Tom Daschle, and 25-year congressional staff veteran. After the new administration enters office January 20, Schiliro will assume the role of Assistant to the President for Legislative Affairs.

IMMIGRATION: REPORT LOOKS AT ICE & LOCAL GANG SUPPRESSION EFFORTS

An October 2008 report by the Center for Immigration Studies examines federal and local law enforcement efforts to suppress immigrant gangs. The report, *Taking Back the Streets, ICE and Local Law Enforcement Target Immigrant Gangs*, was authored by Jessica M. Vaughan and Jon D. Feere, Senior Policy Analyst and Legal Policy Analyst, respectively at CIS.

The report details the Bureau of Immigration and Customs Enforcement’s (ICE) Operation Community Shield (OCS), which has targeted immigrant gang members for arrest and deportation, and how Virginia has

used immigration law enforcement tools to check gang proliferation. OCS was initiated by ICE in 2005 to work with local law enforcement agencies to use ICE resources and legal authorities to apprehending criminal gang members.

Among the reports findings are:

- transnational immigrant gangs are spreading throughout the United States into suburban and rural areas as well as urban areas.

- 80 percent of the aliens arrested under OCS have committed serious crimes in addition to immigration violations, and 40 percent have violent criminal histories.

- the largest number of ICE gang arrests between 2005 and 2007 occurred in San Diego (436 arrests), Atlanta (428), San Francisco (397), and Dallas (379). In Los Angeles, ICE gang arrests were 293 between 2005 and 2007.

- nearly 60 percent of those arrested were Mexican citizens, 17 percent were El Salvadoran, and 5 percent were Honduran.

The authors found no “chilling effect” on the reporting of crime as a result of local law enforcement partnerships with ICE. They also conclude that programs aimed at removing incarcerated aliens, “while helpful, are not as effective in addressing criminal immigrant gang activity as investigative programs such as Community Shield, or other locally-driven strategies.”

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

EDUCATION: PPIC STATEWIDE SURVEY FINDS CALIFORNIANS SATISFIED WITH UNIVERSITY, COLLEGE EDUCATION QUALITY, BUT CONCERNED ABOUT COST

In a survey released on November 12, 2008, The Public Policy Institute of California (PPIC) found that overall Californians believe that California colleges and universities give students a high quality education, but are concerned about cost and diversity.

According to the survey results, only 18-percent of Californians believe that the quality of higher education in the state is a big problem, and over half of Californians would give each of the three public university systems – the University of California, California State University and the Community Colleges – high marks. And, 57-percent of survey respondents believe that the cost of community college is “the right amount,” at \$20 per unit.

The remainder of the survey reflects markedly less positive attitudes and opinions about higher education in California, however. Cost is at the top of a list of concerns for Californians. 84-percent of respondents said affordability is a problem, and cost is the primary concern among all political, regional and demographic groups. 19-percent of individuals believe that lack of government funding is a problem, and 72-percent say that Congress should increase the amount of money available for student loans. An overwhelming 70-percent of respondents stated that they believed that there should be a sliding-scale for tuition and fees. 49-percent of all parents say that they don’t have enough information about financial aid, a problem magnified in Latino households. 83-percent of Californians are concerned about the impacts of the budget crisis on higher education. But despite concerns about cost, most Californians say they are unwilling to raise taxes or increase student fees. Californians also don’t trust their elected leaders to address issues in higher education. Only 27-percent of respondents approve of the way that the Governor is handling higher education, and only 23-percent approve of the way the legislature is the issue.

The survey is the second higher education survey in what will be a series of surveys on education, environment and population issues. The complete survey results can be found at:

<http://www.ppic.org/main/publication.asp?i=848> .

HEALTH: REPORT ON CHILD HEALTH AND INFANT MORTALITY BY FAMILY EDUCATION AND INCOME FINDS CALIFORNIA AT BOTTOM

The Commission to Build a Healthier America's recently released report on children's health directly linked parent education and income to the health of their children. The report, "*America's Health Starts With Healthy Children: How Do States Compare?*", found that children's health improves as family income and education increase. Children in the poorest, least educated families tend to have the worst health, but even children in middle-class families are less healthy than those in upper-class families. The report notes that in the United States a full third of children in the poorest households are in less than very good health, compared with 7% of children in more affluent households. The disparities between family income and health extend to middle class children, who are one and a half times more likely than children in higher income families to have poor health.

The report also found that children's health is tied to parent's education. Across the country, babies born to mothers with at least 16-years of education are less likely to die before reaching their first birthday than babies born to mothers who have not finished high school.

How does California compare to other states? According to the report, Californian children are not as healthy as they could be. The levels for most Californian children fall short of levels for children in the most advantaged sub-groups in the state and across the country. 22.5-percent of children are considered to be in less than optimal health overall, and even among higher-income families, 9.1-percent of children are considered to be in less than optimal health.

Overall, California ranks 50th among states based on the size of the gap in general health status by family income. The report identifies two main factors contributing to the health of California's children: two-fifths of Californian children live in households where no one has more than a high school education, and two-fifths of California children live in poor and near-poor households. The report also indicates that California in particular has unrealized potential to make California's children more healthy in every income, education, race and ethnic group.

Overall, the state with the highest rate of less than optimally healthy kids was Texas. Texas also had the largest income gap in the nation: 44-percent of poor children in Texas were considered unhealthy, while 6.7-percent of kids from wealthy Texas families were considered unhealthy. New Hampshire had the smallest income gap in the nation: 13-percent of low-income children in New Hampshire were considered in less than optimal health, while 6.7-percent of children from higher-income families were considered to be in less than optimal health.

More details and the full report can be found at <http://www.commissiononhealth.org/>.

ENERGY: NEXT 10 REPORT ASSESSES ENERGY EFFICIENCY, INNOVATION, AND JOB CREATION IN CALIFORNIA

According to a recently released Next 10 report, California's policies on energy efficiency and climate change may create jobs and benefit its economy. The study, which is called "Energy Efficiency, Innovation and Job Creation in California," examined the economy-wide employment effects of the state's landmark efficiency policies over the last thirty-five years, and found that California's energy efficiency policies have generated 1.5 million full time jobs, \$56 billion in household energy savings and have reduced energy import dependence. Energy efficiency policies may have resulted in slower growth in some areas, like oil and gas, resulting in fewer jobs in those industries, but the report found that for every job lost or foregone in those sectors, fifty more were created in other areas.

The report also forecasts the economic impacts of aggressive policies, like AB 32, which was signed into law in 2006 by Governor Arnold Schwarzenegger. AB 32, or the Global Warming Solutions Act, established an emissions reductions target and put the California Air Resources Board at the helm of program development and implementation efforts. Later this year, CARB will begin implementing its carbon reduction program. The Next 10 report found that policies like AB 32 may ultimately be good for the economy and job creation. Report findings indicate that AB 32 implementation will increase GSP by about

\$76 billion, real household incomes by up to \$48 billion and result in the creation of as many as 403,000 jobs. Next 10 also found that the economic benefits of energy efficiency innovation have a “compounding effect;” the first 1.4-percent of annual efficiency gains will result in 181,000 new jobs, and the next 1-percent of efficiency gains will result in 268,000 more.

The full report and more information can be found at http://next10.org/research/research_eeijc.html .