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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.

ENERGY & COMMERCE COMMITTEE ENDORSES COX APPROACH TO HOMELAND SECURITY BILL

On Thursday, June 3, 2004, the House Committee on Energy and Commerce marked up H.R. 3266, the Faster and Smarter Funding for First Responders bill authored by Rep. Christopher Cox (Newport Beach). The bill had been reported unanimously on March 18 by the House Select Committee on Homeland Security, which Rep. Cox chairs, (*see [Bulletin, Volume 11, No. 9 \(3/18/2004\)](#)*) and was referred to Energy and Commerce as well as two other committees.

For distributing funding for state and local first responders, the Energy & Commerce Committee version of the bill would adopt the approach followed by the Select Homeland Security Committee, basing funds on critical infrastructure assets, population density and terrorism risks faced. By voice vote, the committee approved a bill to authorize \$3.4 billion for grants in 2006. Chairman Cox, also a member of the Energy & Commerce Committee, argued that it is unwise to “keep dispensing money according to political formulas without regard for the actual risks of terrorism.”

Like the Select Committee version, the Energy & Commerce bill would distribute funds according to need, jettisoning the current law’s small-state minimum – an unusually large 3/4 percent minimum per state.

The Energy & Commerce bill also included language to ensure coordination between the Departments of Homeland Security (DHS) and Health and Human Services (HHS). (The Committee’s jurisdiction relates to the law’s HHS provisions.)

The bill would continue to require that states distribute 80 percent of funds to local governments, but it would require that the transfer take place within 45 days of receiving funds, and penalties would be assessed against non-compliant states. The bill would require that, two years after the bill’s enactment, state or local government grant recipients would be required to provide matching funds for at least 25 percent of grant funding (although a local

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government could be exempted from matching if it showed a state did not pass through funds as required).

In addition, Chairman Christopher Cox and Ranking Member Jim Turner (TX) announced that 22 major first responder organizations -- including the International Association of Fire Fighters and the Fraternal Order of Police - have endorsed the Cox bill.

For an analysis of California homeland security grant receipts in 2003 and 2004 and a detailed discussion of the formulas that drive the funding levels, see "*Federal Formula Grants and California: Homeland Security*," a joint publication of the Public Policy Institute of California (PPIC) and the California Institute, available on the PPIC website at <http://www.ppic.org/main/publication.asp?i=481> .

HOMELAND SECURITY BILL REPORTED BY TRANSPORTATION COMMITTEE DIVERGES FROM FORMULA CHANGES ENDORSED BY OTHER COMMITTEES

The House Transportation and Infrastructure (T&I) Committee on Wednesday, June 2, 2004, approved a significantly altered version of H.R. 3266 (Faster and Smarter Funding for First Responder). The T&I Committee version differs sharply from that passed by the Homeland Security Select Committee in March and endorsed by the Energy & Commerce Committee on June 3. The T&I bill would reduce a widely-criticized small-state minimum, but it would apply the minimum to urban area grants. Depending on the total level of grant funding for each sub-program, California's share of total funds might increase slightly or decrease slightly.

Under the existing formula for distributing more than \$2 billion per year in homeland security funding to state and local first responders, every state -- regardless of size -- receives 0.75 percent of the funds available, thereby allocating 40 percent of funds equally to all states and greatly favoring small states over large states. For example, California received \$5 in grants per capita in 2004, whereas Wyoming received \$38 per capita. The formula distributes all funds depending on whether recipients are located in a large state or a small state -- no funds depend on threat or vulnerability to terrorism.

The version of H.R. 3266 authored by Select Homeland Security Committee Chairman Christopher Cox (Newport Beach), as well as the version approved by the Energy & Commerce Committee on June 3, would eliminate the formula entirely, leaving funding distribution to a new formula to be devised by the Department of Homeland Security that takes into account 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.

On the other hand, the version approved by the T&I Committee would retain a small state minimum, reducing it slightly (from 0.75 percent to 0.55 percent), but it would apply the minimum to a wider array of programs. Most significantly, it would apply a small-state minimum to the Urban Area Security Initiative (UASI), a program targeted to assist high-threat, high-density urban areas. Some have expressed concern that applying a minimum grant to urban area programs will cut funds to California, which receives a large share of UASI funds. Whereas California's share of formula grants has been less than 8 percent, the state received 20 percent of UASI funding in 2004.

The T&I Committee bill would expand the coverage of the grant program to provide preparedness aid for natural disasters, rather than solely focusing funds on terrorism. (By adopting an "all-hazards" approach to the bill, the T&I Committee would gain greater jurisdiction over program activities.)

The bill would authorize \$3.4 billion for 2006. At that level, a 0.55 percent small-state minimum would guarantee every state at least \$18.7 million. In 2004, Wyoming received \$18.8 million.

CONTENTIOUS TRANSPORTATION COMMITTEE MARKS UP HOMELAND SECURITY FORMULAS BILL

Chairman Young and Ranking Member Oberstar each stated that if there is no opportunity to amend the bill during House floor consideration, they plan to work together to defeat the bill. The committee leaders criticized what they termed a “terrorism-only” approach of the legislation as proposed, which they argued leads to duplication and overlap in planning for terrorism and non-terrorism approaches. They argued in favor of their version’s the “all-hazards” approach that advantages FEMA over DHS. In fact, Young suggested that FEMA be moved out of DHS in its entirety. An all hazards approach would allow funding to be used for tornadoes, hurricanes, and fires, as well as for terrorism.

During the sometimes contentious markup, Chairman Young argued that the Select Committee on Homeland Security was not authorized to develop legislation of any kind, Rep. Pascrell disagreed and cited legislative language that stated otherwise.

Rep. Ellen Tauscher (Pleasanton) criticized the funding structure for shortchanging California and other populous, threatened states. She suggested that the T&I Committee should have held more hearings on the issue before making such sweeping changes to the bill. She commented, “We are all for providing more funding for FEMA, but in California we are a target-rich environment but we do not receive adequate funding.”

Rep. Jerrold Nadler (NY) criticized the Committee’s bill for not focusing on terrorism needs and diluting the affected programs.

Rep. LaTourette acknowledged that “some alteration in the formula” might make sense and be acceptable before House floor action, perhaps including the population - urban population - threat scheme proposed in other versions of the legislation.

Rep. Weiner (NY) agreed that the primary concern should be threat, not population or other looser definitions. He commented that the Department of Homeland Security has made various errors, including valuing infrastructure ahead of threat and places population ahead of threat. He groused, “We have high-density high-threat urban area funding going to cities without minor league baseball teams.” Weiner added, “Congress created a formula program that was screwed up . Then, to respond, Congress created [UASI], and DHS screwed that up too. He suggested that UASI funding be kept separate from the formula funding, and said that New York City should not get earthquake or agriculture funding at the same rate as other areas of the country, but it should get an above-average share of terrorism funding.

The House Judiciary Committee also has jurisdiction and is expected soon to mark up a bill (also likely to retain a small-state minimum). Merging the various bills before House floor consideration will be the job of the House Rules Committee.

As noted in the above article, the Transportation Committee’s version of the bill would guarantee every state at least 0.55 percent of available grant money, or \$18.7 million per year at the proposed \$3.4 billion per year authorized level.

For an analysis of California homeland security grant receipts in 2003 and 2004 and a detailed discussion of the formulas that drive the funding levels, see "*Federal Formula Grants and California: Homeland Security*," a joint publication of the Public Policy Institute of California (PPIC) and the California Institute, available on the PPIC website at <http://www.ppic.org/main/publication.asp?i=481> .

HOUSE SUBCOMMITTEE MARKS UP 2005 HOMELAND SECURITY APPROPRIATIONS

On Thursday, June 3, 2004, the House Appropriations Subcommittee on Homeland Security marked up a FY 2005 spending bill to provide \$31.9 billion bill for the Department of Homeland Security (DHS). The full committee is expected to consider the measure on June 9.

The bill would include \$1.25 billion for ODP formula grants, a reduction from \$2.2 billion from 2004. (California’s share of these grants has been very low – less than 8 percent – because of an unusually large small-state minimum applied to the program.) On the other hand, it would raise funding for the Urban

Area Security Initiative (UASI) from \$675 million to \$1 billion. (California's share of UASI in 2004 was approximately 20 percent.)

In other areas, the bill proposes \$125 million for port security, as well as \$126 million for the Container Security Initiative (CSI) that also seeks to secure cargo traffic. It would also provide substantial increases in aviation security funding (part of a 15 percent increase to \$4.3 billion for the Transportation Security Administration), and it would reduce the fire grant program to \$500 million for 2005. (No 2004 fire grant funding has been allocated yet, and California's share in 2003 was approximately 4 percent.)

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

CONGRESS GIVES METRO GOLDLINE GREEN LIGHT FOR CONSTRUCTION

On Tuesday, June 1, 2004 the Los Angeles Metropolitan Transportation Authority (LAMTA) announced the approval of a \$490.7 million agreement with the federal government to fund a six mile transit corridor connecting LA's Union Station to Little Tokyo, Boyle Heights, and East Los Angeles.

Approval of the contract, or Full Funding Grant Agreement (FFGA), represents the clearing of the final administrative hurdle before construction may begin on the multiyear, multimillion dollar project. The extension's FFGA was approved by the Federal Transit Administration (FTA) earlier in the year after the preliminary engineering and alternatives analysis stages were completed. After clearing a 60 day review by Congressional transportation leaders and appropriators, the project is now authorized to receive 55 percent of its total cost (\$898 million) from federal New Starts funds, pending annual federal appropriations approvals.

Once completed in 2009, the project is expected to improve mobility and reduce congestion for commuters while providing community and economic benefits to local residents. Known as the Metro Gold Line extension, Secretary of Transportation Norm Mineta called it a Bush Administration priority. At a House Appropriations Subcommittee on Transportation hearing about New Starts on April 28, 2004, FTA administrator Jennifer Dorn reiterated the Department of Transportation's support for the project on its many merits, "...in the case of LA (Goldline), this is a highly dense corridor that serves an incredible percentage of low-income people and links them to the existing transportation system" said Dorn to Committee Chair Ernest Istook (OK).

Transportation law currently authorizes funding for three other California New Starts or major capital investment projects with FFGAs including: the Mission Valley East Light Rail Transit Extension in San Diego, the Oceanside to Escondido Rail Corridor in San Diego and the SFO BART extension in the Bay Area.

For more information on the Metro Goldline or the services provided by LAMTA visit:

<http://www.mta.net/>.

REP. LINDA SANCHEZ ADDRESSES INSTITUTE'S ADVISORY BOARD

On Thursday, June 3, Rep. Linda Sanchez (Lakewood) addressed a breakfast hosted by the California Institute for Federal Policy. Congresswoman Sanchez represents the 39th District, a new seat that was created after the 2000 Census. Ms. Sanchez spoke on several immigration issues, including the need for increased funding for the State Criminal Alien Assistance Program (SCAAP), as well as her legislation, H.R. 2435, which would reverse recent Department of Justice regulations changing the requirements that state and local law enforcement jurisdictions must meet to verify undocumented criminal immigrants and thereby qualify for SCAAP funding. The Institute has reinstated these bipartisan delegation breakfasts as a way for its supporters to hear the views of members of the California delegation. A breakfast in May featured remarks by Rep. Devin Nunes, and the next event will feature remarks by Rep. Dennis Cardoza.

SENATE COMMITTEE PROBES CANCELLATION OF FIRE SUPPRESSION AIRCRAFT CONTRACTS

On Wednesday, June 2, 2004, the Senate Commerce, Science and Transportation Committee held a hearing to examine the recent cancellation by the government of a number of contracts with businesses providing aerial firefighting services. In addition, the hearing focused on the progress federal agencies have made in response to the recommendations from the National Transportation Safety Board (NTSB) regarding the creation of a maintenance and inspection program for firefighting aircraft (See, [Bulletin, Vol. 11, No. 16 \(5/13/04\)](#)). During his opening statement, the Committee Chairman John McCain (AZ) noted that 20 percent of all retardant used to suppress wildfires was delivered by 33 large airtankers used for fire suppression purposes. The tankers, used for battling fires in the early stages, drop retardant or thousands of gallons of water from low altitudes. The 2004 airtanker contracts with private businesses were cancelled by the USDA Forest Service and the Department of the Interior (DOI) in response to recommendations contained in the NTSB report on three previous airtanker accidents, two of which occurred in 2002 and which resulted in eight fatalities overall. According to press reports, in the three accidents, one or both wings of the planes detached in midair, causing the aircraft to crash.

The Committee members heard testimony from the following witnesses: Ms. Ellen Engleman Conners, Chairman, National Transportation Safety Board; Mr. Nicholas A. Sabatini, Associate Administrator, Regulation and Certification, Federal Aviation Administration (FAA); Mr. Mark E. Ray, Undersecretary for Natural Resources and Environment, U.S. Department of Agriculture (USDA); Mr. Mark Timmons, President, Neptune Aviation Services, Missoula International Airport, and Mr. William W. Grantham, President, International Air Response, Inc.

Ms. Conners briefly described NTSB's investigations into the three firefighting airtanker accidents, and outlined the report's recommendations that were drawn up as a result of the investigation. She testified that currently there is no effective mechanism that exists to ensure the continuing airworthiness of the airtanker aircraft, particularly when increased safety risks resulting from their advanced age and the severe stresses of the firefighting operating environment are taken into consideration. Ms. Conners noted that the structural integrity of the airplanes in question is of particular concern, because factors such as fatigue and corrosion tend to manifest themselves over time as the aircraft age. She said that as a result of its investigations, NTSB issued several recommendations, including development of maintenance and inspection programs for aircraft that are used by the USDA, and the assumption of the responsibility for collecting continuing airworthiness information about surplus military by the FAA.

Mr. Sabatini addressed the reasons why the Forest Service and DOI, and not the FAA, made safety determinations with respect to the firefighting airtankers, and spoke on the issue of surplus military aircraft. He explained that the FAA has regulatory and oversight authority over civil aircraft operations as opposed to the public aircraft operations, which are conducted and overseen by the respective agency or department involved. Airtanker wildfire suppression activities are classified as public aircraft operations, and as such fall under USDA's and DOI's jurisdiction.

Undersecretary Rey testified that the USDA's decision to terminate the 2004 contract was ultimately based on the safety records of the 33 large airtankers. He argued that the USDA's ability to fight wildfire remains at a high level, and underscored the fact that the agency plans to increase the number of its firefighting airplanes through new contracts to make up for the 33 airtankers that have been grounded.

While Undersecretary Rey described the reasoning behind USDA's decision to halt the use of airtankers for firefighting purposes, Mr. Timmons and Mr. Grantham offered testimony about the effects of the airtanker contract cancellation on contractors and the industry as a whole. Mr. Timmons said that NTSB's recommendations did not take into account extensive maintenance procedures that are already in place, and argued that USDA encouraged contractors to modernize their fleet despite the fact that

USDA had reviewed an initial draft of the NTSB report including the recommendation to develop maintenance and inspection programs for the airtankers. Similarly, Mr. Grantham protested the government's decision to stop using airtankers, and testified that the industry has made significant strides to improve the safety of the existing airtanker fleet. Both Mr. Timmons and Mr. Grantham urged the Committee members to restore the airtanker firefighting aircraft to operational status.

California has already declared an early fire season, and as of May 10, 2004 wildfires have burned 31,920 acres in the state. California is one of the states that is bracing for an above-normal fire season, fueled by continuing drought, unusually warm and dry weather, and lower-than-usual winter precipitation.

To obtain copies of witness testimonies, please visit the Senate Commerce, Science and Transportation Committee website at: <http://commerce.senate.gov/hearings/index.cfm> .

HEARING HELD TO EXAMINE PRIVATE SECTOR PARTICIPATION IN TRANSPORTATION

The House Government Reform Subcommittee on Energy Policy, Natural Resources and Regulatory Affairs held a hearing on May 18, 2004 to look at the Department of Transportation's (DOT) record in encouraging private sector participation in ground transportation as well as its oversight enforcement record.

The hearing, titled "*How Can We Maximize Private Sector Participation in Transportation?*", included testimony from the following witnesses: Mr. Emil Frankel, Assistant Secretary for Transportation Policy, U.S. Department of Transportation; Mr. William R. Allen, President, Amador Stage Lines; Mr. Katsumi Tanaka, Chairman of the Board & CEO, E Noa Corporation; Mr. Terrence V. Thomas, President, Community Bus Services, Inc.; Dr. Adrian Moore, Vice President, Reason Foundation and Executive Director, Reason Public Policy Institute; and Dr. Ronald D. Utt, Herbert & Joyce Morgan Senior Research Fellow, The Heritage Foundation.

Assistant Secretary Frankel expressed DOT's commitment to providing a greater role for the private sector in transportation services and infrastructure investment, specifically in the area of Intelligent Transportation Systems (ITS). He noted that the Administration's transportation reauthorization proposal, otherwise known as the Safe, Accountable, Flexible, and Efficient Transportation Equity Act of 2003 (SAFETEA), as well as the Passenger Rail Investment Reform Act seek to increase opportunities for private sector participation. Assistant Secretary Frankel outlined for Subcommittee members the extent of public-private partnership in each area of transportation, including the intercity bus systems and rail transit sectors.

In his statement, the Subcommittee Chairman Doug Ose (Sacramento) expressed concern over DOT's private sector participation policy, and joined other witnesses in criticizing DOT for instances where it allowed local public transit authorities to compete unfairly with existing private mass transit service providers. Mr. Allen testified about the case of a public takeover of a previously over 25 year-old competitively-awarded contract for the private sector to operate local bus service in Sacramento, which he argued was the result of "a series of anti-private enterprise participation rulings by the Federal Transit Administration (FTA)." According to Mr. Allen's written testimony, Amador Stage Lines held that contract for 25 years prior to the public takeover in question by the Regional Transit.

Similarly, Mr. Tanaka and Mr. Thomas testified that federal, state, and county governments stifle private sector competition when it comes to contracting transportation work supported by federal dollars in their respective states of Hawaii and Ohio. Mr. Tanaka also cited three examples of alleged preferential treatment with respect to competition for federally-supported transportation projects. Mr. Thomas echoed Mr. Tanaka and added that oftentimes the "investment private businesses make in mass

transportation services and in school bus services is viewed as an undesirable impediment by many public transportation agencies, including the [FTA].” He noted that FTA’s rulings have been detrimental to private enterprise participation in transit transportation, and that such rulings are made despite Congressionally-mandated requirements for private enterprises to participate in the planning and delivery of mass transit services.

The latter remarks were supported by Dr. Moore’s testimony, in which he said that even though current law and the Administration’s policies are aimed at expanding the role of the private sector in transportation, the governmental agencies in charge of the competition process oftentimes have fallen short in taking full advantage of what the private sector has to offer. Dr. Moore argued that by not capitalizing on all opportunities to involve the private sector the agencies are increasing the costs of transportation services, limiting their flexibility, stifling innovation, and creating a static system to the detriment of taxpayers and travelers. On the other hand, Dr. Utt provided the Subcommittee members with an overview of the public-private partnerships in the area of transportation contracting, outlined an international experience of private participation in providing public transportation services, and offered a brief overview of the current status of private sector competition for transit projects.

For more information about this hearing, please visit the Subcommittee’s website at: <http://reform.house.gov/EPNRR/Hearings/EventSingle.aspx?EventID=1005> .

SENATE JUDICIARY REPORTS INTELLECTUAL PROPERTY BILL

On May 20, 2004, the Senate Judiciary Committee favorably reported S. 1933, the Enhancing Federal Obscenity Reporting and Copyright Enforcement (ENFORCE) Act, which was introduced by Sen. Orrin Hatch (UT) and co-sponsored by Sen. Dianne Feinstein. Among its provisions, the bill directs the Attorney General to place more federal agents into Justice Department units that are investigating computer hacking and intellectual property crimes to ensure that sufficient investigative resources are available to these units. It also provides that when assessing damages for copyright infringement, the court in its discretion may determine that each copy or part of a copyrighted work is considered separately for purposes of accruing the amount of damages if the court concludes that they each has independent economic value.

For further information on the legislation, visit the committee’s website at: <http://www.judiciary.senate.gov> .

GAO STUDY ON UNDOCUMENTED ALIENS AND HOSPITAL COSTS

The General Accounting Office released a report in May 2004 entitled: “*Undocumented Aliens: Questions Persist about Their Impact on Hospitals’ Uncompensated Care Costs.*” In the report GAO attempted to examine the relationship between uncompensated care and undocumented aliens by surveying hospitals. However, because hospitals do not generally collect information on their patient’s immigration status, and because of a low response rate to the survey, it could not determine the effect of undocumented aliens on hospitals’ uncompensated care costs.

GAO outlined the several sources of federal funding available to help hospitals cover the costs of care for undocumented aliens, including Medicaid coverage for emergency medical services for eligible illegal immigrants, supplemental Medicaid payments to hospitals treating a disproportionate share of low-income patients, and \$100 million in funds made available to 12 states, including California, for FY1998-2001 for emergency services to undocumented aliens.

In addition, under the Medicare Prescription Drug, Improvement, and Modernization Act, \$1 billion was appropriated over fiscal years 2005 through 2008 for emergency services for illegal immigrants. By September 1st of this year, the Department of Health and Human Services must establish a process for

hospitals and other providers to request payments from these funds under the Prescription Drug law. GAO recommends that, in establishing a payment system, HHS develop "appropriate internal controls to ensure payments are made only for unreimbursed emergency services for undocumented or certain other aliens." The report states that the Centers for Medicare and Medicaid Services and the Department of Homeland Security both concurred in this finding.

For a copy of the report, visit GAO's website at: www.gao.gov/cgi-bin/getrpr?GAO-04-472 .

CALIFORNIA RANKS SECOND IN MILKEN'S TECHNOLOGY & SCIENCE INDEX

The Milken Institute ranks California number two, behind Massachusetts, in its top ten states best prepared to succeed in the technology-led information age. The Institute's 2004 State Technology and Science Index finds that a state's investment in technology and science assets "from higher education to access to venture capital" is a crucial factor in determining a region's future economic success. The Index encapsulates each state's comprehensive inventory of technology and science assets that can be used to promote economic development. Its goal is to provide states with a benchmark, monitor their technology progress and provide a "framework of measures to guide state policy makers and the public on the realities of their performance in the knowledge-based economy of today."

The index uses 75 indicators in five categories to measure how well a state will perform in today's knowledge-based economy. The five composite categories are: Research and development inputs; Risk capital and entrepreneurial infrastructure; Human capital investment; Technology and science workforce; and Technology concentration and dynamism.

In ranking California second overall, the study cites the state's numerous technology clusters, its strong venture-capital foundation and its excellent higher education system. However, the study also found that other states are "chipping away" at the state's technology assets and that "California must continue to increase funding of science and technology in its university systems or risk losing one of its most important historical comparative advantages...."Other states have made this a top budgetary priority, according to the study.

The Milken Institute found several developments that it argues should concern the state's policy makers, including: a decline in California's ability to lure academic research and development dollars; a decline in business starts per capita, dropping the state from 6th in 2002 to 13th in the 2004 index; and a decrease in the percent of residents with a bachelor's degree. It attributed part of the reason for these declines to the fact that other states are working hard to build their own technology and science infrastructure, and luring the scientists and engineers needed to propel that infrastructure.

The full report can be obtained through the Milken Institute's website at: <http://www.milkeninstitute.org> .

SECTION 8 VOUCHER CHANGES ANNOUNCED; CALIFORNIANS REQUEST THAT NEW DECISION BE REVOKED

On April 22, 2004, the U.S. Department of Housing and Urban Development (HUD) announced its decision to fund Section 8 vouchers at the 2003 level. The new funding formula is retroactive to January and means that HUD will pay local agencies at last August's level, plus an inflation factor, resulting in some agencies receiving less than their actual costs. Due to a public outcry that resulted from the decision, HUD Secretary Alphonso Jackson announced on May 20th that HUD will provide the inflation factor up-front, rather than later, a decision aimed at alleviating funding challenges that the public housing agencies anticipated as a result of the April 22 decision.

California's Democratic congressional delegation had opposed HUD's April 22 decision. Nineteen California Democrat members, joined Rep. Diane Watson (Los Angeles), in sending a letter to Secretary

Jackson calling on HUD to rescind its April 22 decision and to provide full funding to Section 8, which is the nation's largest housing assistance program for the poor. In the letter, the Californians argued that "HUD's ruling will, in effect, cause a funding shortfall for our state's public housing authorities. It could also potentially force some of California's 300,000 families and children who have authorized Section 8 vouchers out of their homes. In addition, HUD's ruling will likely increase rent levels of voucher holders and decrease maximum rents covered by a voucher."

As a state that is home to more than 700,000 people whose rents are subsidized by this federal program, California has one of the highest allotments of Section 8 voucher holders in the nation. Under Section 8, low-income tenants pay about a third of their income in rent while the federal government pays the rest.

PPIC STATEWIDE SURVEY OUTLINES CALIFORNIA RESIDENTS' ATTITUDES ABOUT STATE BUDGET AND GOVERNMENT

Californians are still unhappy about the budget, despite signs of a slowly improving economy, reports a new study by the Public Policy Institute of California. The new survey, released on May 27, 2004, is the third in a series of special PPIC Statewide Surveys, entitled "*California State Budget and Fiscal System*," begun in June 2003 and conducted in collaboration with The James Irvine Foundation.

The study found that almost three-fourths (73 percent) of Californians say the state's budget gap is a big problem and an even higher percentage of likely voters (80 percent) believe that the gap is a big problem. The same percentage (73 percent) said the gap was a big problem back in 2003 around the time of Governor Davis' 2003 May budget revision as well. The report also found that only 50 percent of residents (50 percent) are satisfied with the governor's budget, which includes no new taxes, while 41 percent said they are dissatisfied, and 9 percent said they don't know. Furthermore, 50 percent of those surveyed said that the plan should have included tax increases, and 76 percent said they are at least somewhat concerned about the effects the plan's proposed spending cuts will have on services.

Other findings of the survey include the following:

- Despite concerns over cuts, many residents are unwilling to pay to protect public services. Large majorities oppose cutting spending for K-12 education (81 percent), colleges and universities (73 percent), and health and human services (68 percent); and most residents are either very or somewhat concerned that the state budget gap will cause severe cuts to their local school district (85 percent), local health and human services (80 percent), and local services such as parks and police (78 percent). When asked if they would support raising property taxes to fund local public schools, however, 50 percent said no and 45 percent said yes.
- The majority of Californians support increasing taxes geared toward certain groups: 70 percent said they support raising cigarette taxes, and 56 percent would raise the tax rate on the state's top income bracket.
- Residents are concerned about the efficiency of their state government. Nearly three-quarters (71%) of all residents believe it could spend less and still provide the same level of services. In addition, a majority of residents (58 percent) and likely voters (57 percent) believe local government in their area could spend less and provide the same services. Only about one-third of likely voters (35%) approve of the California legislature's job performance.
- A strong majority of likely voters (60%) support this November's ballot measure that requires voter approval for any state-level legislation that reduces *local* government revenue.
- A large majority of likely voters (69%) approve of Governor Schwarzenegger's job performance, with 55 percent of residents and 61 percent of likely voters approving of his handling of the budget and taxes.

– One-third of Californians cite the economy, jobs, and unemployment as the top issue facing the state, with the percentage naming gasoline prices (4 percent) rising.

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

REPORT URGES BETTER EVALUATION OF SCHOOL-TO-CAREER PROGRAMS

A new report released by the Public Policy Institute of California (PPIC) shows how the limited availability of relevant data is hampering the adequate assessment and evaluation of postsecondary, school-to-career programs in California.

The report entitled “*The Effects of School-to-Career (STC) Programs on Postsecondary Enrollment and Employment*”, uses data from the 1997 National Longitudinal Survey of Youth (NLSY97) to examine the impacts of school-to-work programs on postsecondary college enrollment and employment.

It finds that on a national scale, broad based programs such as student-run enterprises, internships, and apprenticeships have a positive effect on a student’s likelihood of being employed or going to college. On the other hand, the effect of programs like Career Academies and Tech prep that are geared toward a narrower target population and funded more prevalently in California, are less conclusive.

The move toward more targeted programs ensued after federal school-to-work legislation authorized in 1994 failed to achieve renewal in 2000. Limited resources for federally supported postsecondary employment and college preparation programs meant that funding for broad based programs such as: internships, apprenticeships, cooperative education, job shadowing, mentoring, and school-sponsored enterprises was discontinued or scaled back in California. Though some of the more general programs tend to have a more positive impact on education and employment achievements, the report notes that not enough evidence exists to suggest that the programs benefit adults from low-income or disadvantaged communities.

The author recommends that STC activities be examined in greater depth in order to allocate funding where it can be most effective. Better articulation of program goals, more accurate criterion to assess educational success, and better data collection efforts would also benefit the STC evaluation process, according to the report.

To view a copy of this report visit the PPIC website at: <http://www.ppic.org/>

HOUSE APPROPRIATIONS ANNOUNCES SUBCOMMITTEE ALLOCATIONS

On Wednesday, June 2, Chairman C.W. Bill Young (FL) announced the spending allocations, or 302(b) levels, for the House Appropriations Subcommittees. The \$821.4 billion appropriations allocations reflect a \$2 billion decrease in non-defense discretionary spending, but are roughly \$35 billion more than the FY04 funding levels. The Senate Committee has yet to announce 302(b) levels.

In making the announcement, Chairman Young stated: “In both the deeming resolution and the Budget Conference Report, the Budget Committee reduced our allocation by nearly \$2 billion below the President’s request. As a result, the non-defense allocations in an already tight budget are even tighter. We are fully funding our national security requirements while providing some additional resources to bolster our homeland security. The austere funding levels for the remaining subcommittees will make it challenging to move bills through the legislative process.”

The Agriculture and Transportation-Treasury spending bills would lose the most under the allocations. Agriculture’s spending would drop from \$16.839 million in FY04 to \$16.772 million. Transportation-Treasury would be hit even harder, dropping from \$28.3 billion in FY04 to \$25.439 billion, \$275 million less than the President’s request. The allocation, however, does assume that the election reform funding included in the FY04 appropriations will not be needed.

VA-HUD Appropriations, on the other hand, would increase to \$92.93 billion under Young's allocations. This is \$2.13 billion more than FY04 funding, and \$801 million more than the President's request. Nevertheless, the increase would not be sufficient to fund the \$1.2 billion in additional benefits that veterans are pushing the VA-HUD Subcommittee to provide.

The Defense Appropriations Subcommittee is scheduled to receive \$392.1 billion, compared to the FY04 funding level of \$366.4 billion. This represents about a 7 percent increase in defense appropriations. Of that figure, the appropriators plan to shift \$1.2 billion to the Homeland Security budget to cover Coast Guard funding, and \$450 million would go into military construction appropriations. The Interior Department also would get an increase to \$19.73 billion, versus the \$19.542 it received in FY04 funding; however, the total is still \$256 million less than the President's budget request. Labor HHS would get a 2.4 percent increase over last year to \$142.32 billion, and Commerce-Justice-State would go from \$37.6 billion to \$39.8 billion, a 5.9 percent increase.

For details, visit <http://appropriations.house.gov> .