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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.*

### **BIPARTISAN DELEGATION BIDDING FOR NASA’S CREW EXPLORATION VEHICLE (CEV) PROJECT**

Spearheaded by Reps. Buck McKeon (Santa Clarita) and Jane Harman (Venice), a bipartisan cross-section of thirty-two California Congressional Delegation members signed a letter that is headed to the desk of NASA’s Administrator Michael Griffin. The letter requests his serious consideration of California to be the site to design, develop, and manufacture the Crew Exploration Vehicle (CEV), which will replace the existing space shuttle fleet.

California has a track record with work in the space industry, the letter notes. The current space shuttle fleet was designed, developed, and manufactured in California by Californians. Hence, the authors stress, California is well equipped with the facilities, expertise, and workforce necessary to take on the CEV project, which NASA hopes will be ready by the time the shuttle program is terminated at the end of the current decade. Furthermore, the state is home to three NASA centers: Dryden, Ames, and JPL.

To view a copy of the letter or for additional information regarding space-related issues facing the state, visit the website of the California Space Authority (CSA) at <http://www.californiaspaceauthority.org/html/whatsnew.html>.

### **HOUSE EDUCATION PANEL REVIVES WELFARE REAUTHORIZATION**

On October 20, 2005, The House Education and the Workforce Committee approved a rewrite of the 1996 welfare law, by a vote of 23 to 20. The bill (HR 240) contains provisions that would increase work requirements for Temporary Assistance for Needy Families (TANF) enrollees by 10 hours a week, and boosts discretionary child care spending by \$1 billion.

Efforts to reauthorize the welfare reform law of 1996 -- the Personal Responsibility, Work, Opportunity, and Reconciliation Act (PRWORA) -- have stalled for several years due to partisan disagreements over what direction to take to build on welfare reform’s success. Republican leaders have drafted reauthorization proposals that promote tougher work requirements and marriage strengthening activities, claiming that more can be done to improve self-sufficiency for welfare beneficiaries through work promotion and stability at home. Democrats are opposed to imposing increased work demands without providing adequate child care funding to offset those demands. Failure to improve

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child care authorizations sufficiently will, according to committee Ranking Member George Miller (Martinez), move people off of welfare but not out of poverty.

PRWORA expired in 2002 and has been kept alive through the passage of 11 temporary extension measures, the latest of which is scheduled to expire at the end of this calendar year.

The bill is sponsored by Rep. Howard “Buck” McKeon (Santa Clarita), Chair of the Subcommittee on 21st Century Competitiveness, along Rep. Deborah Pryce (OH). It is expected to be included in the broad budget reconciliation package the House is currently considering. Using budget reconciliation as a vehicle for the measure could considerably improve welfare reauthorization’s chances of passage this legislative cycle.

Absent the potential jump-start from its inclusion in reconciliation, legislative prospects appear challenging. First, the House Ways and Means full committee would have to act to report segments of the freestanding bill under its jurisdiction. There is no immediate indication that the Senate will consider its welfare reauthorization plan, S. 667, which was reported out of the Senate Finance Committee in March of this year. Moreover, there are sharp differences between House and Senate versions of the current bill. The Personal Responsibility and Individual Development for Everyone (PRIDE) Act, approved by voice vote, provides a more generous \$6 billion in additional child care and limits work requirement increases to 34 hours a week for a single parent with a child over age 6.

The bill reported by the Education and the Workforce Committee: increased weekly work hour requirements from 30 hours to 40 hours, eliminates separate participation rates for single and 2-parent families, hikes State participation rate demands from 50 percent in current law to 70 percent by FY 2010, updates the base years that derive TANF State apportionment calculations, establishes a new SuperAchiever caseload reduction credit system (California would not qualify), limits qualified other-than-work activities for cash recipients to 3 months in any two year period, provides \$100 million in competitive grants for responsible fatherhood programs, increases discretionary child care funds by \$1 billion (from \$2.1 billion in FY 2005 to \$3.1 billion in FY 2010), improves child care quality improvement setasides to 6 percent, gives states the flexibility to set child care eligibility, and promotes improved coordination across public assistance, workforce development and other programs.

The TANF formula currently awards California with a 22.6 percent share of block grant funds. TANF apportionments are based heavily on a state’s historic investment in welfare programs, which constitutes the state’s Maintenance of Effort (MOE). Specifically, formula language links TANF shares to a state’s non-federal commitment to welfare programs in 1994, known as the “base year.” This partially explains California’s high share of TANF receipts since the state’s public assistance expenditure peaked in 1994. As a result, H.R. 240’s base year revisions could have an impact on California’s share of TANF returns.

The formula’s base year would be updated annually under the House plan. FY 2006 apportionments will use 1996 as the base year, FY 2007 uses 1998, FY 2008 is based on 2001, and 2009 and every future year thereafter will use amounts recorded from the 4<sup>th</sup> preceding year (starting with 2005).

California receives a less commanding share of child care funding from the \$4.8 billion Child Care and Development Fund (CCDF), roughly 10.7 percent in 2004 and would benefit from the Senate plan’s child care component. The State is estimated to receive 12.6 percent of the additional child care dollars attached to the Senate bill, about \$757 million over 5 years.

For more information on the workings of the child care formulas and the California impacts of the two welfare bills’ child care elements, view the Federal Formula Grants and California publication entitled Federal Child Care Programs, available on the web at: <http://www.ppic.org/main/publication.asp?i=621> For a discussion on PRWORA program funding formulas and how they affect California, view the TANF and Welfare Programs publication from the same series at: <http://www.ppic.org/main/publication.asp?i=466> . Both these publications are available thanks to a partnership between the California Institute and the Public Policy Institute of California (PPIC). For more information on the H.R. 240 mark up, visit the House Education and the Workforce Committee website at: <http://edworkforce.house.gov>

## **SENATE HELP COMMITTEE PROPOSES BIODEFENSE INFRASTRUCTURE CHANGES**

On Tuesday, October 18, 2005, the Senate Committee on Health, Education, Labor and Pensions approved legislation to create a federal agency (within the Department of Health & Human Services or HHS) that would coordinate and conduct research into biological and radiological defense questions for homeland security purposes and would encourage additional private sector attention in the field.

The bill, entitled the "Biodefense and Pandemic Vaccine and Drug Development Act of 2005", would give companies financial and other incentives to invest in research and development of drugs and vaccines to combat potential bioterror threats. Bill sponsors and proponents argue that the current scheme -- driven by the previously-passed Project BioShield law -- does not go far enough to encourage investment and protect potentially pioneering companies from product liability litigation. (In addition to bioterror threats, the bill would use similar mechanisms to encourage development of flu vaccines and treatments.)

In addition to calling for a new federal coordinating agency, shielding drug developers from some liability, and providing federal dollars to establish domestic manufacturing plants, the bill proposes limited antitrust exemptions to encourage collaboration.

Critics of the bill argue that it does little to deal with current threats, natural and terrorist alike, and that it erodes regulatory protections against potentially unsafe products.

## **GOVERNORS DISCUSS FEDERAL AND STATE ROLES IN EMERGENCY SITUATIONS**

Before a House Homeland Security panel on October 19, 2005, top state and local government officials expressed gratitude for first responder assistance from the federal government but railed against any effort to federalize emergency and disaster response. The governors of Texas, Arizona, and Florida each testified in favor of allowing state and local authorities to remain in charge of any government action during an emergency, although a federal role would be necessary. Disagreement among the governors existed however over the Federal Emergency Management Agency's (FEMA's) capacity to manage a natural disaster.

Testifying in front of new Committee on Homeland Security chair Peter King (NY) and other committee members, Florida Governor Jeb Bush described some of the reforms and improvements made in his state to protect against a natural disaster. He remarked that some of the measures taken in Florida could be used as a model for the nation. Gov. Bush explained that in a natural disaster such as a hurricane, his office was in direct communication with Homeland Security, FEMA and the military. The emergency structures and protocols established in Florida against natural disasters provide a strong preparedness framework in case of a terrorist attack as well, according to Gov. Bush. He expressed the importance of establishing a culture of preparedness that is based on a "bottom up" approach as vital, and characterized any move to impose federal controls over state emergency management operations as a more threatening disaster than Hurricane Katrina.

Gov. Rick Perry of Texas echoed Gov. Bush's remarks, supporting federalization only in the case of a catastrophic event. He noted that military involvement in emergency preparedness and response should be limited to the availability of assets and resources and that leadership should be provided from the state and those who know the impacted community. "Active duty military are our reserves," said Gov. Perry.

Janet Napolitano, Governor of Arizona, commented on the importance of emergency preparedness in the face of her state's flash flood and forest fire challenges. The proper use of homeland security dollars was described as an aspect of successful emergency preparedness. Other elements of successfully managing an emergency that she listed included preparation plans, partnerships with other states, and proper evaluation, assessment, and prioritization of disaster threats by the federal government. A major topic of concern for Arizona, according to Gov. Napolitano, was the influx of undocumented immigrants along the Arizona-Mexico border. She requested greater funds for border states to improve border traffic management.

Responding to questions about the effectiveness of FEMA, the three governors gave varying opinions. Although somewhat critical of FEMA, both Perry and Bush agreed that the agency was focusing enough on natural disaster activities. All panelists agreed that interoperable communication had been addressed adequately as a priority by the agency.

Committee member and former California Attorney General Rep. Dan Lungren (Folsom), was concerned over the potential consequences of not holding communities and local and state leaders accountable for failures in preparedness and response. When pressed about conditions in which the governor's did approve of federal intervention, they maintained that leadership should come from the states, although Gov. Bush noted that in the case of extreme negligence there could be cause for intervention.

Critical of the President's proposed budget cuts to homeland security programs, Rep. Loretta Sanchez (Anaheim) questioned members over the impacts of such cuts (the 2006 budget proposed to slash homeland security program grants from \$1.1 billion to \$550 million, according to Rep. Sanchez). In response, Gov. Rick Perry wasn't sure about the degree of impact from such cuts, noting that he would have to examine the reductions in the context of total aid coming to his state from all resources. Gov. Napolitano asserted that she flatly opposed the cuts and agreed that such reductions would limit her state's capacity to respond to natural disasters or terrorist attacks. Gov. Perry later commented that he supported a move to evaluate how funds already apportioned have been spent and to draw some conclusions from those findings. The current homeland security apportionment formula does not provide generous returns to populous states such as Texas and California. Because of an unusually large small state minimum feature in the formula language, the state of California receives roughly \$4 per capita in first responder program grants whereas Wyoming receives close to \$20 per capita. Chair King stated that over the past four years President Bush had improved homeland security budgets from \$250 million to \$1.7 billion, and that some states had not spent their shares of federal grants.

For more information on this hearing, visit the House Committee on Homeland Security website at: <http://homeland.house.gov/release.cfm?id=418>

#### **ADMINISTRATION OFFICIALS PROMOTE BUSH GUESTWORKER PLAN AT HEARING**

Homeland Security Secretary Michael Chertoff and Labor Secretary Elaine Chao touted President Bush's immigration policy, including establishing a temporary guestworker program, at a hearing before the Senate Judiciary Committee on Tuesday, October 18. The hearing was another in a series that the Committee has been holding this year in anticipation of considering immigration reform legislation.

In his remarks, Secretary Chertoff stressed that his Department is moving to end the old "catch and release" style of immigration enforcement that has allowed undocumented aliens to remain in the United States after apprehension. Instead DHS has begun removing thousands of illegal immigrants from the United States after they are apprehended, and Secretary Chertoff stated that the goal was to "return every single illegal entrant - no exceptions." He said that the nearly 900,000 Mexicans who are caught entering United States every year are returned immediately to Mexico, but he admitted that the return of undocumented immigrants other than Mexicans ("OTMs") was less successful. In FY05, he admitted, however, only 30,000 of the 160,000 OTMs apprehended were removed from the United States. The rest had to be released because there is no where to detain them.

He emphasized that in addition to expanding Expedited Removal along the entire southwest border, DHS is hiring and training hundreds of new border patrol agents, and now has 11,000 agents along the southern and northern border. In addition, it is deploying new technologies, from advanced telecommunications to unmanned aerial vehicles, and instituting new ways to work with state and local law enforcement to deal with illegal immigration. But Chertoff made clear that the Administration believes that more than increased border security and enforcement is needed. He reiterated the Administration's three-pillar, comprehensive approach to reforming the immigration system: (1) gain control of the border; (2) build a robust interior enforcement program; and (3) establish Temporary Worker Program (TWP).

On the issue of worksite enforcement, Secretary Chertoff also testified that the Department is stepping up its efforts to crack down on employers who hire illegal immigrants. During questioning, however, some Senators criticized the Department for doing too little to enforce employer sanctions.

Secretary Chao unequivocally stated that the Administration does not support "an automatic pathway to citizenship" and defended the President's proposal against critics who argue that it would be in effect an

amnesty program. Under the President's plan, she testified, undocumented workers in the United States could come forward to obtain a three year temporary work visa, with the ability for it to be extended for an additional three years. However, those workers would be required to pay a significant fine because of their illegal entry into the country. Applicants for the visa would undergo background checks and be issued tamper-resistant biometric cards. U.S. employers would also have to make reasonable efforts to find a U.S. worker to fill a job before extending job offers to foreign workers, under the President's plan. In addition, Sec. Chao stated, the temporary worker program must include strong workplace enforcement provisions and incentives for foreign workers to return home when their time in the program is done. During questioning, however, several Senators expressed great skepticism that temporary workers would voluntarily return to their home countries when the visas expired and argued that trying to forcibly remove them would be practically impossible and prohibitively expensive.

Action on immigration reform is not expected to occur until next year. The President's temporary guestworker program, as well as other proposals introduced by Senators and House members, have come under criticism from some members of Congress. Recently, 81 House Republicans, including over half a dozen California members, wrote President Bush a letter arguing that there should not be a new temporary worker program until the Executive Branch better enforces current immigration laws. California members signing the letter included Reps. Darrell Issa (Vista), Buck McKeon (Santa Clarita), Duke Cunningham (Rancho Santa Fe), Ed Royce (Fullerton), Duncan Hunter (Alpine), Dana Rohrabacher (Huntington Beach), and Ken Calvert (Corona).

Witness testimony is available on Committee's website at: <http://www.judiciary.senate.gov> .

## **HOUSE RESOURCES SUBCOMMITTEE ADDRESSES CA FLOOD VULNERABILITY**

The House Resources Subcommittee on Water and Power, chaired by Rep. George Radanovich, held a hearing on Thursday, October 20 to examine the vulnerability of the Sacramento-San Joaquin Delta to flooding and protecting the Central Valley and Delta from natural disasters.

Like New Orleans, levee systems protect a significant portion of the Delta and Sacramento. In announcing the hearing, Committee Chairman Richard Pombo (Tracy) said: "Under current conditions, it is not a question of 'if' our levees fail, but 'when.' This scenario is unacceptable."

The first panel of witnesses was: Mike Chrisman, Secretary of the California Resources Agency; David Guy, Executive Director of the Northern California Water Association; Dennis Majors, Engineering Program Manager for the Metropolitan Water District of Southern California; Barry Nelson, Co-Director of the Western Water Project at the Natural Resources Defense Council in San Francisco; and Chris Neudeck, Consulting Engineer. The second panel consisted of Kirk Rodgers, Regional Director of the Mid-Pacific Region for the U.S. Bureau of Reclamation; and Brigadier General Joseph Schroedel, Commander and Division Engineer of the South Pacific Division for the U.S. Army Corps of Engineers, San Francisco.

Several California members of the Subcommittee, including Chair Radanovich, Ranking Member Grace Napolitano (Norwalk), Devin Nunes (Tulare), and Dennis Cardoza (Atwater) engaged the first panel in a thorough discussion of everything from the vulnerability of the levees to failure to adequate water supply in the Delta and construction of a peripheral canal. Former Chair of the Resources Committee John Doolittle also joined the panel on the dais for the hearing. During the discussion Neudeck and Nelson both stated their opposition to building a peripheral canal to divert water around the Delta.

General Schroedel focused on developing solutions to the levee problems. He stressed that there must be a strategic plan to balance competing priorities and allocate resources accordingly. Also the solution must emphasize collaboration by federal, state, and local officials. Rodgers testified that it is not just the levee problems that must be addressed, but also long term water supply, ecosystem management, and reclamation activities in the Delta. He stated that to protect Delta infrastructure additional water storage is needed.

Following the hearing, Chairman Pombo commented that "Sacramento and the Delta are some of the most flood-prone areas in the Nation. It's important that we learn from our experts and from breaks that have resulted from decayed levees across the country as we look to protect our region from flooding."

For witness testimony, visit the Committee's website at: <http://www.resourcescommittee.house.gov> .

## **SENATE ENR HEARING ON WATER DESALINATION FACILITIES, ENERGY, AND RECLAIMED WATER**

The Senate Committee on Energy and Natural Resources held a hearing Thursday, October 20 on S. 1016, to allow incentive payments to desalination facility owners or operators in order to offset the cost of electrical energy required to operate the facilities, and S. 1860, which is aimed at improving energy production and reducing energy demand through improved use of reclaimed waters.

Testimony was heard from Ron Cochran, Executive Director of Lawrence Livermore National Laboratory; Pankaj Parekh, Director of Drinking Water Compliance for the Department of Water and Power in Los Angeles; and Douglas Faulkner, Acting Assistant Secretary of Energy Efficiency and Renewable Energy for the U.S. Department of Energy.

Specifically, S. 1016, also known as the Desalination Water Supply Shortage Prevention Act of 2005, would grant government agencies or contractors who own or operate desalination facilities that produce and sell domestically desalinated seawater or brackish groundwater incentive payments to partially offset the cost of electrical energy required to operate the facilities. In addition, the bill would limit incentive payments to ten years, with a program termination date of September 30, 2025. The incentive payment amount would be based on the amount of desalinated water produced by the qualifying facility during the payment period. The base payment is 62 cents for every 14 kilowatt hours of electricity used to produce desalinated water. Approved adjustments to the base payment include adjustments for inflation in each fiscal year. The bill authorizes \$200 million.

The Dept. of Energy opposed S. 1016, stating that the bill was narrowly crafted and did not align with the President's Research and Development Investment Criteria. In the same vein, Colin Sabol, Chief Marketing Officer for General Electric Infrastructure, expressed concerns that the bill may prematurely encourage communities to invest in new water technologies and water technologies currently available will be inefficient or obsolete in the coming years due to the advancement of technologies in the future.

S. 1860 was met with mixed reviews. In its current form, according to the Dept. of Energy, S 1860 shifts an inappropriate amount of authority from DOE to designated National Labs, especially since assessment of federal funding and activities is a prime responsibility of the entity with this authority. In addition, the bill omits the private sector and its potential key role in research and development, entrusts nearly two-thirds of funding to a National Lab without requiring a merit-based competitive bidding process, and allows little flexibility for best values bids.

In strong support of S. 1860 was Lawrence Livermore National Laboratory Associate Director Jane Long, who expressed satisfaction that the bill focuses on providing much needed technology without sacrificing quality. Similarly, Dr. Pankaj Parekh from Los Angeles County Power and Water cast the bill in a positive light. Parekh testified that in addition to addressing concerns about drinking water contaminates, it raises the issue of previously unusable water sources and seeks solutions to ways to use these sources to address the water supply shortage of the 21<sup>st</sup> century. GE shared the same sentiments about the bill, but suggested that the bill focus more on commercialization of funded research proposals, offer private sector grants amounting upwards of \$1,000,000 to produce "bigger ideas," appoint at least one private sector partner for each project to diversify results, and make funding contingent upon successful completion of requirements categorized in stages.

Additional information regarding this hearing can be found on the Senate Committee on Energy and Natural Resources website at <http://energy.senate.gov> .

## **WATER AND POWER SUBCOMMITTEE HOLDS HEARING ON H.R. 3929**

On Thursday, October 6, 2005, the Subcommittee on Water and Power heard testimony on Congressman Ken Calvert's (Corona) bill, H.R. 3929, which amends the Water Desalination Act of 1996 to authorize the

Secretary of the Interior to assist the Municipal Water District of Orange County's Dana Point Desalination Project with research and development, environmental and feasibility studies, and preliminary engineering.

Opening remarks from Committee Chair George Radanovich (Mariposa) cited H.R. 3929's strong potential to positively impact the environment while concurrently significantly reducing costs. "This is a good bill that could have real results nationwide," Radanovich said.

Key witnesses included Municipal Water District of Orange County Board Member Brett Barbre and Acting Deputy Commissioner of the Bureau of Reclamation, Department of Interior, Jack Garner.

In his testimony to the Committee strongly supporting the bill, Barbre stated that the Municipal Water District of Orange County would stand to gain \$2.5 million in federal assistance to offset up to 25 percent of the initial research and development and research studies costs associated with the Dana Point Desalination Project.

Commissioner Garner testified against H.R. 3929, however, on the basis that the bill would circumvent the open competition and project evaluation processes, a requirement in the President's management agenda focused on ensuring that all research and development monies are invested in priority areas with the best return for the investment of taxpayer dollars. Furthermore, Garner stated that the nebulous future of the Water Desalination Act of 1996 contributed to the Bureau of Reclamation's opposition.

The Municipal Water District of Orange County provides water to 30 cities and retail water agencies in Orange County with a total customer population of three million people. It is governed by a seven member elected board of directors.

For more information regarding H.R. 3929, visit <http://resourcescommittee.house.gov/>.

## **BRIEFING DETAILS FINDINGS OF PPIC SPECIAL SURVEY ON CALIFORNIANS AND THE INITIATIVE PROCESS**

Mark Baldassarre, research and survey director at the Public Policy Institute of California (PPIC), presented the latest special elections polling results of an ongoing polling survey related to Californians and their voting tendencies to Capitol Hill staffers on October 11, 2005.

Researchers estimate a 36 or 37 percent registered voter turn out rate for the upcoming special election in November, similar to figures reflective of the special election of 1993. Prior to 2003's special gubernatorial election, California experienced three other proposition-only special elections in 1973, 1979, and 1993.

Respondents of the current survey were asked about their attitudes towards the various propositions eligible for the November special elections ballot as well as their attitudes about other current affairs. Researchers presented each proposition question as it will appear, verbatim, on the November ballot. Brief summaries of the polling results are as follows:

- Proposition 74, Teacher Waiting Period, from August 2005 (43% support, 47% oppose) to September 2005 (49% support, 42% oppose) showed negligible change.
- Proposition 76, Spending Limits, also showed negligible change (28% support in August, 25% support in September).
- Proposition 77, Redistricting, showed little change of support between August and September 2004 (34% and 33% respectively)
- With regard to Proposition 78 and 79, the majority of those Californians polled were unable to specify the origins and sponsors between the two propositions. Although survey data shows that Propositions 78 and 79 lack the traditionally equalizing ratio of voter-awareness-to-cost-of-campaign, Baldassarre clarified that such results should not be interpreted as voters' disregard for health insurance.

A current affairs question included in the study related to the respondent's attitude towards California's economy. The dim economic approval rating by likely voters in September 2005 (58%) is a stark contrast to the 36% "bad times" rating of January 2004. Possible attributes to this include recent hurricanes and its adverse affects on gas prices that immediately and directly impact California families (57% of residents). In addition, California's attitude towards rising gas prices is similar to the energy crisis of 2001.

More specifically related to the initiative process, survey results show that more people are in favor of it, but they do not believe it is a perfect process. Baldassarre suggested that Californians distrust the Governor and Legislature, as evidenced by their respective low approval ratings of 33% and 32%.

A correlation was found between Governor Schwarzenegger's approval rating and the approval ratings for the ballot measures he supports – the greater his approval rating, the more likely Californians are to vote in support of the ballot measures he endorses (and vice versa).

Survey results show Californians look more favorably on the President than they do Governor Schwarzenegger – the President's approval rating is higher than that of the Governor. Baldassarre reasoned that California conservatives are more supportive of the President than they are of the state governor. However, the President's 38 percent favorable rating is on the decline with more Independents and Democrats disapproving of the President's job performance.

This presentation is a part of an ongoing PPIC Luncheon Series. With support and funding from the James Irvine Foundation, the PPIC Luncheon Series provides local, state, and federal policymakers with information regarding the attitudes and opinions of Californians on numerous subjects including ballot choices, policy preferences, as well as social, economic, and political tendencies. The PPIC Statewide Survey was created to address the growing need for independent and objective information as the state considers policy options for coping with population growth and changes. The surveys commenced in 1998 and to date include data collected from over 118,000 state residents within the 59 surveys published. For more information about this report, visit the PPIC website at <http://www.ppic.org/main/publication.asp?i=637>

## **CHCF REPORTS ON EFFECTS OF NEW MEDICARE PRESCRIPTION DRUG BENEFIT ON CALIFORNIA'S MOST VULNERABLE PATIENTS**

In its most recent publications, the California Healthcare Foundation (CHCF) reports that California's 4.3 million Medicare recipients, the largest number of beneficiaries in the nation, will be significantly affected by the new Medicare Part D drug benefit program that is scheduled to take effect on January 1, 2006.

Medicare Part D is designed to lower the prescription drug costs for most seniors and disabled Medicare recipients. This program will change the structure and delivery of drug coverage by offering a variety of new options for Medicare recipients.

California has the largest Medicare population and the most dual-eligible beneficiaries in the nation. People with dual-eligibility (Medicare and Medi-Cal recipients) will automatically be enrolled by the Center for Medicare and Medicaid Services (CMS) into a prescription drug plan (PCP) beginning October 2005 and effective January 2006. This new drug program will allow beneficiaries to switch plans monthly thereafter if desired.

Dual-eligible managed care recipients, in particular, will experience a drastic change with the implementation of the new Medicare Part D drug benefit program, CHCF finds. The new program will replace Medi-Cal as the predominant payer of drugs for eligible persons in nursing facilities and CMS will lend assistance to dual-eligible managed care recipients in the enrollment process for the new drug program.

With an estimate of over 1300 nursing facilities providing care to over 105,000 individuals, nursing facilities may face unique challenges with the implementation of this new drug program, according to the report. Namely, with the multiple Medicare plans that will replace the current Medi-Cal drug payment system, it will be crucial for nursing facility staff to be knowledgeable about the various options in order to educate residents and help them make informed decisions. Likewise, it may be necessary for nursing facilities to create new (or restructure existing) relationships with long-term care pharmacies in order to ensure quality and safety for nursing facility residents. Additionally, the report argues, it is vital that nursing facilities protect residents throughout the transition period and monitor the residents' access to medication (the new drug program may limit some types or brands of medication) and the exception and appeals process.

For chronically ill eligible persons, the report finds, the new drug benefit program will not guarantee access to all drugs important for managing chronic conditions. The new program will be administered by private drug plans that are authorized to implement cost control measures like restricting the number of

medications covered by the new drug plans. CMS has deferred to private drug plans for direction and guidance in implementing methods to control the cost of drug plans.

State and county government agencies will face challenges in implementing this new program. The report concludes that diversity within the eligible population will prove to be daunting for Department of Health Services staff in order to raise awareness about the new program, help eligible people enroll in the program, and implement the program, especially given the multilingual and cultural challenges that will be faced.

Additional information regarding Medicare Part D drug benefit programs and on the report is available online at <http://www.chcf.org/topics/view.cfm?itemID=115237>.

### **ADMINISTRATION'S REPORT ON RURAL CALIFORNIA'S ECONOMIC VITALITY**

Results of the Rural Economic Vitality Conversation, initiated by Governor Schwarzenegger in late 2003, are published in the California Center for Regional Leadership's July 2005 issue entitled, "*Innovation, Entrepreneurship, Collaboration: An Economic Action Agenda for Rural California.*"

Rural California regions have begun to experience promising entrepreneurial activity prospects in recent times. However, to maximize these opportunities, rural community regions must build an economy from within, and focus policy discussions on innovation, entrepreneurship, and community collaborations in order to ensure long term success.

Rural entrepreneurs recognize high demand for the environment as a valuable market niche for communities, according to the report. Booming awareness and demand for environmentally conscious businesses, organic agriculture, sustainable forest products, research and development in renewable energies, eco-tourism, and sustainable technologies present rural entrepreneurs with business expansion opportunities as well.

The findings argue that it is necessary for rural communities to build on entrepreneurial skills and services in order to capitalize on their close proximity to, and influence on, land and natural resources.

The report also concludes that actively practicing an entrepreneurial role is essential to make the best use of resources across public, private, and nonprofit sectors. Specifically, service industries – healthcare, education, and business – have tailored their services towards rural area entrepreneurs. Such relationships promote community collaborations between rural entrepreneurs and the service industries.

Opportunities for regional collaborations are also available to rural entrepreneurs, the report argues. As an emerging player in shaping California's economy, rural entrepreneurs must be an active participant in discussions with neighboring urban communities when shaping the future of the region. In doing so, strengthening existing and/or fostering new alliances with urban communities is possible.

This discussion on rural California's economic vitality series is part of 12 regional Economic Vitality Conversations focused on learning ways in which business and civic leaders can advance California's long-term economic prosperity and environmental sustainability. Information about the series can be found on the California Center For Regional Leadership website: [www.calregions.org](http://www.calregions.org).

### **RAND BRIEFING TO DISCUSS UNEXPLODED ORDNANCE ON OCTOBER 25TH**

RAND Corporation findings and recommendations regarding Unexploded Ordnance (UXO) will be presented at a luncheon briefing on Tuesday, October 25th, between noon and 1:30 p.m., in the Rayburn House Office Building, Room 2360.

This presentation will focus on the widely differing national cost projections for UXO cleanup, evidence of U.S. civilians injured by UXO, the role of the Department of Defense in UXO cleanup, cost-benefit analyses of UXO solutions, and legislative recommendations.

The luncheon is jointly hosted by the Unexploded Ordnance Caucus. To attend this briefing, contact Shirley Ruhe at 703.413.1100 ext.5632 or [Shirley\\_Ruhe@rand.org](mailto:Shirley_Ruhe@rand.org).