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To expand communications between Washington and California, the California Institute provides periodic faxed bulletins regarding current activity on Capitol Hill which directly impacts our state. Bulletins are published weekly during sessions of Congress, and occasionally during other periods. The e-mail edition is made possible in part by in-kind contributions from Sun Microsystems and IBM Corp.

HOMELAND SECURITY COMMITTEE UNANIMOUSLY APPROVES COX BILL TO OVERHAUL STATE AND LOCAL FIRST RESPONDER FUNDING SCHEME

By a 37 to 0 vote on Thursday, March 18, 2004, the House Select Committee on Homeland Security approved H.R. 3266, a bipartisan bill authored by Chairman Christopher Cox (Newport Beach) to revamp distribution of federal homeland security grants to state and local first responders. The bill, entitled the “Faster and Smarter Funding for First Responders Act,” the bill had been approved unanimously by the panel’s Subcommittee on Emergency Preparedness and Response in November 2003 after it was merged with a bill by the Committee’s Ranking Democrat, Rep. Jim Turner (TX). See [Bulletin, Vol. 10, No. 35 \(11/21/2003\)](#). Applauding Turner and the Committee for “hard work and bipartisan spirit,” Cox said, “The legislation prioritizes terrorism preparedness funding for homeland security based on actual threat and vulnerability assessments, rather than political formulas.”

The bill alters the existing formula, which requires only that every state get at least 3/4 of 1 percent of money and under which Wyoming (with just 1/6 percent of the U.S. population), received \$38 per capita in 2004, whereas California received \$5. The bill instead requires that the Department of Homeland Security assess threats facing the nation and distribute funds to states and regions based on state, regional and local preparedness needs, population density, threat levels, and infrastructure assets.

For an analysis of California homeland security grant receipts, see “Federal Formula Grants and California: Homeland Security” a joint California Institute - Public Policy Institute of California (PPIC) report, at <http://www.ppic.org/main/publication.asp?i=481>.

WAYS & MEANS APPROVES TAX BILL FINANCING TRANSPORTATION PROGRAMS AT \$270 BILLION

The House Ways and Means Committee approved a tax measure that would finance a \$270 billion Highway bill by voice vote on March 17, 2004. The bill (HR 3971), authored by Committee Chairman Bill Thomas (Bakersfield), would send \$17 billion to the Highway Trust Fund (HTF)

CONTENTS:

Homeland Security Committee Unanimously Approves Cox Bill To Overhaul State and Local First Responder Funding Scheme	1
Ways & Means Approves Tax Bill Financing Transportation Programs at \$270 Billion	
Fusion Energy Community Meets With California Delegation Members	2
House Panel Reviews DOE Office of Science Funding	3
Nearly-Unanimous House Approves Rohrabacher’s Commercial Space Flight Industry Bill	4
House Space Science Panel Reviews NASA-DOD Cooperation	4
House Subcommittee Holds Medicaid Oversight Hearing, Reviews Intergovernmental Transfers	5
Homeland Security Appropriations Panel Discusses State and Local First Responder Grants	6
Teaching Quality and Education Budget Reviewed at Appropriations Subcommittee Hearing	7
Transportation Subcommittee Looks At Emergency Preparedness	8
Immigration Subcommittee Holds Hearing on US-VISIT Program	8
State Announces Plans To Regulate Perchlorate	9
New PPIC Survey Suggests LA Residents Split on Policy Issues	9
California Roadways Number One in Handling Nation’s Freight	10

over the next six years largely by shifting an alternative fuels rebate scheme from HTF to general revenue sources and cracking down on tax evasion techniques.

Current law taxes ethanol blended fuels at a lower rate than the 18.4 cents per gallon regular gas tax, resulting in a loss of 5.3 cents per gallon in revenue from HTF, the principal source of national surface transportation funds. The House tax bill would eliminate the 5.3 cent tax exemption currently going to producers at the trust fund's expense, and institute a tax rebate program that instead would tap the General Fund. This accounting shift would parallel a similar maneuver in the Senate transportation bill (S. 1072), approved by the Senate last month. The Senate's ethanol exemption would last through 2007; the House bill would extend the subsidy for an additional three years. An amendment by Rep. Earl Pomeroy of North Dakota (a major ethanol producing state), which would have extended the ethanol subsidy indefinitely, failed by voice vote.

Furthermore, the 2.5 cent per gallon share of the federal gas tax currently directed to the General Fund for deficit reduction purposes would be directed to HTF to give extra fiscal muscle to the trust fund, by about \$600 million per year.

Other changes in fuel tax accounting practices designed to curb fraudulent or tax avoidance schemes would stand to provide an additional \$7.5 billion in federal revenues over the next ten years, Treasury analysts estimate.

In all, the adjustments included in the tax bill would amount to an increase of \$17.5 billion in Highway Account revenue over the next 6 years, \$256 million in supplemental Mass Transit Account revenue, while \$13.2 billion would be lost from the General Fund through the same period.

Though the measure predates committee action on a House transportation reauthorization bill, Rep. Thomas presented committee members with a letter of support for his measure from House Transportation and Infrastructure Chair Don Young (AK). Rep. Young has not formally endorsed any transportation funding level lower than his \$375 billion TEALU reauthorization proposal; however, Mr. Thomas stated that his colleague had "accepted the opportunity to attempt to" work on a \$275 billion highways bill, after a private discussion with Speaker Hastert. Rep. Thomas considered moving HR 3971 as critical to enabling the accrual of additional transportation-dedicated money in HTF, while transportation authorizers completed work on the highways and transit bill, though Chairman Thomas stipulated that a final bill "may not move through until after the summer."

The nation's major transportation authorization bill expired last October; however transportation programs have remained in operation through the passage of temporary extension bills. The most recent stop gap measure expires on April 30.

If legislative details can be worked out, the House Transportation Committee may hold a markup of a scaled back surface transportation bill next Wednesday, March 24.

FUSION ENERGY COMMUNITY MEETS WITH CALIFORNIA DELEGATION MEMBERS

On Thursday, March 18, 2004, representatives of the nation's fusion energy sciences community visited Capitol Hill to meet with members of Congress from California and other states. Fusion research -- which seeks to advance plasma science, fusion science, and fusion technology -- is funded by the Department of Energy's Office of Science.

Fusion community members are asking that Congress appropriate a \$15 million increase for fusion programs in 2005. That amount would fund the program at less than \$280 million, which, after adjusting for inflation, is one-third of the amount appropriated annually in the 1970s and 1980s. California continues to win the lion's share of federal fusion science spending.

Noting that the February 2004 DOE Office of Science strategic plan states, "The President has made achieving commercial fusion power the highest long-term energy priority for our Nation," fusion scientists from across the country sought to encourage fusion energy sciences funding to "light a star on earth." The international burning plasma experiment, ITER, is pursuing this goal via the magnetic fusion program, whereas the National Ignition Facility (NIF -- based at Lawrence Livermore National Laboratory in California) is pursuing this goal via a parallel yet different route -- the inertial confinement fusion program.

Among the other federally-supported fusion energy sciences projects underway is the DIII-D National Fusion Facility, a tokamak reactor operated by San Diego-based General Atomics. For additional information, visit <http://fusion.gat.com/>. Various institutions and companies across California receive fusion research funds,

including Lawrence Livermore National Laboratory, Lawrence Berkeley Laboratory, UCLA, U.C. San Diego, SAIC, Lockheed-Martin, Varian Associates, Boeing, and various other universities (including UC campuses at Berkeley, Davis, Irvine and Santa Barbara, as well as Cal Tech and Stanford).

Participants noted that the Administration's FY 2005 budget request for Fusion Energy Sciences attempts to reach a difficult balance between funding US participation in ITER and providing sufficient support for the domestic fusion energy science research program. However, they contended that funds are not sufficient to maintain a domestic fusion energy science research program that will allow the U.S. to support and benefit in the longer term from ITER and from NIF. Specifically, the participants sought additional funds to ensure full utilization of existing experiments, provide for inertial fusion technology and opportunities in High Energy Density Physics, large-scale scientific computing, and cost-effective ongoing construction of new moderate-scale domestic facilities. Current information regarding ITER is available at <http://fire.pppl.gov>.

HOUSE PANEL REVIEWS DOE OFFICE OF SCIENCE FUNDING

On Wednesday, March 17, 2004, the House Appropriations Subcommittee on Energy & Water met to examine appropriations for the U.S. Department of Energy's science, nuclear, and renewable accounts. Subcommittee members received testimony from Robert Card, DOE Undersecretary for Energy, Science and Environment. Providing supporting testimony were directors of several DOE offices, including Dr. Raymond Orbach, Director of the DOE Office of Science and former chancellor of the University of California, Riverside.

In detailed testimony, Undersecretary Card noted that of the \$24.3 billion in total DOE funding the Administration has requested for 2005, a total \$4.2 billion is sought for programs in renewable energy, nuclear energy, science, and electricity transmission and distribution. He stated, "Our continued pursuit of fusion energy power through our participation in the International Thermonuclear Experimental Reactor (ITER) project could hold great promise of helping meet our future energy demand."

Director Orbach noted that the \$3.432 billion budget request for the DOE Office of Science is a \$68.5 million decrease from 2004, but he pointed out that the budget represents an increase of \$72.3 million if congressionally-directed projects (earmarks) are omitted from the calculation.

He said, that DOE "continues its commitment to the future of Fusion Energy Science research with a FY 2005 request of \$264.1 million, slightly above the FY 2004 level." Within that amount, funding for ITER would rise from \$8 to \$38 million -- \$7 million of which would be used for engineers to support the International Team and for the qualification of vendors for superconducting cable, with the remaining \$31 million is for experiments on tokamak facilities and for "component R&D in our laboratories and universities that is closely related to our ongoing program but which is focused on ITER's specific needs."

Card pointed out that the budget calls for \$737 million for the high energy physics (HEP) program, about the same as in FY 2004. As the program's "highest priority," Card cited work at the Fermi National Accelerator Laboratory (Fermilab) in Illinois and the Stanford Linear Accelerator Center (SLAC) in California. In addition, within total funding of \$1.1 billion for basic energy sciences, the budget proposes \$209 million for nanoscale science through atomic- and molecular-level studies in materials sciences and engineering, chemistry, geosciences, and energy biosciences.

Responding to questioning, Director Orbach commented that economic competitiveness is a critical concern, and he drew attention to a joint effort with the Council on Competitiveness to focus on high-end computational infrastructure.

Regarding federal support for wind energy of approximately \$41 million per year, Energy and Efficiency Assistant Secretary David Garman said that some facilities have achieved a cost as low as 4 cents per kilowatt hour, well on the way to a stated 2012 goal of 3 cents per kwh. However, he noted both storage and proximity problems, given that "places where wind blows tend not to be places where people live." However, the panel briefly discussed the prospect for developing offshore wind energy.

Referencing Yucca Mountain, Chairman Hobson stated that he does not support new reactors until there is a long-term waste storage solution. In addition, he noted that whereas he strongly supports advanced computing, he suggested that agencies other than the DOE Office of Science should also share the funding burden for advanced computational infrastructure.

NEARLY-UNANIMOUS HOUSE APPROVES ROHRBACHER'S COMMERCIAL SPACE FLIGHT INDUSTRY BILL

By a vote of 402-1 on March 4, 2004, the House of Representatives approved legislation, sponsored by House Space and Aeronautics Subcommittee Chairman Dana Rohrabacher (Huntington Beach), designed to promote the development of the emerging commercial human space flight industry. The stated purpose of H.R. 3752 (the Commercial Space Launch Amendments Act of 2004) is to "create a clear and balanced regulatory regime" to promote the industry while ensuring public safety. The bill focuses on suborbital vehicles, which could be developed by California companies and launched from California's Vandenberg Air Force Base.

Rohrabacher stated his hope that the bill will encourage businesses and entrepreneurs to continue "pushing the boundaries of technology and safety by building and flight testing hardware, something NASA has yet to do." Science Committee ranking Democrat Bart Gordon (TN) stated his belief that the bill will help nurture the growth of a commercial human space flight industry while at the same ensuring that public health and safety are protected."

The bill specifies that federal authority over suborbital rocket flights and all commercial space flight should reside in the Federal Aviation Administration (FAA) Office of Commercial Space Transportation (AST), and it enables AST to issue experimental permits that can be granted more quickly and with fewer requirements than licenses. The bill would also extend for 3 years government indemnification for the entire commercial space transportation industry (including licensed, non-experimental commercial human space launches) for a period of three years, though it stops short of indemnifying experimental permit flights. Permits could be issued only for "reusable suborbital rockets" used for research and development to test new design concepts, new equipment, or new operating techniques; showing compliance with federal requirements; or crew training prior to obtaining a launch or reentry license.

The bill now moves to the Senate, where a parallel but not identical bill, S.1260, awaits action.

For additional information regarding California's commercial space launch industry, visit the California Space Authority website, at <http://www.californiaspaceauthority.org/>.

HOUSE SPACE SCIENCE PANEL REVIEWS NASA-DOD COOPERATION

On Thursday, March 18, 2004, the House Science Subcommittee on Space and Aeronautics, chaired by Rep. Dana Rohrabacher (Huntington Beach) held a hearing to examine cooperation between NASA and the Department of Defense in space transportation. The committee noted that DOD and NASA both depend on privately manufactured rockets to launch satellites and scientific instruments for national security and research activities. The hearing sought to answer whether coordination between NASA and DOD in developing and purchasing rockets could increase the reliability and lower the cost of launch vehicles, and to consider what the federal government could do to encourage growth in the U.S. domestic launch market.

The panel heard testimony from Rear Admiral (Ret.) Craig Steidle, NASA Associate Administrator for the Office of Exploration Systems; Major General (Ret.) Robert Dickman, Air Force Deputy for Military Space; DOD Director of Defense Research & Engineering Ron Sega; and SpaceX company CEO Elon Musk.

Chairman Rohrabacher commented that cooperation between NASA and DOD is not new, but that bridging the gap between the agencies will take vigorous leadership at the Congressional and executive branch level, as well as in the private sector. He commented that he believed such cooperation would bring the promise of significant benefits to NASA, DOD and the nation as a whole. Chairman Rohrabacher noted a paradigm shift in aerospace and technology, observing that where the military used to provide technological innovation to the private sector, the private sector is now providing that innovation to the military.

Although government-supported launches have continued at a steady rate, the Chairman noted that the domestic launch industry has suffered economically from the recent decline in demand for commercial launches, thereby limiting advantageous economies of scale in producing rockets. He noted, however, that the President's new space exploration initiative will require NASA to use more expendable launch vehicles after the Space Shuttle program is terminated in 2010. The change may expand opportunities for NASA coordination with DOD (as appropriate, given the divergent missions of the two agencies) if a new heavy-lift launch vehicle is developed.

For additional information, visit <http://www.house.gov/science>.

HOUSE SUBCOMMITTEE HOLDS MEDICAID OVERSIGHT HEARING, REVIEWS INTERGOVERNMENTAL TRANSFERS

On Thursday, March 18, 2004, the House Energy and Commerce Subcommittee on Health held a hearing to examine several Medicaid issues. Entitled "*Inter-governmental Transfers: Violations of the Federal-State Medicaid Partnership or Legitimate State Budget Tool?*", the hearing focused on the use of intergovernmental transfers (IGT) between state and local governments, as well as related issues of upper payment limits (UPL) and disproportionate share hospital payments (DSH).

Medicaid finances health care for an estimated 53 million low-income Americans, at a total cost of \$244 billion in FY 2002, including federal, state and local funds. A reimbursement program, Medicaid's formula determines each state's federal share of health care payments on a continuum between 50 and 76 percent, with a national average of 57 percent in 2002. California's 50 percent reimbursement percentage (or FMAP - federal medicaid assistance percentage) is artificially low because the formula incorrectly assumes that states with per capita incomes will have low poverty (an assumption that is valid for most states but invalid for California). Of total federal Medicaid spending, California's share is typically between 10 and 11 percent.

The Subcommittee includes several Californians, including Reps. Henry Waxman (Los Angeles), Anna Eshoo (Atherton), and Lois Capps (Santa Barbara). Rep. Waxman noted that the Medicaid population is the most vulnerable and often has the most complex health problems. The Subcommittee heard from Walter W. Noce, Jr., President and CEO of Children's Hospital Los Angeles (CHLA), and Chairman of the Board of the National Association of Children Hospitals; George M. Reeb, Assistant Inspector General of the Centers for Medicare and Medicaid Audits; and Kathryn G. Allen, Director for Health Care - Medicaid and Private Health Insurance Issues at the U.S. General Accounting Office (GAO).

Both Mr. Reeb and Ms. Allen testified about several creative financing mechanisms used by some states to maximize federal Medicaid funds while state contributions remain unchanged or in some cases decrease. They noted that such practices have been regulated before, most recently in 2001, when the Centers for Medicaid Services (CMS) issued a rule curtailing UPL usage. At that time, the CMS projected that such revisions would save \$55 billion in federal Medicaid funds over a 10-year period, increasing state and local government costs by a commensurate amount.

Mr. Reeb and Ms. Allen explained that Medicaid regulations allow State Medicaid agencies to pay different rates to the same providers as long as payments do not exceed what Medicare would pay for the services -- the "upper payment limit" (UPL) is the percentage of the Medicare maximum payment that is allowable for Medicaid services reimbursement (the UPL has been reduced to 100% from 150% previously). They also explained that the same regulations allow enhanced payments to be made to financially assist hospitals that provide care to a large number of Medicaid beneficiaries and uninsured patients -- the disproportionate share hospital payment (DSH). In addition to reimbursing local governments for provision of health care for low-income populations through inter-governmental transfers, states may also request the return of unused funds from the local governments via IGTs. Mr. Reeb and Ms. Allen argued that some states have used such returned funds to obtain more federal Medicaid funding, or combine such funds with General Fund money for expenditure in non-health related areas.

Ms. Allen urged the Subcommittee to prohibit Medicaid payments that exceed actual costs for any government-owned facility, while Mr. Reeb recommended, among other things, that annual audits be performed of states' UPL calculations to ensure compliance. He also urged that Medicaid payments returned by public providers to the state be deemed a refund of those payments and used to offset the federal financial participation generated by the original payment.

The thrust of Mr. Noce's testimony was somewhat different and offered a providers' perspective. He urged Subcommittee members to avoid reducing Medicaid funds in an effort to reign in program abuses by some states. He noted that providers whose main clientele are Medicaid recipients have the most vested interest in the financial integrity and strength of the program, and that no one will be hurt more by changes in the financing of Medicaid than such enrollees and providers, including the poor children who account for half of all Medicaid beneficiaries. He warned that reductions in Medicaid spending in such difficult fiscal times would seriously damage hospitals' ability to serve all children, not just children of low-income families, as well as add to the numbers of uninsured children.

Upon questioning by Rep. Eshoo, who cited a National Governors' Association letter saying that without IGTs some states -- including California -- will be unable to finance Medicaid, Mr. Noce said that such transfers play an instrumental role in ensuring that children's hospitals get reimbursed for services provided to low-income populations. Without such intergovernmental transfers, Mr. Noce contended, CHLA will experience a \$25 to \$30 million loss over several years, resulting in considerably scaled down services to the Medicaid population and others.

Rep. Eshoo and Rep. Capps asked Mr. Noce what effect the Administration's proposed cut of \$23.5 billion to the Medicaid program would have on California, and in particular on CHLA. He replied that if the cuts were to be implemented, CHLA will experience a loss of up to \$70 million, in effect closing the hospital, and transforming it into a research institution. He recommended that Congress take a targeted approach to censure those states that abuse the intergovernmental transfer practice, rather than penalizing all states.

For full testimony, visit the Health Subcommittee's website at:

<http://energycommerce.house.gov/108/Hearings/03182004hearing1232/hearing.htm> .

HOMELAND SECURITY APPROPRIATIONS PANEL DISCUSSES STATE AND LOCAL FIRST RESPONDER GRANTS

On Thursday, March 18, 2004, the House Appropriations Subcommittee on Homeland Security held a hearing to hear testimony from Suzanne Mencer, Director of the DHS Office of Domestic Preparedness (ODP). The office is the primary source of federal first responder grant funding to state and local governments.

In opening testimony, Director Mencer focused on funding flows, but also noted that the President's budget proposes to change the formula for allocating most federal grant funds from the existing formula (with an unusually high small-state minimum) to a formula focused on threat level, critical assets and population density. She noted that 37 of the state and territorial funding strategies have been approved, and the remaining 19 "should be approved shortly."

Subcommittee Chairman Hal Rogers (KY) acknowledged the ongoing debate over whether and when funds are flowing to the first responders that are the intended recipients of the support and said that there has been "an incredible deluge of money that states have had to absorb in a very short period of time." Mencer stated that application materials for 2003 grant funds were made available to states within 2 weeks of appropriations bill enactment, and that more than 90 percent of funds were awarded within 2 weeks of application receipt. She also noted that on Monday, March 15, 2004, DHS Secretary Tom Ridge created a Homeland Security Funding Task Force to investigate the funding processes.

Following up on that point, Rep. Martin Sabo (WI) noted that the money obligated is significantly higher than the spend-out, which results in large part because local recipients must first spend money and then apply for reimbursement. He expressed concern about what he termed first responder grant cuts proposed in the President's budget -- to which Ms. Mencer replied that the Department believes that additional funding should be shifted to high-density urban areas, where threat levels are highest.

Rep. Lucille Roybal-Allard (Los Angeles) pointed out that Los Angeles shoulders severe costs when the nation's terrorist threat level is raised. She stated that a recent threat-level elevation to orange cost Los Angeles an additional \$7.4 million, and most of that cost was incurred because the alert level for the city remained at orange even though most of the rest of the nation had been reduced to yellow alert. Mencer offered assistance to Los Angeles in ensuring that allowable costs were reimbursed.

Rep. Roybal-Allard also noted that the Los Angeles County Fire Department is among departments denied fire grant funding, and that there have been problems determining the rationale for the denial. In addition, she expressed concern that a \$750,000 cap on fire grants (the average grant nationwide is \$80,000) severely disadvantages Los Angeles and other large, urban fire departments. Mencer said that overtime costs for orange alert protections are allowable expenses, under critical infrastructure grants (in FY 2003) and law enforcement grants (in 2004), but she conceded that both of those programs rely on the USA-Patriot Act formula that severely disadvantages California and other large states, to the financial advantage of small states. (For a detailed analysis of California's receipts from homeland security programs, see "Federal Formula Grants and California: Homeland Security" a joint product of the California Institute and PPIC, available at <http://www.ppic.org/main/publication.asp?i=481> .)

Rep. Price (NC) addressed interoperability of first responder communications systems, and he also criticized the President's budget for its proposed 1/3 cut in grants for the Assistance to Firefighters Grant program from the 2004 level. (No 2004 funding has been spent to date, and the last of the FY 2003 fire grant funds were not allocated until this month.)

In response to a concern of Rep. Jo Ann Emerson (MO) that rural regions should retain funding in any funding restructuring, Mencer replied that "the Secretary [Ridge] is committed to some form of base-line funding," though she did not elaborate.

Rep. John Sweeney (NY) commented to Director Mencer that he is "thrilled that you called for elimination of the Patriot Act formula" in the President's 2005 budget in favor of the alternative proposed in the House Select Homeland Security Committee-approved bill, H.R. 3266, authored by Committee Chairman Christopher Cox (Newport Beach).

TEACHING QUALITY AND EDUCATION BUDGET REVIEWED AT APPROPRIATIONS SUBCOMMITTEE HEARING

On Thursday, March 18, 2004, top federal education officials expressed support for the programs under the No Child Left Behind (NCLB) Act and the President's budget request for them during a hearing before the House Appropriations Subcommittee on Labor, HHS and Education. Acting Deputy Secretary of Education Eugene Hickok and Assistant Secretary of Elementary and Secondary Education Raymond Simon emphasized the significant growth in education program funding since President Bush took office, while stressing the importance of state innovation and federal support to advance quality improvement in schools.

Assistant Secretary Simon outlined the proposed \$25 billion FY 2005 budget for NCLB programs and touted a \$7.4 billion or 43 percent increase over appropriated education levels prior to President Bush taking office. Title I, the largest education program, would receive \$13.3 billion, an increase of \$1 billion over 2004, under the Administration's current budget proposal.

In his testimony, Deputy Secretary Hickok acknowledged challenges faced by school districts implementing NCLB and drew attention to the Department of Education's efforts to assist states with overcoming these challenges. To help states fulfill NCLB's requirement of having all teachers complete a minimum of a bachelor's degree, teaching certification, and subject matter competency by 2005, he cited the Department's establishment of a Teacher Assistance Corps (TAC). Hickok also referenced the issuance this week of departmental guidelines that seek to clarify the law and provide added flexibility to states for the implementation of education programs. Mr. Hickok expressed support for state programs that raise academic standards for teachers, and he discussed alternative certification options at the state level and a national certification program under development at the Department.

Schools not achieving full teacher quality compliance by 2005-2006 are under threat of federal sanctions in the form of reduced Title I grants to states under current education law. Some education organizations have denounced NCLB's sanctions as punishment for unrealistic mandates that take authority and money away from local districts, to which Hickok argued "we cannot allow mediocrity...anxiety is not a bad thing." He went on to report that 85 percent of decision making remains in the hands of states and that states retain authority over proficiency standards, adequate progress, assessments and teacher quality, among other responsibilities.

Committee member Lucille Roybal-Allard (Los Angeles) was dismayed at what she called a "flat funded" program in light of increases in commitment from schools. Rep. Roybal-Allard was also concerned about the elimination of funding for alcohol abuse and underage drinking prevention programs, citing 3500 deaths from underage drinking annually. Deputy Secretary Hickok maintained that the budget is adequate and that the Department received the largest increase of any agency under the President's 2005 Budget proposal. He stated that increases in other alcohol abuse abatement programs such as the Mentorship and Safe and Drug Free Schools programs would make up for program eliminations highlighted by Rep. Roybal-Allard.

For more information or for testimony, visit the House Appropriations Committee website at <http://appropriations.house.gov/index.cfm?FuseAction=Hearings.Detail&HearingId=358&Month=3&Year=2004> .

TRANSPORTATION SUBCOMMITTEE LOOKS AT EMERGENCY PREPAREDNESS

On Thursday, March 18, the House Transportation and Infrastructure Subcommittee on Economic Development, Public Buildings and Emergency Management held a hearing on the Administration's FY05 budget request for the Department of Homeland Security's (DHS) emergency preparedness and response functions. The Subcommittee heard from Michael D. Brown, Under Secretary for Emergency Preparedness and Response (EP&R) at DHS.

The Administration has requested \$27.2 billion for DHS in FY05, including \$5.585 billion for EP&R and \$3.061 billion for State and Local Programs (including the Office for Domestic Preparedness). Funding for Port Security Grants, however, has been reduced to \$46 million, less than 40 percent of the \$124.5 million appropriated in FY04.

The EP&R Directorate is the successor agency to the Federal Emergency Management Agency (FEMA) and in his testimony, Secretary Brown stressed that the new directorate continues to be dedicated to responding to natural disasters, in addition to its responsibility to respond to terrorist events. He testified that in FY03, EP&R obligated \$2.9 billion to respond to such natural disasters as Hurricane Isabel, the forest fires in California, and tornadoes in the Midwest. The directorate is focusing on five missions in FY04: mitigation; preparedness; response; recovery; and, national security. The President's budget for FY05 has requested \$2.1 billion for disaster relief, Secretary Brown testified.

During questioning, Secretary Brown responded that the Administration continues to support predisaster mitigation reauthorization and is working with the Senate in an effort to move the legislation forward. When asked about EP&R's role in port security, Secretary Brown stated that his directorate is working with local communities to help them prepare to respond to all emergencies, including those at U.S. ports.

Testimony is available at: <http://www.house.gov/transportation> .

IMMIGRATION SUBCOMMITTEE HOLDS HEARING ON US-VISIT PROGRAM

The House Judiciary Subcommittee on Immigration and Claims held a hearing on Thursday, March 18 to assess the implementation of the US-VISIT program. US-VISIT is a Congressionally mandated entry-exit system implemented by the Department of Homeland Security (DHS) that collects biometric data and utilizes other data at .S. ports of entry to screen visitors for criminals and terrorists trying to enter the U.S.

The Subcommittee heard testimony from: Mr. Robert M. Jacksta, Executive Director, Border Security and Facilitation, U.S. Customs and Border Protection (CBP), U.S. Department of Homeland Security; Mr. Robert A. Mocny, Deputy Director, US- VISIT Office, Department of Homeland Security; Mr. Alfonso Martinez-Fonts, Jr., Special Assistant to the Secretary for the Private Sector, U.S. Department of Homeland Security; and Mr. Randolph C. Hite, Director, Information Technology Architecture and Systems Issues, U.S. General Accounting Office.

Mr. Jacksta detailed the integration of the US Visit program into the other functions of the CBP and testified that it has increased the effectiveness of the directorate's border management. He stated that, in anticipation of US-VISIT implementation, "2,100 new workstations and document readers were deployed to each of the 115 airports and 14 seaports where US-VISIT is now in place. CBP has trained 4,700 Officers in the US-VISIT process and implemented changes to include US-VISIT as part of the initial CBP Officers training at the academy in Glynco, Georgia." Since the initiation of US-VISIT in January 2004, Mr. Jacksta stated, CBP has processed over 2 million travelers through the program with no interruption in legitimate travel into the United States. On the other hand, the program has resulted in 195 verified lookout matches, enabling CBP to intercept rapists, drug traffickers, perpetrators of credit card fraud, and convicted armed robbers, according to Mr. Jacksta.

Mr. Hite, however, testified that the program is "risky, both because of the type of program it is and because of the way it is being managed. US-VISIT is a large, complex, and expensive program aimed at supporting a multifaceted mission-critical area; thus, it is an intrinsically challenging effort. Several aspects of the program increase the risk that it will not meet its goals or its cost, schedule, and performance commitments..." Among its other conclusions, GAO's analysis pointed out that the "progress and current status of the program make it difficult to satisfy legislatively mandated milestones: for example, that US-VISIT be implemented at all ports of entry by December 31, 2005." Additionally, Mr. Hite pointed to the significant potential cost of the program, citing

a February 2003 estimate by DHS that the program would cost \$7.2 billion through fiscal year 2014, and noted that this estimate did not include all costs and underestimated some others.

Testimony of all witnesses is available at: <http://www.house.gov/judiciary> .

STATE ANNOUNCES PLANS TO REGULATE PERCHLORATE

On Friday, March 12, the Administration of California Governor Arnold Schwarzenegger announced that it would begin the process of regulating the amount of perchlorate allowed in drinking water. Perchlorate is a toxin found in rocket fuel and munitions, that has tainted drinking water supplies in several states including California. Tainted wells have been found primarily in the areas of San Jose, Sacramento, the San Gabriel Valley and the Inland Empire. It has also been found in some agriculture crops and milk, suggesting that contaminated water used for irrigation and processing is in turn tainting those products. The toxin has been linked to brain damage to fetuses and in young children.

The California Office of Environmental Health Hazard Assessment set a goal of six parts per billion (ppb) for perchlorate in drinking water. That figure will be used by the Department of Health Services (DHS) as a guideline as it develops the final regulation governing perchlorate.

The announcement makes California the first state to move toward regulating perchlorate. The U.S. Department of Defense, which controls the rocket facilities where the toxin is leaking, persuaded the Bush Administration not to move ahead with a national regulation until the completion of an independent study by the National Academy of Sciences on the level of perchlorate that constitutes a harmful amount. DOD argues that only perchlorate levels over 200 ppb have been shown to be harmful.

NEW PPIC SURVEY SUGGESTS LA RESIDENTS SPLIT ON POLICY ISSUES

Almost half of Los Angeles (LA) County residents believe their local government is headed in the right direction, suggests a new survey released by the Public Policy Institute of California (PPIC) on Wednesday, March 17, 2004. The survey, which involved telephone interviews with 2,002 Los Angeles County adults between February 27 and March 9, also found that 70 percent of respondents were seeing the potential \$14 billion state budget deficit as a "big problem."

The survey additionally found that most of the County's likely voters are willing to raise state taxes to maintain current funding levels for K-12 education (56 percent), health and human services (48 percent) and local government services (50 percent), although support for such tax hikes varied along political lines. With respect to immigration issues, the survey found that while a majority of residents (55 percent) believe immigrants are good for the region because of their hard work and job skills, 47 percent of those surveyed thought the amount of illegal immigration into LA County was a major problem. On the issue of workers' compensation reform, two in three LA County voters (67 percent) favored reducing employer costs for workers' compensation, though that support drops to 42 percent if it means reducing benefits to employees injured at work. Similarly, 66 percent of likely voters support requiring a two-thirds vote of the legislature and voter approval before any reduction in local government revenue occurs, while only 53 percent said they would support it if it means less revenue for state services.

Los Angeles (LA) County is the most populous county in the United States with over 10 million residents, which exceeds the populations of 42 other states. In addition, after a decade of slow growth, LA County population rates have been growing at an annual rate of almost 2 percent, with immigration and natural increases accounting for the majority of the increase. At the same time, LA County has one of the most diverse populations in the world, which oftentimes translates into the diversity of opinion evident throughout the PPIC survey results.

For a copy of this survey, please visit the Public Policy Institute of California website at: <http://www.ppic.org> .

CALIFORNIA ROADWAYS NUMBER ONE IN HANDLING NATION'S FREIGHT

According to a new study released by The Road Information Program (TRIP), California roads and highways carry more truck traffic than any other state in the nation, followed by Texas and Ohio respectively. The state's roadways carry 1.324 billion tons (or 10.3 percent) of the nation's freight, and the state is projected to increase its share of freight by 50 percent by the year 2020. On a national level, more than 15 billion tons of goods worth over \$92 trillion are moved every year, 71 percent of which is moved by trucks.

TRIP's study, titled "*America's Rolling Warehouses: The impact of increased trucking on economic development, congestion and traffic safety*" found that commercial trucking is expected to increase by 49 percent by 2020, increasing traffic congestion and threatening business efficiency. California already has some of the most congested roads in the nation, with the bulk of that congestion located in Los Angeles, the Bay Area and San Diego - the state's largest commercial centers and ports of entry (See, [Bulletin, Vol.11, No.7 \(03/04/04\)](#)). Additional findings of the study include the following:

- The cost of moving freight dropped from 16 percent of U.S. Gross Domestic Product (GDP) in 1980 to approximately 10 percent in 2000.
 - International trade, which requires the movement of goods to and from U.S. ports, continues to increase its share of overall U.S. commerce. U.S. merchandise trade has grown from 11 percent of U.S. GDP in 1970 to 25 percent in 1997 and is forecast to reach 37 percent of GDP by 2025.
 - A University of California study has found that distribution centers are increasingly moving to areas that have ample land, labor and access to less congested highways.
 - TRIP estimates that the five states with the greatest tonnage of materials being transported by trucks in 2003 were California, Texas, Ohio, Illinois and Pennsylvania, based on data from the U.S. Department of Transportation.
 - While the travel of combination trucks increased by 102 percent from 1980 to 2002, the total lane miles of public roads in the U.S. increased by only 4 percent.
 - The Federal Highway Administration (FHWA) estimates that 46 percent of the nation's major urban highways will be congested during peak periods by 2020, compared with 28 percent in 1998. The FHWA also estimates that the percentage of urban Interstates, which will carry at least 10,000 large trucks per day, will increase to 69 percent by 2020, compared to 27 percent in 1998.
 - The five states with the largest number of people killed in traffic accidents involving large trucks, excluding large truck occupants, from 1998 to 2002, were: Texas with 2,043 fatalities (409 annual average), California with 1,574 fatalities (315 annual average), Florida with 1,568 fatalities (314 annual average), Georgia with 968 fatalities (194 annual average) and North Carolina with 868 fatalities (174 annual average).
 - The eight states traversed by Interstate 10, which goes from Los Angeles to Jacksonville, Florida are looking at the need to add capacity along the corridor to accommodate the anticipated increase in large truck and commercial travel. The addition of truck-only lanes along some portions is considered a feasible option.
- For a copy of this study, please visit The Road Information Program's website at: <http://www.tripnet.org> .