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California Capitol Hill Bulletin

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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.

STOCK OPTIONS BILL PASSES HOUSE

On Tuesday, July 20, the House passed the Stock Option Accounting Reform Act, H.R. 3574, co-authored by Rep. Anna Eshoo (Atherton) by a vote of 313-110. The bill would prevent implementation of a rule by the Financial Accounting Standards Board (FASB) that would require companies to expense employee stock options. H.R. 3574 would limit the expensing requirement to employee stock options granted to the chief executive and the next four highest paid employees of a company. Small businesses would be exempt from expensing options, under the bill, and newly public companies would be able to delay expensing in the first three years. The bill also prohibits Securities and Exchange Commission recognition of any further stock option expensing requirements pending the completion of economic impact studies by the Departments of Commerce and Labor. See, [Bulletin, Vol. 11, No. 20 \(6/18/04\)](#).

After the vote, Congresswoman Eshoo said: "Without immediate action by Congress, FASB's ill-advised mandatory expensing rule will go into effect without any examination of its impact on American workers, their employers, or the U.S. economy, leaving the future of this important employee benefit in doubt."

H.R. 3574 is strongly supported by California's high technology companies which argue that offering stock options is an important factor in hiring and retaining the best employees, especially for start-up companies.

HOUSE RESOURCES APPROVES ENDANGERED SPECIES ACT BILLS

On Wednesday, July 21, the House Resources Committee reported two bills that would change the Endangered Species Act. H.R. 2933, sponsored by Rep. Dennis Cardoza (Merced) passed by a vote of 28-14, and H.R. 1662, by Oregon Rep. Greg Walden, passed 26-15.

H.R. 2933, the Critical Habitat Reform Act, would amend the process for designating critical habitat under the ESA. During the markup, Rep. Cardoza offered an amendment in the nature of a substitute, which was approved by voice vote. Under the substitute, the Fish & Wildlife Service would be required to designate critical habitat

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within three years of a species' listing or within one year of the approval of a recovery plan. Current law requires critical habitat be designated one year after a species is listed as endangered. The bill also would require the Service to expand its current analysis of critical habitat to include economic data from landowners and local governments and to use the best science practicable in making its determination. Areas where a State or local conservation plan are in effect would be excluded from federal critical habitat designation. Rep. Joe Baca (Rialto) offered an amendment that was approved by voice vote to also exclude tribal land conservation areas from federal designation.

H.R. 1662, the Sound Science for ESA Planning Act, would require the Fish and Wildlife Service to submit decisions on listing, or de-listing, species to a review panel of three scientists. It would also require the Service to give greater weight to scientific or commercial data that is empirical or has been field-tested or peer-reviewed, over projection and modeling methods. The Service would also be required to set standards for the scientific and commercial data it uses.

SENATE JUDICIARY HEARING REVIEWS COPYRIGHT INFRINGEMENT BILL

The Senate Judiciary Committee on Thursday, July 22 held a hearing on S. 2560, The Inducing Infringement of Copyrights Act of 2004. The bill would clarify the law on secondary liability for copyright infringement, imposing liability for the "intentional inducement" of copyright.

The Honorable Marybeth Peters, Register of Copyrights and Associate Librarian for Copyright Services United States Copyright Office, testified in support of the legislation. She stated that it would "allow courts to examine fully the circumstances behind infringing activity to find those truly responsible, such as the operators of the current peer-to-peer networks who depend upon infringement for their commercial viability." She stated that the legislation was needed because the application of the secondary liability doctrines in the peer-to-peer context has produced conflicting results. She noted that the Napster and Aimster P2P services were found liable based on secondary liability by the Ninth Circuit and Seventh Circuit, while Grokster and Streamcast were not found liable by the Central District of California.

She also countered the argument that the bill is too broad and may impose liability on legitimate manufacturers or Internet Service Providers by arguing that those "who merely provide copying technology or Internet access should not be liable under this bill, because they would lack indicators of 'intentional inducement' like those found in the peer-to-peer context."

The Committee also heard from Mitch Bainwol, Chairman and CEO of the Recording Industry Association of America, who also testified in support of the legislation as an important weapon against P2P networks that encourage the piracy of recorded music. Gary J. Shapiro, on behalf of the Consumer Electronics Association and the Home Recording Rights Coalition, however, expressed "grave" concerns with S. 2560, calling it the "most fundamental threat that consumers and technology industries have faced since the Ninth Circuit's decision in 1981" in the Betamax case where the court upheld the efforts by two motion picture studios to obtain a court injunction against the sale of consumer VCRs. That decision was subsequently overturned by the Supreme Court. He argued that the bill would be ruinous for technological innovation and "would effectively force anyone hoping to come to market with a product that transmits or stores copyrighted works to negotiate in advance, to quiet any of the concerns of any copyright proprietor that has the resources to sue."

Testimony may be obtained through the Committee's website at: <http://judiciary.senate.gov> .

HOUSE TRANSPORTATION CONFEREES MAKE \$299 BILLION OFFER, LEAD SENATOR FLOATS \$301 BILLION, BUT ONGOING DIFFERENCES FORCE TWO-MONTH EXTENSION

The Transportation Conference Committee adjourned on Thursday, July 22, 2004 after considering a formal House funding proposal of \$299 billion. Congress will enter recess with no final figure yet in place for a

comprehensive authorization bill to succeed the Transportation Equity Act for the 21st Century (TEA-21). The failure to complete a new bill necessitates passage of a fifth TEA-21 temporary extension measure before lawmakers depart for the August recess.

Seeking to avoid the prospect of another temporary extension and with a six-week summer recess just hours away, Sen. James Inhofe (OK), chair of the authorization committee, changed gears in his approach to complete a bill by presenting a new funding proposal for the conference committee's consideration earlier in the week. His proposal would split the difference between the funding levels approved by the full Senate (\$318.9 billion) and the House (\$283.2 billion), providing \$301 billion for highways, transit and safety programs over six years in contract authority spending. The proposal would also include some policy provisions, including a minimum guaranteed return of 94 percent to donor states.

The Senate bill, S. 1072, establishes a guaranteed return of 95 percent to each state by 2009, up from the 90.5 percent minimum in current law. Donor states sending more funding to the Highway Trust Fund (HTF) than they receive back in core highway apportionments formed a coalition to guarantee greater equity in the transportation reauthorization bill. California, a donor state, is a member of the SHARE Coalition though the state is a donee when it comes to the share of transit dollars received from the federal government.

Senator Inhofe indicated that Senate and House conferees were \$2 billion shy of reaching a spending figure agreement on their own and that he was confident his effort could spur a compromise. Anticipating the call for further deliberations, Sen. Inhofe gave conferees two days to consider the implications of his proposal, though he warned conferees that time had run out for parlaying, "Extensions are not good," he said. He then went on to remind conferees that a failure to reach consensus would result in no new safety programs, no environmental reforms, no construction jobs and no revenue enhancements for states, and continued delays for construction projects suffering from long range funding commitment uncertainties.

Vice Chair Don Young (AK) and a number of other House transportation leaders agreed to assess the proposal as a basis for moving forward, though several House and Senate members expressed strong doubts that the transportation bill would be a *fait accompli* by the end of the week. Rep. Young also pledged to consider the plan, although he thought it plausible to continue with the process of writing a bill during the recess after an agreed to number had been reached. In the ensuing discussion members raised a number of unreconciled concerns not directly related to the bill's overall cost and not yet conferenced, such as: minimum guarantees and equity safeguards, excessive demonstration projects included in the House bill, transit commitments, concerns about which states would lose and gain from a \$301 billion figure, and financing of HTF dollars.

Rep. Bill Thomas (Bakersfield) agreed with the spirit of the new proposal, though he implied that the plan did not take into consideration enough White House objections on the growth of spending for it to become law. In response to Thomas' comments, Sen. Barbara Boxer appealed to committee members to serve the interests of their constituents over those of the White House. The Bush administration has plans to veto any bill costing more than it's \$256 billion over six years proposal known as the Safe, Accountable, Flexible, and Efficient Transportation Equity Act (SAFETEA), citing the need for austerity during a tough deficit spending period.

When the conference committee reconvened on July 22, House members led by Reps. Young and Thomas submitted an official House counteroffer of \$299 billion to Sen. Inhofe's proposal. The House plan, outlined by Rep. Thomas, would not alter the House bill's (HR3550) content, while it complies with the President's principles and would earn his approval for passage. Any retention of the House bill's reopener provision requiring Congress to revisit the question of transportation funding levels would nix the deal however, according to Rep. Thomas. "You aren't getting what you need but what is doable" said Thomas.

Senate conferees from both parties gave the proposal a cool reception. Chair Inhofe said a final bill was “not achievable at this figure,” and that a Senate vote on the matter would fail if taken at this time. Sen. Kent Conrad (ND) commented that the figure would not provide adequate funding for equitable distributions to smaller states. Sen. Don Nickles (OK), however, reminded the conferees that a presidential signature was necessary for the conferees to achieve success. Senior House conferee John Mica (FL) hinted that he may offer a higher cost alternative when conferees reconvene in September.

Prior to committee adjournment, conference staff members were charged with assessing how each state would fare under the \$299 billion House plan.

The House passed on Thursday and the Senate is expected to pass on Friday a two-month transportation stop gap measure. The latest extension would maintain highways and transit programs until September 24 for highway programs and September 30 for transit programs.

9/11 COMMISSION REPORT RELEASED, URGES AGAINST STATE GRANT MINIMUM

On Thursday, July 22, 2004, the bipartisan Sept. 11 commission issued its final report, which had been approved unanimously by the 10-member panel. In addition to recounting events leading up to and including the terror attacks, the 585-page document provided various suggestions for improving intelligence, communications, and other capabilities for preparing for and preventing future attacks.

Among its recommendations was that homeland security assistance to state and local governments “should be based strictly on an assessment of risks and vulnerabilities.” The commission recommendations state, “We understand the contention that every state and city needs to have some minimum infrastructure for emergency response. But federal homeland security assistance should not remain a program for general revenue sharing. It should supplement state and local resources based on the risks or vulnerabilities that merit additional support. Congress should not use this money as a pork barrel.”

The report also recommended that Congress establish “a single, principal point of oversight and review for homeland security.” The House has created a Select Committee on Homeland Security, but the Senate has not. The report noted that federal homeland security officials must appear before 88 Congressional committees and subcommittees.

Under current law, every state first receives 0.75 percent of the funds, thus allocating 40 percent of funds equally among states and thereby favoring small states over large states. As a result, California received \$5 in grants per capita in 2004, whereas Wyoming received \$38 per capita. 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 EDUCATION AND THE WORKFORCE COMMITTEE APPROVES VOCATIONAL EDUCATION RENEWAL

On Wednesday the Committee on Education and the Workforce marked up H.R. 4496, the Vocational and Technical Education for the Future Act. The amendment in the nature of a substitute, submitted by Rep Michael Castle (DE), with one amendment, was approved by voice vote.

“The bill before us maintains our commitment to ensuring states and local communities have the final say when it comes to educational choices for their students, and continues to move away from the so-called “School to Work” model of the past,” said Chairman John Boehner.

Ranking Member George Miller (Martinez) said the bill “contains critical improvements in the areas of accountability, integration and coordination and is supported by a range of organizations, including the Association for Career Technical Education, the National Association of State Directors of Career Technical Education, the NEA, and the National Coalition for Women and Girls in Education.”

Rep Lynn Woolsey (Petaluma) proposed an unsuccessful amendment that would “restore administrative funds” by changing the allowable percentage of state administrative funding in the draft from 2 percent to 5 percent – the current level. She said that while the bill reduces state funding, “We’re asking more of the state level in a mandatory form for tech assistance. It won’t work.”

Rep Castle indicated that there is more money going into the whole program. He said, “It’s probably equal to 3 percent of the old program even though it’s 2 percent.” He further argued that it’s simply a question of allocation. Chairman Boehner pointed out that the proposed amendment would deal with administrative funds, which he said have been determined in the same range as set-asides in other reauthorizations. Boehner said the focus of the bill is to put more of the resources in the hand of “the locals that actually provide education” rather than allocating more of it to the state level.

Rep. Marilyn Musgrave (CO) proposed an unsuccessful amendment that would change the minimum grade level for participants in vocational and technical programs from seventh grade to ninth grade. She argued that students in middle school are not mature enough to make potential career decisions, and she said, “These programs should be reserved for older students who have the maturation level.”

Rep. Woolsey opposed the amendment, along with Reps. Tierney (MA), Wu (OR), and Castle. Castle noted that only 0.3 percent of funds go to seventh and eighth graders, arguing that it is not a financial strain on the programs. Woolsey further argued that for some kids these programs provide an incentive to stay in school because they are able to see career options available to them.

A third unsuccessful amendment was proposed by Rep Holt (NJ) that would create a new program aimed at matching skills training with industry matching. Woolsey expressed support for the amendment. In his submitted statement, Miller also urged support for the Holt amendment, saying that aggressive outsourcing has made a “skills gap” that “threatens our ability to compete globally.” Opposition to the amendment came from Chairman Boehner, who said, “Creating a new program is not in our best interest.”

Boehner submitted an amendment – passed unanimously – to permit advanced manufacturing activities.

HOUSE SUBCOMMITTEE CLEAN AIR ACT REVIEW FOCUSES ON METHYL BROMIDE

On Wednesday, July 21, 2004, the Energy and Air Quality Subcommittee of the House Energy and Commerce Committee held a hearing which examined the use of methyl bromide in the United States.

At the hearing, titled “*Methyl Bromide: Update on Achieving the Requirements of the Clean Air Act and the Montreal Protocol*”, the Subcommittee members heard testimony from a panel of witnesses, including: Ms. Claudia McMurray, Deputy Assistant Secretary for Environment, Bureau of Oceans and International Environmental and Scientific Affairs, Department of State; Dr. Rodney J. Brown, Deputy Undersecretary for Research, Education, and Economics, Department of Agriculture; the Honorable Jeffrey R. Homstead, Assistant Administrator for Air and Radiation, Environmental Protection Agency (EPA); Dr. H. Michael Mellano, Senior Vice President, Mellano & Company; Ms. Vanessa Bogenholm, Owner of VB Farms (Watsonville), and Chair, Board California Certified Organic Farmers; and Mr. Paul Wenger, Second Vice President, California Farm Bureau Federation.

In their joint written testimony, representatives of the three agencies - the Departments of State and Agriculture, and the EPA - asserted that the United States has already phased out the consumption of nearly 97 percent of all ozone-depleting substances controlled by the Montreal Protocol. In addition, they argued that

close to 80 percent of pre-plant methyl bromide soil fumigation use is in a limited number of crops, and that much of the federal government's pre-plant effort has focused on strawberries, tomatoes, ornamentals, peppers and nursery crops, with special emphasis on strawberries in California as model crops. According to the written testimony, federal agencies have spent approximately \$150 million on research to find alternatives to methyl bromide, and though some alternatives are currently available on the market, technologically and economically feasible alternatives for wider use remain to be found. The representatives of these three agencies also briefly spoke about the recently submitted U.S. petition for a nomination for a critical use exemption for the year 2005, and said that the U.S. nominated the following 16 crops and uses, including tomatoes, forest tree seedling, orchard and ornamental nurseries, and strawberries.

Mr. Mellano testified on the importance of continued availability of methyl bromide to U.S. nursery and floriculture industries. He noted that despite the fact that the whole agricultural sector, along with USDA, have been looking for a substitute for years, no suitable alternative has been endorsed by anyone involved with the effort. He also spoke in support of H.R. 3403, introduced by Rep. George Radanovich (Mariposa), which ensures the critical uses of methyl bromide (available as an exemption under the Montreal Protocol), as approved by EPA, to be available in the U.S. after the 2005 phase-out of the product, regardless of what the Protocol decides. Mr. Mellano argued that the Critical Use Exemption (CUE) process does not function as it should, thus placing the U.S. industry at risk of becoming uncompetitive, since developing countries that are not signatories of the Protocol are not required to phase the chemical out of their use by 2005. Under the CUE, any developed country that is a party to the Protocol may seek an exemption from the 2005 phase out, if it determines that the absence of methyl bromide would cause a significant market disruption. During his opening statement, Rep. Radanovich expressed concern over the CUE process for methyl bromide, saying that the process is not reliable to provide for the long-term agricultural needs of the U.S.

Echoing Mr. Mellano's sentiment, Mr. Wenger testified in support of securing the continued, adequate availability of methyl bromide. He noted that the U.S. strawberry industry will see some of the most significant projected losses due to the phase-out of the chemical - an estimated nationwide loss of \$131.5 million to producers. He also criticized the CUE process as one that is flawed, and recommended that it be streamlined to be science-based and fair to all participants. Both Mr. Mellano and Mr. Wenger urged the Subcommittee members to act to ensure that U.S. farmers have access to the amount of methyl bromide needed to provide consumers a quality and affordable domestic product.

Ms. Bogenholm, on the other hand, argued that the financial concerns of individual farmers can not be considered more important than the environmental concerns or the health of human beings. She asserted that organic farming techniques represent a viable alternative to the traditional use of methyl bromide for crops like strawberries, raspberries and grapes. Ms. Bogenholm criticized some commodity groups for spending millions of dollars to get their CUEs rather than putting that money into methyl bromide alternatives research. In addition, Ms. Bogenholm suggested that commodity groups using the chemical do full field scale trials on other production methods or materials and not just the 100 foot trials that have been done for over 16 years.

CALIFORNIA NURSERY INDUSTRY FILES SUIT AGAINST KENTUCKY

California's nursery industry filed a suit against the Commonwealth of Kentucky on Monday, July 19, 2004 to protest the latter's ban on nursery plants shipped from California. Since the discovery at several southern California nurseries of plants with Sudden Oak Death (SOD) disease in March of this year, several states have banned shipments of nursery products coming from California.

According to press reports, lost sales nationwide since March have been estimated at up to \$50 million for California, where nursery plants are the second most valuable crop after wine grapes. The California Institute previously reported on this subject, *See, Bulletin, Vol. 11, [No. 10 \(3/26/04\)](#) and [No. 22 \(7/1/04\)](#).*

SENATE SUBCOMMITTEE HEARS TESTIMONY ON CALIFORNIA PUBLIC LANDS BILL

On Wednesday, July 21, 2004, the Public Lands and Forests Subcommittee of the Senate Energy and Natural Resources Committee held a hearing on several public lands and forest bills, including S. 738, which designates certain public lands in Humboldt, Del Norte, Mendocino, Lake, Napa, and Yolo counties as wilderness, and designates certain segments of the Black Butte River in Mendocino County as a wild or scenic river. S. 738 is otherwise known as the Northern California Coastal Wild Heritage Wilderness Act.

During opening statements, Sen. Dianne Feinstein expressed hope that this legislation can be passed before Congress adjourns this year. The proposal aims to convert 15 different lands owned by the U.S. Forest Service or the Bureau of Land management into wilderness areas that would be open to most recreational activities except the use of motorized vehicles. Existing roads would be allowed to stay, providing access to property owners and others who already have land-use rights, and to emergency vehicles.

Those testifying before the Subcommittee members were: Mr. Mark E. Rey, Undersecretary of Agriculture for Natural Resources and Environment; Mr. Chad Calvert, Deputy Assistant Secretary for Lands and Minerals, U.S. Department of the Interior (DOI); Mr. Art Pope, Executive Director, Northwest Youth Corps; the Honorable John Woolley, Humboldt County Board of Supervisors, District 3; and Mr. Don Amador, Western Representative, BlueRibbon Coalition, Inc.

Undersecretary Rey briefly described each of the proposed wilderness designations included in S. 738. He testified that the Department of Agriculture is not opposed to the following designations as proposed: the Snow Mountain Wilderness Addition (located in the Mendocino National Forest), Yuki Wilderness Area-Proposed (located in the Mendocino National Forest), and the Black Butte River Wild and Scenic River Designation (located in Mendocino National Forest). He listed those designations that are not opposed by the Department if certain conditions are met as: the Yolla Bolly-Middle Eel Wilderness (YBMEW) Area Additions (located in Mendocino National Forest) if boundary adjustments to the proposed YBMEW Area Additions could be made to avoid the road "cherry stemming", Siskiyou Wilderness Area Additions-Proposed (Located in Six Rivers National Forest) if modifications of boundaries to better follow land features could be made to enhance manageability, and the Trinity Alps Wilderness Area - Proposed (located in Six Rivers National Forest) if boundary adjustment would be made to facilitate the removal of hazardous trees where roads border the proposed wilderness. The Undersecretary also testified that the Administration opposes the following designations for the following reasons: the Sanhedrin Wilderness Area-Proposed (located in Mendocino National Forest) because it would complicate and hinder habitat and risk management of the Sanhedrin Late Successional Reserve; the Mad River Buttes Wilderness Area-Proposed (located in Six Rivers National Forest) because the opportunity for solitude and primitive recreation is low due to the small size of the area; the Mt. Lassen Wilderness Area - Proposed (located in Six Rivers National Forest) because the area is classified as high to very high susceptibility to stand replacing fire; and the Underwood Wilderness Area - Proposed (located in Six Rivers National Forest). In addition, Mr. Rey said that the Department would like to submit several amendments dealing with fire management activities and fire use.

Mr. Woolley testified in strong support of S. 738, while Mr. Amador said that the bill has many programmatic and technical deficiencies that could result in the loss of several values. He outlined the impact each of the proposed designations would have on the recreation community if the legislation passes.

For more information about this hearing, please visit the Senate Energy and Natural Resources Committee's website at: <http://energy.senate.gov/hearings/witnesslist.cfm?id=1263> .

HOUSE COMMITTEE EXAMINES FOREST LAND ENHANCEMENT PROGRAM

On Tuesday, July 20, 2004, the House Agriculture Committee held a hearing on the Forest Land Enhancement Program (FLEP), which provides educational, technical and financial assistance to help private forest landowners implement their sustainable forestry management objectives. FLEP replaced the two previous private forest land conservation incentive programs, the Stewardship Incentive Program (SIP) and the Forestry Incentive Program (FIP) in the 2002 Farm Bill.

The Subcommittee members heard testimony from the following witnesses: Mr. Mark E. Rey, Undersecretary of Agriculture for Natural Resources and Environment; Mr. Jim Garner, Virginia State Forester, representing the National Association of State Foresters; Mr. John Burke, Tree Farmer, representing the American Forest Foundation; Mr. Gary Nakamura, Councilmember, Society of American Foresters; Mr. Tim L. Gothard, Executive Director, Alabama Wildlife Federation; and Mr. Bryan J. Burhans, Director, Land Management Programs, National Wild Turkey Federation.

According to Undersecretary Rey's testimony, "through FLEP, Congress provided an additional avenue for state forestry agencies and their partners to provide a wide array of educational, technical and financial services so that the nation's 350 million acres of non- industrial private forest land could continue to provide sustainable forest products and safeguard the health of our water, air, and wildlife." He noted that FLEP is a voluntary program that calls for the development of a State Priority Plan by each of the participants. Mr. Rey briefly described the cost sharing arrangement allowed under FLEP with the state's shouldering administrative implementation costs, and stated that the President's FY05 budget proposal does not include a request for FLEP for either this fiscal year or the next.

Mr. Garner commended the program for its inherent flexibility, and said that individual states are able to tailor the program to fit the particular needs of the state's family forest landowners. Particularly in California, Mr. Garner testified that the FLEP funds that became available in 2003 supplemented the state budget reductions, and are mainly used for post-fire forest restoration, hazardous fuel reduction, and forest improvement for timber, wildlife, and water resources. He noted that the cancellation of such funds will prove critical to the state in light of increased demand following last year's devastating wildfires in Southern California. In his concluding remarks, Mr. Garner argued that without funding for FLEP, family forest landowners will be left without a targeted cost-share program for the first time in nearly 50 years.

Similarly, all subsequent witnesses -- Mr. Burke, Mr. Gothard, Mr. Burhans, and Mr. Nakamura -- spoke in strong support of FLEP and urged the members of the Committee to restore funding to the program in FY 2005. Mr. Nakamura argued that though it is too late for southern California's nonindustrial private forests to benefit from cost-share and assistance programs such as FLEP, the Sierra Nevada and coastal redwood forest ecosystems could benefit, as they are just now coming under development pressure, and there are still extensive NIPF forest ownerships that could use FLEP funding to maintain these forests as fully functioning forests. He added that California is expected to lose 20 percent of its NIPF forestland to development over the next 50 years, and argued that one of the best remedies to curb the latter problem is by providing technical, educational, and financial assistance to family forestland owners.

To obtain copies of testimonies, please visit the House Agriculture Committee website at: <http://agriculture.house.gov/hearings/statements.html> .

PPIC RELEASES STUDY ON CALIFORNIA'S IMMIGRANT YOUTH

The Public Policy Institute of California recently released a report entitled *The Socioeconomic Well-Being of California's Immigrant Youth*, authored by Laura E. Hill. The study profiles the educational attainment, workforce participation, household arrangements, and parenting rates of immigrant youth.

Her analysis found four key themes:

- Youth who arrive in the U.S. by age 10 tend to have outcomes similar to those for native-born youth of the same race and ethnicity;
- Later-arriving youth have outcomes very different from both their early-arriving counterparts and the native born, and these outcomes vary significantly by race and ethnicity;
- Racial and ethnic differences still persist among third and subsequent generations of youth; and
- Immigrant youth in the Central Coast region fare poorly on many measures – often worse than their counterparts in Los Angeles and the San Joaquin Valley.

Ms. Hill also found that compared to Asian youth, Hispanics do significantly worse despite their age at arrival – 64 percent of late-arriving Hispanic youth lack health insurance compared to 35 percent of late-arriving Asian youth. Moreover, while parenting rates among young, late-arriving Asian women are negligible, nearly half of their Hispanic counterparts are living with their own children by the time they are age 19 to 24, according to the study.

A troubling finding of the report is that these disparities appear to endure across generations. For example, third-generation Hispanic youth are considerably less likely than third-generation Asian youth to have attended college (44% to 54%), and parenting rates among third-generation Hispanics between the ages of 19 and 24 are double what they are for third-generation whites (40% to 20%), according to Ms. Hill.

The full report can be obtained through PPIC's website at: <http://www.ppic.org> .

LOW-INCOME HOUSING ISSUES CONSIDERED

The Housing and Community Opportunity Subcommittee of the House Financial Services Committee held a hearing on Tuesday, July 20, 2004 to hear testimony on a Government Accountability Office report titled: "Multifamily Housing: More Accessible Housing and Urban Development (HUD) Data Could Help Efforts to Preserve Housing for Low-Income Tenants."

The panel of witnesses testifying before the Subcommittee members consisted of: Mr. David G. Wood, Director, Financial Markets and Community Investment, Government Accountability Office; Mr. John C. Weicher, Assistant Secretary of Housing and Urban Development; Mr. Michael Bodaken, President, National Housing Trust; Ms. O. Angie Nwanodi, Director of Policy, National Housing Development Corporation; Ms. Charlotte Delgado, Vice President, West National Alliance of HUD Tenants; Mr. William M. Kargman, President, First Realty Management Corp.; Ms. Gene Moreno, Policy/Advocacy Director, Chicago Rehab Network, representing National Low Income Housing Coalition; and Mr. Todd Trehubenko, Senior Vice President, Recapitalization Advisors.

In addition to outlining the GAO study's findings, Mr. Wood discussed the number and selected characteristics of HUD-subsidized rental properties with mortgages scheduled to mature in the next 10 years, the potential impact on tenants upon mortgage maturity, and the tools and incentives that HUD, the states, and localities offer owners to keep HUD properties affordable upon mortgage maturity. He said the study found that 21 percent of all subsidized properties with HUD mortgages nationwide are scheduled to mature in the next 10 years, with three-quarters of such mortgages scheduled to mature in the last 3 years of the 10-year period. According to the report, there are 273 HUD properties in California that are scheduled to mature within the same period. Mr. Wood noted that absent tenant protection requirements, the report estimates that

tenants in over 101,000 units that do not receive rental assistance may have to pay higher rents or move when the HUD mortgages on these properties mature and rent restrictions are lifted. He added that HUD does not offer any tools or incentives to keep properties affordable after they mature, and that the report found that 50 percent of state and local agencies that responded to the survey reported that they have no system in place to identify and track properties that may leave HUD's programs, while three-quarters of the respondents do not even track the maturity dates of HUD mortgages.

Mr. Weicher expressed the Administration's firm commitment to preserving affordable housing. He outlined several HUD programs that seek to preserve the affordable housing stock, including the Section 235 Decoupling Program, the Section 202 Prepayment Program, and the Mark Up to Market Program. Mr. Weicher pointed out that although the incentives to extend affordability do not directly address the termination of the affordability requirements resulting from mortgage maturity, some HUD programs provide incentives to owners to continue to provide affordable housing on a long-term basis and beyond the mortgage prepayment while improving the physical and financial viability of the properties. Citing the GAO report, Mr. Weicher said that more than half (57 percent) of people currently residing in those properties scheduled to mature, will continue to benefit from affordable rents and be protected regardless of when the mortgages mature as long as there is a rental assistance contract (such as Section 8 vouchers). In concluding his testimony, Mr. Weicher argued that because of incentives provided currently (including vouchers), there are few projects at risk of losing affordable housing units, and for those mortgages that do mature, the projects are remaining affordable despite the mortgage maturity.

Ms. Delgado, on the other hand, called the Subcommittee members' attention to the emerging crisis of expiring HUD-assisted mortgages, and spoke in strong support of H.R. 4679, otherwise known as the Displacement Prevention Act. According to Ms. Delgado, H.R. 4679 would extend Enhanced Vouchers for the currently unprotected 101,000 or more families in non-Section 8 units who would otherwise lose their homes when HUD mortgages mature. Ms. Delgado criticized the Administration's proposal to cut back Section 8 spending and to convert the program into the block-grant program to the states. With respect to the issue of those mortgages scheduled to expire soon, Ms. Delgado pointed out that California has the highest number of properties that will mature in 10 years (12 percent of the nation's total). She argued that the GAO report may have undercounted the problem of expiring mortgage units, and recommended that Congress adopt a new regulatory program to save at risk housing.

For full copies of witness testimonies, please visit the House Financial Services Committee's website at: <http://financialservices.house.gov/hearings.asp> .

GAO REPORT SUPPORTS BETTER TANF AND CCDF INFORMATION COLLECTION

A new report published by the General Accounting Office (GAO) finds states have the necessary tools in place to monitor and reduce the risk of improper payments for Temporary Assistance for Needy Families (TANF) and Child Care and Development Fund (CCDF) services. It also criticizes the Department of Health and Human Services for not collecting enough information at the federal level to consistently manage and assist states in their efforts.

In 1992 Congress charged federal agencies with reducing risks of improper payments, defined as payments to ineligible individuals, payments for services not rendered or service providers not covered by the law, either as a result of error or fraudulent practices.

The report produced at the behest of Senate Finance Chair Charles Grassley, found that of 16 states surveyed, most had some method of identifying and measuring improper TANF and CCDF payments. States use various different approaches to monitor the prevalence of improper payments and don't have equally

strong safeguards for CCDF programs as they do for TANF, according to the report. California, for example, uses statistical sampling and findings from state/local fraud entities to estimate improper payments, though these methods apply to TANF payments only. California receives 21.6 percent of TANF expenditures and 9.6 percent of CCDF funds, according to the report.

HHS is faulted by the report for not having more robust information collection mechanisms in place to better monitor the activities of state assessments, though HHS is credited for performing audits and collecting financial expenditure reports. Some states also reported not receiving enough help from HHS to manage their oversight systems. The report recommends expanded information collection by HHS, specifically the collection of internal control system data.

To view a copy of the report, go to the GAO website at: <http://www.gao.gov/new.items/d04723.pdf> .

EDUCATION AND WORKFORCE SUBCOMMITTEE HOLDS HEARING ON COLLEGE TEXTBOOK PRICING

The Committee on Education and the Workforce's Subcommittee on 21st Century Competitiveness, chaired by Rep. Buck McKeon (Santa Clarita), held a hearing on Tuesday, July 20, to discuss the pricing of college textbooks. The hearing, "Are College Textbooks Priced Fairly," was designed to examine rising costs of college textbooks, the impact of increased costs to college students, and possible solutions for students that do not infringe on publishers' ability to make reasonable profits.

Questioned about the need for printing of newer editions of textbooks on a frequent basis, John Isley, Executive Vice President Publishing, Planning and Business, Pearson Higher Education and Professional Publishing said, "There are new technology infrastructure schemes coming out every year," and, "The efforts are to increase productivity." He further noted, "The way classroom instruction is done is constantly evolving." Isley said that based on studies he has reviewed, spending on textbooks has not gone up dramatically, with a national average in spending of \$623.

Merriah Fairchild, Higher Education Director, California Student Public Interest Research Group (CALPIRG) said that based on CALPIRG's research, the national average spending on textbooks at four year public universities is \$817. On the west coast, she said, students attending institutions in California and Oregon pay up to an average of \$1,039. And, she added, at a community college they pay an average of \$807, which amounts to 44 percent of the college cost. Ms. Fairchild presented a host of findings from her publication "Rip-off 101: How The Current Practices Of The Textbook Industry Drive Up The Cost Of College Textbooks," highlighting regular changes in textbook editions not required by substantive changes in content as one of the largest problems.

Marc L. Fleischaker, Legal Counsel for the National Association of College Stores, Arent Fox PLLC, said there is a "very limited market" for textbook sales. "Volume is one driver in cost," he explained. He also cited "human capital and intellectual labor" – costs he said are not reducible – as major contributors to the high costs associated with textbook sales. Fleischaker expressed general support for the Committee's current work but said a larger congressional role is unnecessary in the textbook industry.

Fairchild called upon Congress to take steps to ensure that publishers of textbooks do not employ unfair practices which make it difficult for students to afford the materials they are required to have. She also expressed concern that faculty who select texts for courses do not always know the options available to them, or how much those options will cost to students. "We're very concerned that faculty don't have full disclosure in price," she said, "Students deserve to pay fair prices for educational materials that faculty, not publishers, determine add to the quality of their students' education."

Subcommittee Chairman Buck McKeon (Santa Clarita) made clear the Committee's desire was to study the issue but not lay blame, "This is a very complex problem. We're not up here attacking anybody." However, he remarked, "It is important that we don't ignore the staggering costs of textbooks in the college cost equation and the effect that they have on a student's overall cost of higher education." He added, "I believe that the costs of textbooks are too high, and are one of many factors jeopardizing our efforts to keep college affordable." Ranking Minority Member Dale Kildee (MI) said, "since tuition is rising due to smaller state budgets this is an important issue."

Virgil Monroe, Manager Textbook Services, University of Wisconsin River Falls told the Subcommittee that on Wisconsin's campus they operate a book rental program through their library system, charging a use fee to students. He said that the system saves students money and generates a minimal profit to the school for improvements to their library facilities. This type of system was proposed as one possible solution for dealing with high textbook prices facing students at other universities.

The testimony may be obtained through the Committee's website at: <http://edworkforce.house.gov/>.

PPIC SURVEY FINDS CALIFORNIANS CONTINUE STRONG SUPPORT FOR ENVIRONMENT

The Public Policy Institute of California (PPIC) recently released *Special Survey on Californians and the Environment*. The survey, prepared by Mark Baldassare, PPIC Research Director and Survey Director, indicates that environmental issues are top priorities for Californians. It shows that environmental issues take priority even above economic concerns with a majority of Californians.

"As it has with many issues, the partisan divide over environmental protection and regulation has widened dramatically in recent years," said Baldassare.

Study results are based on a telephone survey of 2,505 California adult residents conducted between June 30 and July 14, 2004. Interviews were conducted in English, Spanish, Chinese, Korean, and Vietnamese. Data for the entire sample is +/- 2 percent.

The following are key results of the study:

- 73 percent of state residents believe automakers should be required to significantly improve fuel efficiency in new vehicles sold in the U.S. – even if it increases consumer cost,
- 81 percent say they would back a state law requiring automakers to reduce the emission of greenhouse gases from new cars by the year 2009,
- 66 percent of state residents (62 percent of likely voters) support increasing the vehicle license fee for new cars by six dollars to pay for a program to put clean engines in older diesel buses, trucks, and equipment,
- 63 percent say they would seriously consider buying or leasing a hybrid car (gas-electric),
- 76 percent believe immediate steps should be taken to counter the effects of global warming,
- 39 percent approve of Governor Schwarzenegger's handling of environmental issues, compared to 27 percent who disapprove. (However, 50 percent of Republicans, 59 percent of Democrats, and 64 percent of independents support the Governor's proposal for a "Hydrogen Highway" – that would be comprised of 200 fueling stations – and development of further hydrogen fuel cell technology),
- 82 percent endorse the goal of having 15 percent of new homes in California run partly on solar power starting in 2006, and
- 56 percent said they trust Kerry more to handle environmental issues, compared to 30 percent who trust Bush more.

The survey is the seventh in a four-year PPIC series designed to "raise public awareness, inform decisionmakers, and stimulate public discussions about growth, land use, and the environment."

The full survey may be obtained from PPIC's website at: <http://www.ppic.org>.

FRIDAY EDUCATION BRIEFING TO EXAMINE NCLB

On Friday, July 23, 2004, the California School Boards Association, in conjunction with the California Institute for Federal Policy Research, will conduct a briefing regarding federal K-12 education issues. The briefing, entitled "*Strengthening the No Child Left Behind Act*," will take place at 2:00 p.m. in Room 2261 of the Rayburn House Office Building.

The briefing will feature comments by representatives of the California School Boards Association, who will present information regarding, and suggest improvements to, the No Child Left Behind Act (NCLB). Topics to be addressed include adequate yearly progress (AYP) participation rates, school choice provision of NCLB, assessment of special education students, measuring progress with a dual accountability system, and recruitment of highly qualified teachers.

For further information, or to contact the presenters in advance, visit the CSBA website at <http://www.csba.org> or contact either Rick Pratt or Phil Escamilla at 916-325-4020.