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## California Capitol Hill Bulletin

Volume 12, Bulletin 35 – December 22, 2005

*To expand communications between Washington and California, the California Institute provides periodic news bulletins regarding current activity on Capitol Hill that directly impacts the state. Bulletins are published weekly during sessions of Congress, and occasionally during other periods.*

### SENATE NARROWLY APPROVES BUDGET RECONCILIATION, MEASURE RETURNS TO HOUSE WHERE RE-VOTE IS EXPECTED

With Vice President Dick Cheney voting as Senate President to break the tie, the Senate approved the \$39.7 billion budget reconciliation bill by a vote of 51-50 on Thursday, December 21, 2005. However, the bill will have to go back to the House for final approval (probably in January) because the Senate stripped out three provisions that bill critics charged would have violated Senate rules. The House passed the Conference Report (S. 1932/H.Rpt.109-362) by a 216-206 vote as dawn was breaking on Monday morning, December 19, before Members left town for the holiday recess.

Two of the three provisions dropped from the conference report before the Senate vote were technical in nature, but the third eliminated language that would have given hospitals immunity from liability if they denied care to Medicaid patients who cannot afford to make a copayment. The provisions were alleged to violate the Senate's Byrd Rule, which disallows inclusion of unrelated items in a budget reconciliation bill.

Included in the bill are provisions to: Increase state flexibility in setting Medicaid cost sharing and premiums; give states the option to provide alternative Medicaid benefit packages to certain groups of beneficiaries; provide \$283 million for additional State Children's Healthcare Insurance Program (SCHIP) allotments to shortfall States in fiscal year 2006; allocate telecommunications spectrum; and cut states' federal payments that use to match to federal child support enforcement incentives.

The bill also reauthorizes Temporary Assistance for Needy Families (TANF) for 5 years and adds new funding for contingency funds, supplemental grants, research and demonstration projects, healthy marriage promotion, and fatherhood programs. (See below.)

With regard to higher education, the Conference Report retains the scheduled move to a 6.8-percent fixed borrower interest rate; rebates excess lender subsidies above agreed upon rate; increases fixed rate to parents and graduate students; ends recycling of 9.5-percent bonds while protecting student benefits by providing a phase-out period for small, non-profit student aid providers; changes consolidation eligibility; reduces the amount guaranty agencies keep when they collect on defaulted loans that are later consolidated and paid; converts student aid administrative expenses to discretionary; and reduces lender insurance

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general reimbursement rate from 98 percent to 97 percent, and lowers exceptional lender rate to 99 percent. (See related story below.)

The compromise over child support enforcement provisions backed off of House plans to more sharply reduce federal costs. Current law has allowed states to count federal "incentive" funds as state dollars for matching purposes, which critics say allows states to avoid paying their fair share of funding. The revised budget package will phase out states' federal matching of federal dollars by fiscal year 2008.

The bill would tighten rules that allow elderly persons to jettison assets in order to qualify for Medicaid's long-term care benefits, and it deems ineligible anyone with home equity of \$500,000, an amount that may be increased up to \$750,000 at a state's discretion. (In the 2000 census, California accounted for 39% of the nation's households valued above \$500,000 and 41% of households valued above \$750,000. In California, 11.5% of homes exceeded \$500,000 and 4.8% exceeded \$750,000; US figures were 2.9% and 1.2%.)

Among the package's \$40 billion in total budgetary savings are \$12.7 billion from student loans, \$6.4 billion from Medicare, \$4.7 billion from Medicaid, \$2.7 billion from agriculture conservation and subsidy programs. The House had sought more than \$50 billion in savings, an amount reduced after negotiations with the Senate.

Speaking in support of the budget reconciliation measure, California Republican Congressional Delegation Chairman David Dreier (Covina) stated, "With entitlement programs making up more than half of all federal government spending, it's critical that we ensure they are efficient and cost-effective. This bill achieves real savings through common sense reforms of these critical programs." He added, "Enacting this reform package into law will slow the growth of entitlement programs, make more progress toward reducing the deficit, and ensure that benefits and services are available to those who are truly in need."

Some state leaders criticized the measure. California State Assembly Speaker Devin Nunes commented, "We were hopeful that the Congress would reject harmful cuts that disproportionately affect California -- a state that already gets far less than its fair share of federal spending." He added, "This budget reconciliation package hurts working Californians. While the legislation contains many less-than-adequate provisions, a few that stand out are: cuts for healthcare services for lower income senior citizens; a halving of the President's request for Avian Flu spending; and provisions to make it more expensive and difficult for college students to obtain loans for their education."

House leaders had hoped to convene in a *pro forma* session on Thursday to vote on the conference report. However, House Minority Leader Nancy Pelosi (San Francisco) had indicated that Democrats will insist on a recorded vote on the package "in the light of day," necessitating action by a full session of the House in order to move the bill. The House is scheduled to return until January 31, 2005, although the leadership could call Members back earlier.

For further information, visit <http://www.house.gov/budget> .

## TEMPORARY EXTENSION FOR HIGHER EDUCATION, WELFARE

With time running short and a full legislative calendar to tackle, Congress extended higher education aid and welfare programs in two separate measures on December 17<sup>th</sup> and December 19<sup>th</sup> respectively. The temporary extensions will keep programs running at current levels until March 31<sup>st</sup>, 2006.

Welfare and child care programs expired in 2002, and have been operating on temporary extensions since. The most recent extension expires at the end of the 2005 calendar year. Meanwhile Congress has struggled to reach consensus on a replacement law.

A reauthorization of the widely successful 1996 welfare reform law (P.L. 104-193), known as the Public Responsibility, Work, Opportunity and Reconciliation Act (PRWORA), has largely been complicated by disagreement over adequate levels of child care funding, and proposed increases to state work participation rates and work hours for beneficiaries. The House reported welfare reauthorization from the policy committee stages on party line votes. House reauthorization language was then attached to this year's Budget Reconciliation measure. (See related story above.) The House version that passed in November (H.R. 4241) keeps funding for the Temporary Assistance for Needy Families (TANF) block grant at prior levels of \$16.5 billion, despite welfare rolls having plummeted by over 60 percent since 1996.

The full Senate did not approve a welfare reauthorization measure this year. However, the Senate Finance Committee reported a bipartisan measure that would increase work hours to 34 per week and make a generous \$6 billion available in additional child care authorizations.

The current reconciliation package (S. 1932) contains welfare language that increases work requirements from 30 hours per week to 40 hours, requires state work participation rates to climb to 70 percent of those on welfare rolls, and provides an additional \$1 billion over five years in child care funding, the amount approved by the House but a fraction of the infusion proposed by the Senate Committee. According to a Congressional Budget Office estimate, it would cost states \$12.5 billion over five years to incorporate the new welfare guidelines while keeping pace with inflation. [For information regarding California's share of federal child care funding, see *Federal Formula Grants and California: Federal Child Care Programs*, a product of a joint venture between the Public Policy Institute of California (PPIC) and the California Institute, available at <http://www.ppic.org/main/publication.asp?i=621> .]

Reconciliation language also includes Stafford loan reauthorization language, and other higher education law provisions that pertain to the authorization and distribution of college student aid. S. 1932's college related provisions include locking in interest rates at 6.8 percent and banning loan refinancing, repeal of the 50 percent rule, establishment of a \$3.74 billion temporary Pell Grant supplement for certain low income, high achieving science and foreign language students, increasing loan limits to \$3,500 for freshmen, \$4,500 for sophomores, and \$12,000 for graduates per year, setting fixed interest rates at 8.5 percent for PLUS loans starting January 1<sup>st</sup>, 2006, phases out origination fees and loan recycling, and reduces lender insurance to a general 97 percent rate of return.

Like welfare, higher education programs contained in the Higher Education Act (HEA) of 1998 (PL 105-204) expired (in 2003) and have not been enacted since. The latest temporary extension maintaining program operations was scheduled to expire on December 31<sup>st</sup>, 2005.

The new higher education stopgap measure (H.R. 4525) will extend student aid programs through the end of March, to provide time for Congress to hammer out a final bill that will update any remaining HEA provisions not addressed in the budget reconciliation measure. The House passed H.R. 4525 on December 17, and the Senate followed suit on December 22.

Both House and Senate authorization committees have pushed higher education legislation through policy committees, but no floor action pertaining to HEA renewal was seen this year in either chamber. House legislation (H.R. 609) authored by Committee on Education and the Workforce Chair John Boehner (OH) and senior committee member Howard "Buck" McKeon (Santa Clarita) gained committee approval on a 27 to 20 vote.

Senator Mike Enzi (WY) co-wrote bipartisan legislation which gained unanimous approval in the Senate Health, Education, Labor and Pensions (HELP) Committee in September. That bill saved \$7 billion while providing enough extra to establish a \$5.5 billion Provisional Grant Aid (ProGap) Pell grant supplement program for students with the greatest need. Maximum Pell Grant aid would also be increased from the current \$4,050 to \$6,300.

Like the House HEA bill, the Senate bill would eliminate Pell grant tuition sensitivity, which hurts only California students attending the state's low-cost community colleges. However, although that Senate bill contains more funding for student aid than the House version, it does not address an inequity in the campus-based aid (CBA) formula which benefits older institutions that tend to be located in northern and eastern states. The CBA "base minimum" directs the bulk of program funding to institutions based on their length of program participation rather

than on the basis of need. Eliminating the base minimum provision, as is proposed in the House language sponsored by Chairman McKeon, would increase California's share of CBA returns by roughly \$13 million, according to the American Council on Education.

For more information on California's share of student aid or on how student aid funding works, see the California Institute's and Public Policy Institute of California's (PPIC) Federal Formula Grants and California publication, Student Aid and Higher Education. To view a copy, visit the PPIC website at: <http://www.ppic.org/main/publication.asp?i=627>.

## **UC WINS BID TO REMAIN CONTRACTOR FOR LOS ALAMOS NATIONAL LABORATORY**

On December 21, 2005, Secretary of Energy Samuel W. Bodman announced that it would grant the contract to continue to manage the Los Alamos National Laboratory for seven years to Los Alamos National Security LLC – comprised of the University of California, Bechtel National, Inc., BWX Technologies, Inc., and the Washington Group International, Inc.

The laboratory, one of three National Nuclear Security Administration nuclear weapons labs, performs sensitive national security missions, including helping to ensure that the U.S. nuclear weapons stockpile is safe, secure, and reliable. This is a strikingly different mission from its initial purpose in 1943 – to design and build an atomic bomb. The competition of bids for the contract was a first in the lab's 63 years history.

Rep. David Dreier (Covina), Chairman of the California Republican Congressional Delegation, said, "Today's announcement is a victory for California, Los Alamos Laboratory, and our national security. Through this contract, the country will continue to benefit from the experience of the world-class science leadership of the University of California and California as a whole. In addition, we will see superior management, safety and security operations at the Lab, a high priority as we continue our efforts to protect our nation's most important nuclear assets." Rep. Richard Pombo (Tracy) commented, "Now, as our Nation faces enormous challenges with energy, homeland and national security it's vital that we have the best and brightest heading our National Laboratories."

Rep. Ellen Tauscher (Alamo) said that the decision "recognizes the University of California's 50-year record of successful management of our nation's top defense laboratories, and added, "Today, DOE has recognized this impressive collaboration between public and private entities and afforded continued opportunity to bring innovation and reform to the labs." Senator Dianne Feinstein called the choice "a big win for the University of California" and that "it recognizes the academic prowess of the nation's premier public research institution."

Stating that, "Today is another great day for California," Governor Arnold Schwarzenegger called the selection "terrific news for UC, for our state, and for research science in this country." The governor said, "I asked my staff to work with the California Congressional delegation on this issue and am very pleased with the broad, bipartisan support our representatives provided in this important effort, as well. Coupled with the Energy Department's April decision to renew UC's management contract of Lawrence Berkeley National Laboratory, this year has seen great success for our state's continuing leadership in providing the nation with cutting-edge research."

University of California President Robert Dynes commented, "The University chose to compete for the Los Alamos management contract because we believed we could make a vital contribution to the country by applying scientific excellence to national security. We have performed this public service for more than six decades and this decision today allows us, in partnership with the other members of the LANS team, to continue to provide this public service to the nation."

The new contract, expected to start June 1, 2006, has a seven year commitment with the potential to extend to 13 years if successful performance is maintained. In addition, a proposal of a possible maximum fee of between \$52,364,816 and \$79,736,715 per year will be paid to the bid's winners, with the decision on the final amount to depend on the quality of performance.

Additional information is available on the Department of Energy's website: [www.energy.gov](http://www.energy.gov).

## **HOUSE PASSES BORDER SECURITY/IMMIGRATION BILL**

On Friday, December 16, 2005, the House of Representatives approved by a vote of 239-182 the bill H.R. 4437 after two highly charged days of debate. See *Bulletin Vol. 12, No. 34 (12/16/05)*. The legislation focuses on strengthening border security and illegal immigration enforcement and does not include a guestworker or similar program to deal with the estimated 11 million undocumented immigrants currently in the United States.

During its second day of deliberations, the House agreed to 14 amendments to the bill, in addition to the 10 approved on Thursday the 15<sup>th</sup>. Among the amendments was one to eliminate the diversity program that randomly awards visas to 50,000 individuals from countries underrepresented among U.S. immigrants. The amendment was accepted 273-146. Another amendment, adopted 237-180, denies federal funding to any state or local government that prohibits its law enforcement personnel from asking individuals about their immigration status. A third amendment limits the penalties imposed on companies that hire illegal immigrants. The amendment, approved by a vote of 247-170, would also let a company avoid a fine on a first offense, if it can show it made a good faith effort to comply with the law.

The Senate is not expected to consider the House bill.

## **SENATE APPROVES DEFENSE APPROPRIATIONS CONFERENCE REPORT AFTER DROPPING ANWR PROVISIONS**

Late on Wednesday, December 21, 2005, the U.S. Senate approved the conference report to accompany H.R. 2863, the Defense Appropriations bill for FY 2006. The conference report provides \$453.5 billion for defense programs, as well as funding to help areas damaged by Hurricanes Katrina and Rita.

The vote came 12 hours after the chamber's leadership were unsuccessful in their attempt to cut off filibuster debate on a measure that was identical except that the earlier bill would have authorized oil exploration in the Arctic National Wildlife Refuge. The failed vote of 56-44 (short of the 60 votes needed for cloture) set off many hours of intense negotiations on both sides of the ANWR issue. In the end, the ANWR provision was abandoned, and the revised bill passed unanimously, 93-0.

By approving a concurrent resolution, the Senate made it possible for the House to approve the change by voice vote on Thursday, without the need for a recorded vote.

The Defense Appropriations bill includes \$76.5 billion for procurement, including \$33 billion in Air Force procurement and \$29.2 billion for Navy procurement. For aircraft, among the bill's most California-centric accounts, H.R. 2863 provides \$12.7 billion for Air Force aircraft procurement and \$9.8 billion for Navy aircraft procurement.

For the Navy's FA 18 E/F Superhornet program, the bill provides \$2.7 billion in procurement funding (plus \$86 million in a separate account entry).

The Air Force's C-17 Globemaster cargo aircraft (built in Long Beach) receives \$2.8 billion under the defense spending bill, with an additional \$472 million included in a separate entry, for a total of \$3.5 billion. The F-22 Raptor program receives \$3.2 billion, plus additional funds that bring the F-22 total to \$3.5 billion.

The defense bill also includes minor technical corrections to various provisions of past FY 2006 spending bills, including changing Energy & Water Appropriations bill language regarding the San Gabriel Basin Restoration Fund and a wastewater treatment project in Placer County.

The House approved the FY 2006 defense authorization (as opposed to appropriations) bill early on Monday, December 19, 2005, by a vote of 374-41. Passage was achieved after proponents of an unrelated campaign finance provision abandoned efforts to attach it to the bill, and once House Armed Services Committee Chairman Duncan Hunter (Alpine) confirmed that detainee policy changes sought by Sen. John McCain (AZ) could be developed in a manner that would not compromise U.S. intelligence-gathering.

## **ALL FY 2006 APPROPRIATIONS TO BE PARED BACK 1% BY DEFENSE BILL PROVISION**

Language in the FY 2006 defense appropriations bill passed separately by the House and Senate includes a 1 percent across-the-board reduction in all federal discretionary spending (other than veterans' program spending and emergency spending). The cut will apply retroactively to all FY 2006 appropriations bills enacted previously, as well as to any remaining 2006 spending.

The bill also provides for a variety of specific rescissions of unobligated federal funding, including \$1.14 billion in federal-aid highway program unexpended funding.

## **SENATE MANEUVER CLEARS LABOR-HHS-EDUCATION SPENDING MEASURE ONCE HOUSE APPROVES DOD APPROPS**

As part of final action on the FY 2006 defense spending bill in the early hours of Thursday, December 22, 2005, the Senate approved a special “enrolling resolution” that the House was expected to approve later the same day. That resolution will also finalize H.R. 3010, the FY 2006 appropriations bill for the Departments of Labor, Health and Human Services, and Education spending bill.

While the enrolling resolution provides for passage of the defense spending measure without the ANWR provision, it also contains the underlying legislative authority to enact the bill colloquially known as Labor-H. Under the resolution’s provisions, if the House agrees to accept the defense bill with ANWR removed, the Labor-H bill also becomes law without changes.

As noted elsewhere, the Labor-H bill will be subject to the across-the-board reduction of 1% of discretionary spending on all non-emergency, non-veterans programs. Before the reduction, total Labor-H bill spending was to be \$602 billion.

The House was expected to convene at 4:00 on Thursday to approve the measures and send both the Labor-H bill and the revised defense spending bill to the President.

## **BIPARTISAN MAJORITY OF CALIFORNIANS EXPRESS SUPPORT FOR C-17 PROGRAM**

Led by Rep. Juanita Millender-McDonald (Carson), 148 members of the House of Representatives on December 16, 2005, sent President Bush a letter in support of continuing the C-17 program through fiscal year 2007. A similar letter signed by 13 Senators was also sent. A bipartisan majority of the California Congressional delegation signed the House letter, and both Senators Dianne Feinstein and Barbara Boxer signed the Senate letter.

Slated to end upon completion of the current multi-year procurement plan of 180 aircraft by the Defense Department, congressional supporters believe the premature cancellation of the C-17 would significantly limit the capabilities of the nation’s air logistics fleet.

The C-17’s unique characteristics – the ability to carry more cargo than available tactical transports, deliver troops and equipment directly to conflict zones, and the only aircraft that can fly across the globe and land on the short, austere runways found in many conflict zones – make it a more versatile and reliable military asset, argue its supporters. Therefore, proponents argue that halting its production would hinder the military’s strength and affect national security negatively.

Without the President’s support, the supplier base of the C-17 in 42 states will begin to shut down early next year, according to the letter. The C-17 program is headquartered at a Boeing facility in Long Beach.

## **POMBO-FEINSTEIN AGREEMENT TO MOVE USS IOWA TOWARD STOCKTON INCLUDED IN DEFENSE BILL**

Once the 2006 Defense Authorization bill eventually becomes law, a provision within it is slated to transfer the now-mothballed USS Iowa from the Navy’s reserve status to donation status, which will allow any California community to bid to serve as its future port. Stockton has expressed interest in converting the battleship to a museum, and Rep. Richard Pombo (Tracy) and Sen. Dianne Feinstein have been working to make that transition a reality. Currently ported in the San Francisco Bay, the vessel was moved from Rhode Island in 2001 using appropriated funds secured by Senator Feinstein.

## **9<sup>TH</sup> CIRCUIT COURT SPLIT DROPPED FROM SPENDING CUT PACKAGE**

The contentiously debated split of the 9<sup>th</sup> Circuit Court of Appeals has been dropped from the conference report on a package of mandatory spending cuts.

The 9<sup>th</sup> Circuit is comprised of nine Western states and two US territories. Under the proposal, seven of those states would have been split off into a new 12<sup>th</sup> Circuit: Alaska, Arizona, Idaho, Montana, Nevada, Oregon, and Washington. The remaining 9<sup>th</sup> Circuit would include California, Hawaii, Guam, and the Northern Mariana Islands. While 72 percent of the current 9<sup>th</sup> Circuit caseload would have remained in the newly formed 9<sup>th</sup> Circuit, it would have received only 60 percent of the judges. This would have resulted in 536 cases per judge in the newly formed 9<sup>th</sup> Circuit while the new 12<sup>th</sup> Circuit court judges would have only been responsible for 317 cases per judge.

Proponents of the split claim it has become too large and unwieldy. Opponents, on the other hand, believe critics of the 9<sup>th</sup> Circuit have ideological motivations, because conservatives have long criticized the liberal slant they see in 9<sup>th</sup> Circuit rulings.

Senator Diane Feinstein vowed to raise a point of order against the conference report if the provision remained in the bill, arguing that inclusion of the provision in the budget bill violated the Senate's Byrd Rule, which prohibits provisions with only incidental effects on the budget. Senator Feinstein stated, "the exclusion of language splitting the 9<sup>th</sup> Circuit from the budget reconciliation bill is a victory for judicial independence, for the legislative process, and for California and the other Western states that comprise the 9<sup>th</sup> Circuit."

### **BUDGET REC BILL EXTENDS AND ALTERS DAIRY PRICE SUPPORT SCHEME, CHANGES MAY BENEFIT SOME CALIFORNIA MILK PRODUCERS**

The Milk Income Loss Contract (MILC) program was renewed in the Conference Report on the Deficit Reduction Act of 2005 (S.1932), which was initially approved in the House on December 19, 2005, and will be reconsidered by that chamber soon following Senate approval. Although extended for two years, the level of the price support will decline under the bill, from 45 percent of the amount below the previous baseline price to 34 percent of the shortfall in the future.

The program has been criticized by some dairy farmers in California and other Western states, because it has favored the small dairy farms that tend to be concentrated in the East and Midwest. Of the \$2 billion the MILC program paid dairy farmers since its inception in 2002, \$400 million went to Wisconsin farmers, \$180 million to New York farmers, and \$162 million to Minnesota farmers. Each year, the program pays farmers only for the first 2.4 million gallons of milk -- the amount produced by only about 120 cows -- which thereby favoring smaller farmers. In 2004, just 19 percent of California dairy operations were small enough to receive MILC payments on their entire production, compared to 88 percent of Wisconsin farmers and 90 percent of Minnesota farmers. Despite producing 20 percent of the nation's milk, California received \$142 million from the program to date.

In addition, a technical provision in the past federal law has been criticized for several years as penalizing California farmers because it allows milk marketers in other states to sell milk into California at prices that undercut those the state's own farmers charge. According to Western United Dairymen, the provision has cost each California dairy at least \$12,000 per year.

That provision, however, was changed by the budget reconciliation bill. On December 20, 2005, Senator Dianne Feinstein issued a statement calling the loophole's elimination "a real win for California dairies." She said, "California is the number one dairy state, but for years, California producers have lost revenue and market share to out-of-state producers who have been able to undercut the price of milk in our State. This legislation will help to level the playing field." The statement by Senator Feinstein indicates that, under the provisions of the amendment, out-of-state producers would be regulated under the federal milk market order in which it is located with regard to the minimum amount it must pay farmers for their milk, and those producers would have to "compete on the same level playing field with bottlers of fluid milk produced in California and surrounding states." In the House, legislation by Rep. Devin Nunes (Tulare) has sought to address the issue.

### **SIX-MONTH EXTENSION FOR EXPIRING PATRIOT ACT PROVISIONS; ANTI-METH LANGUAGE WILL HAVE TO WAIT**

Late on Wednesday, December 21, 2005, the Senate agreed to extend by six months an array of provisions of the 2001 USA Patriot Act. The provisions are slated to expire at the end of December 2005, and the Senate has been unable to agree on approval of H.R. 3199, a formal reauthorization measure.

As noted previously, the discussions do not include any changes to the formula for distributing federal grant funding homeland security to state and local first responders. Efforts to alter the formula - which has been criticized for disproportionately favoring small states at the expense of large states - were abandoned in November. For additional information, see *Bulletin, Volume 12, Number 32 (11/18/2005)*.

By simply extending rather than fully reauthorizing the Patriot Act provisions, the compromise fails to enact a methamphetamine enforcement bill that had been attached to the full bill. Supporters of the "Combat Meth Act" had succeeded in including the primary provisions of H.R. 3889, the Methamphetamine Epidemic Elimination Act, and legislation by other lawmakers into the Patriot Act conference report.

## **HOMELAND SECURITY FORMULA GIVEN A FAILING GRADE BY FORMER 9/11 PANEL**

The 9/11 Commission now known as the 9/11 Public Discourse Project, released a report on December 5<sup>th</sup> criticizing the U.S. government's efforts to carry out the panel's security reforms. The "report card", which is a follow up to the 9/11 Commission Report on the September 11<sup>th</sup> terrorist attacks, gave the government 5 failing grades, 12 D's, two incomplete grades, and one A over implementation of the 41 recommendations contained in the 9/11 Commission Report. Among the most discussed topics was the method of Homeland Security grant distribution which was given an F grade by former Commission members.

Homeland Security grants are currently apportioned using a statutory formula that largely ignores an area's potential risk of being attacked. The formula actually favors smaller states, by apportioning a larger than average minimum share of total available funds to each state equally, regardless of size, risk, population density, vulnerability, or presence of critical infrastructure. After 40 percent of the funds are dispersed equally among all states, the remainder is apportioned based on population. California currently receives 8 percent of Homeland Security grants under the formula, while it houses 12 percent of the population in largely urban areas and is an international portal state that manages the flow of massive amounts of trade.

On a per capita basis, California received \$5 in homeland security formula grants, while Wyoming (a largely rural state) received \$38 in FY 2004. California's share of formula grants was well below the national average that year, which was close to \$8 per resident.

Congress has considered revising the formula as part of the USA Patriot Act reauthorization effort this year. House drafted legislation approved in July of this year converted the formula system into a competitive grant process and contained prioritization language which established a First-Responder Grants Board to consider various factors in evaluating grant applications. Such a revision could potentially give states like California and New York a larger share of the total. Resistance to the current formula's adjustment from small state members of the Senate such as Senators Joseph Lieberman (CT) and Patrick Leahy (VT) prevented this measure from being included in the currently pending conference agreement on the Patriot Act.

According to the report card, the F grade would have been lifted to an A grade had the House distribution proposal been enacted. Other grades noted in the report include an F for improving airline passenger pre-screening, a D for government-wide information sharing, an F for coalition standards for detained terrorists, and a B for striking the right balance between security and civil liberties.

For more information on the current formula distribution method used to apportion Homeland Security funds to states, and California's performance under this apportionment system, see *Federal Formula Grants and California: Homeland Security*, prepared under a joint venture by the Public Policy Institute of California (PPIC) and the California Institute, at <http://www.ppic.org/main/publication.asp?i=481> .

## **NEW CENSUS DATA INDICATE CALIFORNIA POPULATION GREW LESS RAPIDLY THAN THE NATIONAL AVERAGE**

On Thursday, December 22, 2005, the Census Bureau released its annual estimates of state population. According to the data, California's population topped 36 million on July 1, 2005 -- the state's 36,132,147 people accounted for 12.2 percent of the nation's 296.4 million residents.

The data indicate that, for the first time in a decade, California's population actually grew less rapidly than did the U.S. population. The state added 290,109 new residents from mid-2004 to mid-2005, but the nation's overall addition of 2.7 million new residents added up to a more rapid growth rate, if only by a small margin. (To be precise, California's share of the U.S. population fell to 12.19 percent in 2005 from 12.22 percent in 2004.)

California accounted for the third largest numeric growth in population (after Florida and Texas), and the state ranked 22nd for percentage growth. From 2004 to 2005, only New York, Rhode Island, Massachusetts and the District of Columbia showed declines in total population. California continues to house more than half again as many residents as the second or third largest states (Texas at 22.9 million and New York at 19.3 million).

The data will be available at <http://www.census.gov/popest/> .