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SENATE GOVERNMENT AFFAIRS EXAMINES INTERNATIONAL IP PIRACY

The Senate Government Affairs Subcommittee on Oversight of Government Management, the Federal Workforce, and the District of Columbia held a hearing on Tuesday, April 20 entitled *Pirates of the 21st Century: The Curse of the Black Market*. The hearing focused on the efforts of the Department of Commerce, U.S. Trade Representative and Department of Homeland Security to enforce existing intellectual property rights (IPR) both at home and abroad and whether there is sufficient coordination among the agencies to maximize effectiveness.

The Subcommittee heard from several witnesses including: Jon Dudas, Acting Undersecretary of Commerce for Intellectual Property, and Director, U.S. Patent & Trademark Office; Francis White, Unit Chief, Commercial Fraud, Immigration and Customs Enforcement, Department of Homeland Security; and Daniel Chow, Professor, Michael E. Moritz College of Law, Ohio State University.

In his statement, Secretary Dudas said that "pirates, organized crime, and -- in some limited but increasing instances -- terrorists" are financing their operations through intellectual property piracy. He explained that currently the risk of prosecution and fines are less than the high profit margins realized by counterfeiters. Mr. White stated, however, that there is "no sustainable evidence" to link terrorism and intellectual property violations. He testified that "ICE investigators have noted that the growth in IPR violations has been driven by organized crime groups that smuggle and distribute counterfeit merchandise specifically for consumption in the U.S. market. In many cases, the profits these criminal organizations realize from counterfeit merchandise are used to fuel additional criminal enterprises, such as the trafficking of drugs, weapons, or other contraband. Some of these illegal profits are laundered and invested in legitimate business enterprises."

After explaining the substantial costs to U.S. companies and the U.S. economy of IPR violations, both Secretary Dudas and Mr. White detailed the steps that their departments are taking to increase IPR enforcement abroad and in the U.S. Mr. White noted several specific federal prosecutions in the recent past where counterfeiters have been convicted and sentenced. He also stated that a

Singapore citizen, who is one of the largest suppliers of counterfeit Microsoft software products in the U.S. has been arrested and charged in California.

On the issue of counterfeiting in China, both witnesses stressed that the United States continues to press the Chinese to recognize how serious the situation is and push them to improve their efforts to halt piracy in the country.

Professor Chow testified that “in 2003, China accounted for 66% or over $62 million of the $94 million of all counterfeit and infringing goods seized by the US Customs Service at ports of entry into the United States.” He explained the problem with getting the Chinese to increase enforcement by using as an example the city of Yiwu in Zhejiang Province. He said the city is “well known as the center of commercial piracy in China, everyday at least 200,000 customers visit the over 33,000 wholesale stores and outlets selling over 100,000 varieties of products. Industry experts estimate that over 90% of the daily use and consumer products sold in Yiwu are counterfeit or infringing goods. Yiwu serves as a wholesale distribution center for products sold all over China. Yiwu also does a brisk export trade to countries in Africa, Asia, and South America. According to Yiwu government authorities, total sales of its wholesale business totaled $2.4 billion in 1997 — the last year that figures were made publicly available.” Professor Chow stated that the entire economy of Yiwu and the region is based on piracy, and as a result the local government looks the other way. As problematic, however, Professor Chow said is that If the national Chinese government were to step in and halt the counterfeit trade, which it has the power and ability to do, it would destroy the town’s entire economy – everything from jobs, to hotels, to restaurants, and all other local businesses would potentially close. And that, Professor Chow testified, could lead to social unrest, a situation that the national government lacks the political resolve to take on.

Testimony of all the witnesses is available at: http://www.govt-aff.senate.gov .

Senate Governmental Affairs Holds FASB Hearing

On Tuesday, April 20, 2004 the Senate Governmental Affairs Subcommittee on Financial Management, the Budget, and International Security held a hearing regarding the independence of the Financial Accounting Standards Board (FASB), focusing on the FASB proposal to expense stock options. All three panels of witnesses -- both supporters and opponents -- strongly voiced their opinions on FASB’s move to implement an accounting standard that will mandate a company to record compensation-based stock options as an expense on their financial statements.

Chairman Peter G. Fitzgerald (IL) opened the hearing stating his support for a new FASB accounting standard, but also called for a stronger standard, believing there is truth in financial reporting and it should be mandated. Ranking Member Daniel K. Akaka (HI) also gave a statement offering his support for stock option expensing. Senator Robert Bennett (UT) also sided with mandating stock option expensing and FASB’s independence, but asserted that “FASB missed the boat badly with this issue,” claiming he was very concerned about the potential harm the proposal might cause. Senator Carl Levin (MI) agreed that stock options treatment was the toughest issue to confront, but deemed that politicizing the issue will go against what the 2002 Sarbanes-Oxley Act envisioned as a more independent board. Senator Joseph Lieberman (CT) said that it is “highly unlikely” that changing the accounting rules will deter the unethical behaviors of corporate executives and other wrong-doers, declaring that the goal is to stop the abuse of stock options, not to stop granting them. “Amend, not end, stock options,” stated Lieberman.

The first panel to speak included Senator Michael B. Enzi (Alaska), who urged FASB to consider the effects of expensing stock-options on small business. He argued that although FASB has a Small Business Advisory Committee, he doubted FASB’s commitment to listen to the small business community. Senator Barbara Boxer (CA) testified that broad-based stock options are good for workers, and she provided statements from small business individuals who strongly rely on their employee stock-options to support their standard of living. She presented an alternative that would only require the expensing of stock-options to the top 5 executives of a corporation and not to rank and file workers and start-up companies that grant stock options.

The second panel to testify included Robert Herz, Chairman of the FASB, who urged the committee to support the independence and unbiased and neutral position of the board. Herz attested to the significant improvement and more transparent reporting of financial statement information through the proposed expensing of all forms of equity-based compensation including all forms of stock options. Paul A. Volcker, Chairman of the International Accounting Standards Committee Foundation and former Chairman of the Board of Governors of the Federal Reserve System, also stated that commonality between accounting standards is a good thing. Volcker added that by not intervening with the independence of FASB to rule over mandating stock options expensing would be a good move in a globalized economy, where the International Accounting Standards Board already requires expensing for countries in its jurisdiction. When asked by Senator Akaka the effect of blocking the FASB proposal, Volcker responded that it would be adverse and undercut the efforts for international consistency.

The last panel were Jack T. Ciesielski, President of R.G. Associates, Inc.; Damon Silvers, Associate General Counsel of the AFL- CIO; Donald P. Delves, President of The Delves Group; Mark Heesen, President of National Venture Capital Association; and James K. Glassman, Resident Fellow at the American Enterprise Institute. All of the company witnesses opposed the FASB proposal of expensing stock options because of the negative impact on their industries.

For the testimony of all witnesses, visit http://www.govt-aff.senate.gov .

HOUSE FINANCIAL SERVICES CONSIDERS STOCK-OPTION EXPENSING

On Wednesday, April 21, 2004 the Capital Markets, Insurance, and Government Sponsored Enterprises Subcommittee of House Financial Services held a hearing on the Financial Accounting Standards Board (FASB) proposal to mandate the expensing of stock options. Many individuals also testified regarding an alternative proposal, H.R. 3574, which would require the expensing the stock options of only the top five executives in a company, and would exempt small businesses from the requirement.

Chairman Richard H. Baker (LA) first talked about the recent statement made by FASB Chairman Robert H. Herz at the Senate hearing (see separate *Bulletin* article) the previous day, asking for the public's comment on his remarks. Ranking Member Paul E. Kanjorski (PA) stated Congress supports FASB and its objective to ensure accounting transparency, but thought that transparency could be obtained without FASB's proposal. House Members Doug Ose (Sacramento), Michael G. Oxley(OH), Ed Royce (Fullerton) and others present were in agreement that the FASB proposal could produce potential economic damage to the business community. However, Brad Sherman (Sherman Oaks) advocated FASB's move to expense stock options, urging the subcommittee to show the world that the U.S. has the most transparent and best accounting system. On the other hand, he called on FASB to carefully research which valuation method should be used and to take into consideration the possible damage to the high-tech industry.

Six of the seven panel members testifying pressed Congress to prevent the FASB proposal. Jeff Thomas, Altera Corporation, testified that the stock options given to him by his company gave him a stake in the company, as well as financial opportunities. Douglas Kruse, Professor at Rutgers University, stated that stock option holders are not all rich with 79% of owners earning less than $75,000. Kevin A. Hassett, from the American Enterprise Institute, asserted that the new rule could result in many new lawsuits, especially over the method used to value the options. Phil Smith, Taser International, and Robert E. Grady, Carlyle Ventures Partners, argued the new rule would deter venture-backed companies, start-ups, and high-tech companies from granting any more options. George M. Scalise, Semiconductor Industry Association, also backed H.R. 3574 and said that the U.S. should not be in a rush to follow the tails of the International Accounting Standard Board's requirement to expense stock options in other nations. Douglas Holtz-Eakin, Director of the Congressional Budget Office, was the only witness to testify in support of the FASB proposal, testifying that recognizing stock options would not alter the U.S. economy or the economic position of a company and from the experience seen in Canada adopting the expense rule would not have a broad-based economic impact.

For testimony, see http://financialservices.house.gov/hearings.asp?formmode=detail&hearing=292 .

PPIC RELEASES REPORT ON STATE EARNED INCOME TAX CREDIT

A recent Public Policy Institute of California report, entitled *"Evaluating State EITC Options for California"* analyzes options for developing a state Earned Income Tax Credit (EITC). Attempting to ease poverty rates and develop incentives for working low-income families with children to leave public assistance is a growing concern for California. Dr. Thomas MacCurdy, author of the report, offers four distinct approaches and tests them along three dimensions: their effect on work incentives, the distribution of benefits across poor families, and the costs of such programs.

The first proposed EITC structure is a simple add-on to the federal EITC program, supplementing federal benefits by a fixed percentage. In this option income solely determines the benefits to families. MacCurdy found that this option does little to improve work incentives and that qualified families would receive $305 per year on average, but cost the state $730 million annually if all eligible families applied. The second option also uses income alone to determine benefits, but allows the state to target families with varying earnings levels. The study found that if families near the poverty level were targeted, they would become more motivated to work the additional hours required to get off CalWORKS public assistance. Given a maximum benefit of 15%, this option would cost 40% less than the add-on; the average benefit would fall to $256 annually, as fewer families would receive the maximum benefit. The third and fourth options both consider hourly wage levels and earnings. MacCurdy discovered the third option would encourage work incentives by providing a share of the maximum EITC benefit based on the share of full-time work. This option would cost three-quarters of the add-on EITC. The fourth structure pays the difference between a worker's market wage and a pre-determined threshold wage. This option could be phased out beyond the equivalent of full-time work, or workers could be allowed to keep the maximum subsidy. This option costs more than the add-on EITC, but provides four times the benefits to eligible families. The two latter options were viewed to better target poor working families and improve work incentives.

One particular point emphasized in the study is if California plans to apply an EITC of its own, the state should carefully design a program which takes into account both a family's hourly wages and earnings. Simply taking the easy route of an add-on will not improve work incentives nor provide enough benefits to those in great need. To view a copy of the complete report or for other related information, please visit http://www.ppic.org .

SENATE COMMITTEE REVISITS NAFTA AND ITS ECONOMIC EFFECTS

On Tuesday, April 20, 2004, the Senate Foreign Relations Committee held a hearing to examine the economic, political and social impact that the North America Free Trade Agreement (NAFTA) has had over the past decade. Titled *NAFTA: A Ten Year Perspective and Implications for the Future*, the hearing also addressed future implications of NAFTA on the United States, Canada and Mexico.

In his opening statement, Sen. Chuck Hagel (NE), Chair of the Committee, stated that since the implementation of NAFTA, total trade between the U.S., Canada, and Mexico rose from $306 billion in 1993 to over $621 billion last year. U.S. exports to Canada and Mexico increased from $142 billion to $263 billion during the same period. Production in manufacturing has increased by 41 percent, while the manufacturing base in the U.S. added some 500,000 new jobs. Also, according to a study by the University of California at Los Angeles, U.S. exports under NAFTA generate over 70,000 new jobs each year.

The Committee members heard testimony from two panels of witnesses: Mr. Grant Aldonas, Undersecretary for International Trade Administration, U.S. Department of Commerce; Mr. Earl Anthony Wayne, Assistant Secretary for Economic and Business Affairs, Department of State; Ms. A. Ellen Terpstra, Administrator, Foreign Agricultural Service, Department of Agriculture; Mr. Hector V. Barreto, Administrator, Small Business Administration; Mr. Frank Vargo, Vice President for International Economic Affairs, National Association of Manufacturers; Dr. C. Fred Bergsten, Director, Institute for International Economics; and Ms. Thea Lee, Chief International Economist, AFL-CIO.

Undersecretary Aldonas testified about the effects that NAFTA has had on the U.S. economy. He noted that the nation's trade doubled since NAFTA's inception, bringing current trade transactions to $2.8 billion on a daily basis, and that 47 states, including California, have increased their trade with Canada and Mexico significantly. In addition to improving trade, he said that the U.S. has experienced a positive shift in political relations with Mexico. He addressed the worker dislocation and painful economic transition issues raised by the critics of NAFTA, and argued that the latter occurrences cannot be blamed solely on NAFTA.

Similarly, Assistant Secretary Wayne lauded NAFTA as an exemplary model for current and future free trade agreements. He argued that NAFTA's inclusion of labor, environmental, intellectual property and other standards did not eradicate all problems, but it helped significantly to raise the public awareness about them. Most importantly, however, Assistant Secretary Wayne noted that NAFTA and free trade agreements that followed include a transparent and fair dispute resolution system, which allows for consistent and effective negotiation of trade-related disputes.

Administrator Terpstra identified issues unique to agricultural growers. She testified that U.S. agricultural exports to Mexico have doubled since NAFTA's adoption, up to $7.9 billion in 2003, and exports to Canada have experience a 75 percent increase. She added that even horticultural producers, which face fierce competition from foreign producers, have become more competitive as a result of NAFTA.

The small business trade climate has improved as well, according to Administrator Barreto, who stated that NAFTA has greatly increased small business participation, with a third of them now exporting to Mexico and Canada $136.8 billion worth of goods. He argued that a 240 percent increase in export trade by small business is significant to the U.S. economy because small businesses create two-thirds of new jobs in the nation.

For more information about this hearing please visit the Senate Foreign Relations Committee website at: http://foreign.senate.gov/hearings/2004/hrg040420p.html .

HOMELAND SECURITY PUBLIC-PRIVATE PARTNERSHIPS EXAMINED

The Infrastructure and Border Security Subcommittee and the Cybersecurity Science and Research and Development Subcommittee of the House Select Homeland Security Committee held a joint hearing on the relationship between the Department of Homeland Security (DHS) and the critical infrastructure sectors. Titled *"The DHS Infrastructure Protection Division: Public-Private Partnerships to Secure Critical Infrastructures"*, the hearing focused on the issue of promoting chain of accountability between the private sector, DHS, state and local governments, and other federal agencies responsible for securing critical infrastructure, and the role of state officials in creating risk assessments and protection plans.

The following witnesses testified: Mr. Robert Liscouski, Assistant Secretary for Infrastructure Protection at the U.S. Department of Homeland Security; Mr. George Newstrom, Secretary of Technology for Commonwealth of Virginia and Chair of the Security Committee of the National Association of State Chief Information Officers (NASCIO); Mr. Robert Dacey, Director, Information Security Issues at the General Accounting Office (GAO); Mr. Dave McCurdy, Executive Director of the Internet Security Alliance (ISA); Ms. Diane VanDe Hei, Vice Chair of the Information Sharing and Analysis Center Council.

Mr. Liscouski offered a glance into the current level of relationships and information sharing between DHS and private stakeholders, which varies for each industry involved. He testified that DHS's Information Analysis and Infrastructure Protection Directorate (IAIP) works on daily, periodic and situational bases with the Information Sharing and Analysis Centers (ISACs) sharing information on threats, developing suggested protective actions, alerts and warnings. He added that the Protective Security Division, also part of DHS, has worked with owners and operators of specific categories of critical assets to develop and tailor protective practices for such assets. Mr. Liscouski also spoke about some of the current information sharing initiatives, including the creation and evolution of the ISACs, and the newly created National Infrastructure Coordinating Center (NICC).

Mr. Newstrom, on the other hand, offered a state-level perspective on the issues of partnership and information sharing. Mr. Newstrom noted the interdependencies of federal, state, and local information systems, and advocated an intergovernmental approach to protect this nation's critical information assets. As part of the strategy to achieve this objective, Mr. Newstrom suggested vertical and horizontal sharing and integration of information, which would require an effective application of technology. He further added that while it may be necessary to have separate public safety, military and cyber efforts, it is not practical to have multiple, uncoordinated information dissemination structures.

Mr. Dacey, spoke about GAO's efforts in securing the critical infrastructure and presented a GAO study that examined information sharing among public-private interests. The GAO report notes that the federal policy has encouraged the voluntary creation of ISACs to facilitate the private sector's participation in the Critical Infrastructure Protection (CIP) activities by serving as mechanisms for gathering and analyzing information and sharing it among the stakeholders involved. The study looked at the management and operational structures used by ISACs, federal efforts to interact with and support the ISACs, and challenges and successful practices for ISACs' establishment, operation, and partnership with the federal government. The GAO study presented by Mr. Dacey found that some of the challenges facing any particular ISAC's establishment and operation include increasing the percentage of entities within each sector that are members of its ISAC, clarifying the roles and responsibilities of the various government and private sector entities involved in protecting the infrastructure, and funding ISAC activities.

Mr. McCurdy and Ms. VanDe Hei spoke about their respective ISACs and offered some recommendations on how to improve the current process of securing critical infrastructure. Mr. Curdy outlined the model that the Internet Security Alliance operates under, which he noted is fundamentally different from the traditional ISAC model. He offered several examples of how the ISA model can facilitate the development of an integrated approach to cyber security, and raised some organizational issues regarding the DHS coordination with the ISA model. Ms. VanDe Hei testified that ISACs need the full support and confidence of the government to create and maintain a comprehensive security plan. She advocated government assistance of the private sector combined with baseline funding for certain sectors as an ideal arrangement to achieve an effective information sharing and analysis system.

For more information about this hearing, please visit the House Select Committee on Homeland Security website at: http://hsc.house.gov/schedule.cfm?subcom=18 .

9TH CIRCUIT BLOCKS YOSEMITE PARK RENOVATION PROJECTS

The Federal 9th Circuit Appeals Court, whose jurisdiction includes California, ordered the National Park Service on Tuesday, April 20, 2004 to stop a variety of construction projects intended to upgrade visitor services in Yosemite Valley. The court opinion cited potential environmental degradation to the Merced River as the basis for its decision.

The court considered this case previously last October. In its initial ruling, the appeals court urged Yosemite officials to adopt temporary limits to ensure that the river was not harmed while a full study of park user capacity was moving forward. The case was sent back to the U.S. District Court, which refused to invalidate the river preservation plan in place.

The $441 million blueprint calls for about 250 remodeling projects to be completed over 20 years, including the seven halted projects in close proximity to the river, as well as those that aim to rebuild the Lower Yosemite Falls trail, which will go on uninterrupted. Projects that will have to be stopped include reconstruction of Yosemite Lodge, a redevelopment project in Wawona, a headquarters building annex, new employee housing to replace dorms washed away in a 1997 flood, and an effort to improve the valley's aging system of utility pipes. Yosemite National Park draws 3.5 million visitors a year.

CONFERENCE AGENDA BEGINNING TO DEVELOP AS CONGRESSIONAL LEADERS PONDER TRANSPORTATION FUNDING LEVELS

With House and Senate transportation bills complete, Congressional leaders are reported to be gearing up for what promises to be a bumpy series of Conference committee negotiations, though no timeline has been established and neither House nor Senate conferees have been selected as of April 22, 2004. Reconciling the cost difference between the $275 billion House TEA LU bill and the Senate's $318 billion Safe Accountable Flexible and Efficient Transportation Equity Act of 2004 (SAFETEA) is likely to be the most critical concern on the conference agenda. White House officials continue to oppose any transportation bill submitted for the President's signature costing in excess of $256 billion. Should Congressional leaders choose to press forward regardless of White House opposition, however, both chambers of Congress reported their respective bills with more than enough votes to override a presidential veto – 357 to 65 in the House and 78 to 12 in the Senate.

In addition to overall funding level disparities, conferees will have to resolve a number of other complex issues in tandem, not least of which will be the minimum guarantee (MG). Members from donor states or states that send more to the highway trust fund in taxes than they receive back in federal transportation spending, will continue to seek a change in the MG formula program to improve their rate of return on their highways dollars. The donor-donee issue is addressed in both House and Senate transportation bills. The Senate bill boosts MG rates of return to each state from 90.5 percent in current law to a 95 percent rate (for every dollar sent to Washington in highway taxes) by 2009. Though the less costly House bill retains the existing 90.5 percent rate of return, it also includes a 'reopener' provision that would freeze transportation funding beyond FY 2005 until a law is passed to ensure greater equity to states.

House and Senate Conferees will also have to tackle issues that have taken a backseat until now including the streamlining of environmental reviews to expedite project delivery. California members are paying close attention to preserving existing federal support for the state's three University Transportation Centers (UTCs) one of which is located on the campus of U.C. Berkeley (the Institute of Transportation Studies), one at San Jose State University (the Mineta Transportation Institute), and one that is a joint project of the University of Southern California and CSU Long Beach (METRANS - the National Center for Metropolitan Transportation Research) that is housed on the USC campus. The 1998 transportation bill known as the Transportation Equity Act for the 21st Century (TEA-21) provided $195 million over 6 years to facilitate transportation research, education and training at select institutions of higher learning throughout the country. A provision added to the Senate bill (S. 1072, Section 510), would limit the national distribution of centers to one per state and would reopen the process of selecting a regional center site to competition (currently the UC Berkeley UTC administers Region 9, encompassing California, Arizona, Nevada and Guam). The House version of the bill contains no comparable provision that would restrict UTCs.

Meanwhile, the most recent temporary transportation extension bill -- part of a series of stop-gap measure that have kept transportation programs operating since last fall's expiration of TEA-21 – is due to expire at the end of April, threatening to shutdown federal highways and transit operations unless Congress acts to extend them again. If Congress institutes another temporary renewal, it would be the fourth such extension since the nation's surface transportation law expired last October. The House approved a four-month extension in February, HR 3783, it then approved a shorter two month extension in order to win support from Senators concerned that four months would delay House action for too long. Barring the unlikely approval of a long term bill by the end of next week, the Senate must either act on H.R. 3783 or pass another temporary extension in order to avoid a shutdown.

For a detailed discussion of the House surface transportation bill's provisions and various related matters, visit the California Institute website at http://www.calinst.org/transpo.htm . Much of the information has been developed pursuant to the *Federal Formula Grants and California* project, a joint venture with the Public Policy Institute of California (PPIC).

USC Releases Urban Policy Briefing On California Immigrants

The University of Southern California recently released its first in a series of Urban Policy Briefings to by published by the USC Urban Initiative. The first report focuses on new data showing a major shift in immigration patterns in the state of California.

The report, authored by Dowell Myers, John Pitkin, and Julie Park, finds that for the first time since 1970 census data show that "fewer immigrants come to California at or below the poverty line and overall levels of impoverishment amongst the foreign-born in the state have also dropped." Poverty among recent immigrants, according to the report, grew from 17.7 percent in 1970 to 24.7 percent in 1980 and 27.5 percent in 1990. By 2000, however, the poverty rate had declined to 26.2 percent.

The report also includes several other findings, including that California's share of new immigrants turned declined sharply in 2000 compared to earlier Censuses. In 1970, California took in 23.3 percent of new immigrant arrivals, growing to 32.4 percent in 1980 and 37.6 percent in 1990. In 2000, however, only 24.8 percent of new immigrants to the U.S. resided in California.

The report concludes that the "maturing settlement of immigrants in California promises a more favorable outlook for the future," especially as "[e]arnings, homeownership and voting participation all rise markedly with growing length of settlement."

For further information, contact the Initiative's website at: http://www.usc.edu/urban .

Institute Co-Hosts Immigration Briefing

On Monday, April 19, 2004, the American Sociological Association (ASA) along with the California Institute for Federal Policy Research, the Council of Professional Associations on Federal Statistics, the Population Resource Center and the National Council of La Raza held an immigration briefing entitled, "A Nation of Immigrants: Current Policy Debates Meet New Social Science Research." The discussion focused on the impact of immigration (legal and illegal) on the U.S. such as population growth, employment and education. Sally T. Hillsman, from the ASA introduced the topic and panelists.

Rogelio Saenz, Professor and Head of Sociology at Texas A&M University, presented the demography of Latino immigration, highlighting the trends and implications ahead. Saenz remarked on the Latinoization/Mexicanization of the U.S. with trends such as the redistribution of Latinos in the Midwest and South, with North Carolina and Arkansas becoming the fastest growing states in Latino population. Douglas S. Massey, Professor of Sociology and Public Affairs at Princeton University, asserted in his discussion that immigration was a "misunderstood phenomenon" and U.S. policies to mitigate international migration were counterproductive. Some of the fallacies regarding immigration, Massey stated, were that migration is caused by rapid population growth in the home country, or that increasing costs to entry will reduce migration. He argued that neither of these theories has held up or resulted in a sharp decline in migration. Victor Nee, Goldwin Smith Professor at Cornell University, gave a comparative approach to the assimilation of Mexican Americans with supporting statistics on the percentage of English-speaking individuals and the percentage of educational attainment among immigrants. Nee defined assimilation as the decline of an ethnic distinction, asserting that assimilation is taking place, but the pace of it varies across ethnic groups resulting in different outcomes.

New PPIC Study Examines Civic Engagement in California

Californians that are most likely to participate in broader political and civic life of the state tend to be white, older, more affluent, homeowners, and more highly educated, found a new study released by the Public Policy Institute of California (PPIC). Released on Wednesday, April 21, 2004 and authored by S. Karthick Ramakrishnan and Mark Baldassare, the study provides a detailed and comprehensive picture of the relationship between demographic diversity and citizen involvement in civic affairs in California.

The study, titled *"The Ties That Bind: Changing Demographics and Civic Engagement in California"*, examined the participation rates of various demographic groups across a wide range of political and volunteer activities, such as voting, attending local meetings, signing petitions, and writing to government officials. The findings of the study are based on data gathered by national studies and numerous PPIC statewide surveys. The study's findings are:

– Voter turnout in California is lower than in the rest of the United States. California also lags behind the rest of the nation in its rate of campaign contributions to state legislators and national officeholders.

– Whites are substantially over-represented at both the ballot box and other kinds of activities: more whites contribute to political campaigns and candidates (26 percent vs. 10 percent of Latinos, 17 percent of Asians, and 20 percent of blacks); more whites engage in volunteering activities (30 percent of whites volunteer regularly compared to 16 percent of Asians, 17 percent of Latinos, and 24 percent of blacks); more whites vote (60 percent vote regularly, outnumbering Latinos (38 percent), Asians (39 percent) and blacks (59 percent)). Only in attending meeting on local issues do Latinos (43 percent) and blacks (44 percent) participate more than whites (37 percent), with Asians (34 percent) least likely to attend local meetings.

– The highest levels of participation inequality, other than race and ethnicity, are those based on education, homeownership, and income.

– There are distinct differences across the San Francisco Bay Area, the Cental Valley, Los Angeles, and the rest of Southern California regions with respect to volunteerism and political participation, with the San Francisco Bay Area having the highest rates of political participation and those living in the Central Valley having the lowest.

– The first-generation immigrants are a potentially powerful and untapped resource for civic involvement because of their strong interest in volunteering.

– There is a significant increase in voting across immigrant generations: only 44 percent of first-generation immigrants vote regularly, compared to 57 percent of third-generation descendants.

– Current disparities in civic engagement associated with race/ethnicity and immigrant generations are linked to differences in economic conditions, English language proficiency, and education attainment.

For more information about this study, or to get a full copy, please visit the Public Policy Institute of California website at: http://www.ppic.org .

PENTAGON STATS SHOW CALIFORNIA'S SHARE OF 2003 DEFENSE PRIME CONTRACTS REMAINED STABLE AT 15 PERCENT

New data from the Pentagon's Directorate for Information Operations and Reports show that California's share of the nation's defense prime contracts in fiscal year 2003 remained at 15 percent of the nation's total, virtually unchanged from the state's percentage share of prime contracts in 2002. In 2003, California won $28.7 billion worth of prime contracts, which was very slightly below 15 percent of the $191.2 billion in total contracts awarded nationwide. The state's prime contract total rose from $23.8 billion in 2002, pacing the nation's rise from $158.7 billion in 2002.

It is important to note that prime contract awards do not necessarily reflect where the funds are actually spent. In addition, these totals do not count contracts of $25,000 or less, and they also omit spending on classified programs.

Among the military service branches, California's share varied widely. The state won 24 percent of the nation's prime contracts for Air Force programs ($12.8 billion of the nation's total of $53.2 billion), whereas the state's share of programs from other service branches was less: 13.6 percent of Navy contracts, 7.8 percent of Army contracts, 12.8 percent of Defense Logistics Agency contracts, 8.0 percent of Army Corps of Engineers project contracts, and 15.1 percent of other defense agency contracts.

A set of tables has been posted on the California Institute website detailing each state's total dollars and share of prime contracts, with per capita totals, as well as total DOD prime contract funding to each California county in 2003. The tables are available at http://www.calinst.org .