



THE CALIFORNIA INSTITUTE FOR FEDERAL POLICY RESEARCH  
 1608 Rhode Island Avenue, NW, Suite 213, Washington, D.C. 20036  
 202-546-3700 fax:202-223-2330 e-mail: [randsell@calinst.org](mailto:randsell@calinst.org) web: <http://www.calinst.org>

## California Capitol Hill Bulletin

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*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.*

### CALIFORNIANS CALL FOR SUPPORT OF GOVERNOR’S DISASTER RELIEF REQUEST

Twenty-six members of the California Congressional Delegation have signed a letter to President George Bush urging the Administration to support Governor Arnold Schwarzenegger’s request for federal disaster relief and emergency assistance. The Governor’s request was instigated by the recent heavy storms and flooding in California. The letter states that initial damage estimates to California are over \$350 million and that federal assistance will help communities repair structures, highways and bridges, remove debris, and help rebuild affected businesses and agriculture.

The letter was initiated by Reps. Mike Thompson (St. Helena) and Wally Herger (Marysville), whose districts include some of the counties hardest hit by the storms.

### PPIC BRIEFING ON ILLEGAL IMMIGRATION IN CALIFORNIA FINDS SUPPORT FOR MODERATE POLICIES

Outlining some of the findings related to a report that is expected to be released in March 2006, Public Policy Institute of California (PPIC) research fellow Hans Johnson discussed the status of California’s illegal immigration situation to an overflow crowd of Congressional staff and other interested staff on Thursday, January 27, 2006. The briefing examined the number of immigrants without legal documentation presently residing in California, their population characteristics, the roles they play in the state’s economy, and the views of California residents about immigration into the state. The state has approximately 2.4 million illegal immigrants residing, according to Johnson’s data, twice as many as any other state in the nation.

Most immigrants that enter illegally through California’s southern border are from Latin America, and are predominantly from Mexico (56%). However, the state of California no longer holds the lead for the highest percentage share of illegal immigrants among the state’s population, which is now held by Arizona at nearly 9 percent.

Mr. Johnson asserted that about one of every twelve workers in California is illegally living in the state and that demographic characteristics of immigrants entering California illegally defies certain stereotypes. The majority of such immigrants are male, aged 16 to 29, and live in families that have both naturalized U.S. citizens and non-citizens. Johnson went further to say that the largest pull factor that

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California Institute for Federal Policy Research  
1608 Rhode Island Ave, NW, Suite 213  
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explains illegal immigration growth trends is the state of the California economy. Many low-skilled undocumented immigrants take jobs that most U.S. laborers would not normally accept. Labor participation rates in key industrial sectors like agriculture, construction, and services, are exponentially higher for these immigrants than for Americans.

When discussing the opinions of Californians over the topic of illegal immigration, most respondents of a recent PPIC poll did not consider immigration to be the most important policy issue. A PPIC survey conducted back in September 2005 showed that the majority of Californians have a favorable view, 56 percent, on both legal and illegal immigration. With a sample size of 2000 respondents, the poll found that 60 percent of Californians also support the issuance of work permits to illegal immigrants, allowing them to stay and work in the United States. That being said, differences existed across ethnic populations, with 44 percent of the state's white population believing that legal and illegal immigration benefits the state, whereas 47 percent believed that it burdens the state's economy. When California's Latino population was polled, however, as one might expect, 82 percent felt that immigrants in the state benefitted society, while only 14 percent of Latinos believed that immigration burdened California.

Johnson concluded his presentation by using PPIC survey results to show that the state of California, as a whole, favors moderate approaches to illegal immigration compared to the rest of the U.S.

For more information regarding this discussion and the forthcoming report due out in March visit the PPIC website at: <http://www.ppic.org>.

## SENATE COMMERCE HOLDS HEARING ON BROADCAST FLAG

On Tuesday, January 24, the Senate Commerce, Science, and Transportation Committee held a hearing on the broadcast flag issue. A broadcast flag is an encoded instruction imbedded in electronic products aimed at preventing the illegal sharing of copyright protected digital works. The Federal Communications Commission, with prodding from Congress, had developed a broadcast flag standard, but the Supreme Court struck down the regulation, ruling that Congress had not given the FCC the necessary authorization to promulgate the rule.

The Committee heard from a number of witnesses, including: Andy Setos, President, Engineering, Fox Entertainment Group; Jonathan Band, Counsel, American Library Association; Leslie Harris, Executive Director, Center for Democracy and Technology; Mitch Bainwol, Chairman & CEO, Recording Industry Association of America; and Gary Shapiro, President & CEO, Consumers Electronics Association.

Mr. Setos pointed out that even though the move is being made to digital TV, those stations are not able currently to provide content producers with the assurance that their programs will not be illegally pirated, because the stations are not allowed to offer the same conditional access and protection systems that are offered by cable and satellite stations. He stressed that this imbalance must be resolved if DTV stations are to remain viable and supported the FCC-promulgated rule as the one mechanism that can achieve that goal. He urged the Committee to reinstate the rule as quickly as possible.

Mr. Band, however, argued that the FCC rule would hamper the ability of libraries to use broadcast materials for teaching and academic work. Mr. Band testified that libraries are most concerned that the broadcast flag rule would "seriously undermine the Technology, Education and Copyright Harmonization (TEACH) Act passed by the 107<sup>th</sup> Congress to facilitate distance education in the digital era." He urged the Committee to ensure that any flag regime includes exemptions for lawful uses.

Mr. Bainwol testified that RIAA is concerned that new digital radio services and devices “will effectively turn radio into a music library, without paying the fair market price for licensing music that a download store or subscription service must pay.” He argued that the use of digital radio without providing adequate protection to content providers potentially would allow “broadcast programs to be automatically captured and then disaggregated, song-by-song, into a massive library of music, neatly filed in a portable device’s digital jukebox and organized by artist, song title, genre and any other classification imaginable in a manner that substitutes for a sale,” without the need for a license or payment. He urged that the FCC be given the authority to address the broadcast flag issue and work with interested parties to find common ground. He noted that Senators Smith and Boxer have released a discussion draft of legislation with that in mind and called it “a great start.”

At the end of the hearing, Committee Chairman Ted Stevens (AK) stated that he expected to mark up legislation in March that would grant the FCC the authority to promulgate a broadcast flag rule.

For the testimony of all the witnesses go to the Committee’s website at: <http://www.commerce.senate.gov> .

### **UCLA & INSTITUTE TO HOST LUNCH BRIEFING ON DAY LABOR IN U.S. - FRIDAY, JAN. 27**

The California Institute in conjunction with the University of California Los Angeles will host a luncheon briefing on the first national survey on day labor, on Friday, January 27, 2006 on Capitol Hill. In connection with the release of their groundbreaking report, UCLA professor Abel Valenzuela and University of Illinois at Chicago professor Nik Theodore will discuss the first nationwide study of day laborers entitled *ON THE CORNER: Day Labor in the United States*.

Day laborers – mostly immigrant men who search for work on street curbs, home improvement stores, and busy intersections – are at the center of the national debate on immigration. Immigration reform groups around the country have been staging protests at hiring sites, often city-sponsored centers where day laborers gather for job assignments, as well as language classes, computer training and medical services.

Several cities are considering ordinances requiring large businesses, such as home improvement stores, to build hiring sites for laborers. However, immigration legislation before Congress (H.R. 4437) would prohibit cities from imposing such requirements on businesses as a condition of conducting, continuing or expanding their operation.

In 2003, Professors Valenzuela, Theodore and Edwin Melendez (New School University) launched a national study of day labor and its industry, surveying workers in 264 hiring sites in 139 cities and 20 states, including Washington D.C. The study was funded by the Rockefeller Foundation, the Ford Foundation and the Community Foundation for the National Capital Region. The briefing will examine that survey and its findings.

The briefing will be held from Noon - 1:30 in Room 2168 Rayburn House Office Building. To RSVP, please e-mail [ransdell@calinst.org](mailto:ransdell@calinst.org) .

### **INSTITUTE REVIEW OF BUDGET RECONCILIATION AVAILABLE ON WEBSITE**

The California Institute has prepared an assessment of the impact on California of the proposed Budget Reconciliation Act (S. 1932/H. Rpt. 109-362) and the tax reconciliation bills (H.R. 4297/S. 2030) that is now available on the Institute’s website at: <http://www.calinst.org/pubs/FY06Budget-Reconciliation-Jan06.htm> . It is also available in printable pdf format at <http://www.calinst.org/pubs/FY06Budget-Reconciliation-Jan06.pdf> .

The House approved S. 1932 (H. Rpt. 109-362) on December 19, 2005 by a vote of 212-206. The bill was then amended in the Senate on December 21, 2005 and approved. It awaits final action in the House upon its return later this month. On November 18, the Senate passed its Tax Reconciliation Bill, S. 2030, by a vote of 64-33; the House passed its version, the Tax Relief Extension Reconciliation Act of 2005 (H.R. 4297/H.Rpt. 109-304), on December 8 by a vote of 234-197. Action on a conference agreement on those bills also awaits action when the House and Senate return after the winter break.

### **LAO ASSESSES FISCAL IMPACT OF DEFICIT REDUCTION ACT OF 2005 ON CALIFORNIA**

A recent report by California’s Legislative Analyst’s Office (LAO) proposes that with the enactment of the Deficit Reduction Act of 2005, significant fiscal impacts will affect the state of California. According to data estimates, California will experience \$1.7 billion in reduced federal funds and \$1.4 billion in increased state costs, totaling \$3.1 billion in what they term “downward fiscal change.” LAO’s report focuses primarily on Title VI (health), Title VII (human services), Title VIII (education), and Title IX (low-income home energy) in analyzing the consequences that this Act’s implementation will have on the state’s programs and for Californian citizens.

Title VIII of the act makes significant changes and consequent reductions to federal student aid programs. Based on preliminary Congressional Budget Office (CBO) projections, the authors report that the combined effect of the various changes would be a net reduction of about \$1 billion in federal outlays over the next five fiscal years. Although California's state budget would not be affected directly, the fiscal changes would affect all members of the higher education community, according to the report. First, the Deficit Reduction Act of 2005 would create a new Academic Competitiveness Grant, which would provide additional aid to low-income undergraduates majoring in specific fields. On the other hand, Title VIII would restructure student loans and would increase interest rates for some students borrowing money to pay for college costs.

The federal block grant fund, known as Temporary Assistance for Needy Families (TANF), and California's counterpart, California Work Opportunity and Responsibility to Kids (CalWORKs) program, service families whose incomes are not adequate to meet their basic needs. Currently, California must meet a work participation rate equal to 50 percent of all caseloads since the year 1995 in order to receive the state's full share of federal TANF block grants. However, beginning in fiscal year 2006 under the proposed budget reconciliation legislation, the state's base period for caseload reduction credits would be reset and compared to 2005 levels rather than 1995. If the state does not meet the work participation rate reductions (it currently does not) it is subject to a penalty of up to a 5 percent reduction of its federal TANF block grant – which would amount to approximately \$185 million annually.

However in an Associated Press report, California Department of Finance spokesman H.D. Palmer said Congress is unlikely to impose such penalties because currently very few states (most likely five) are expected to meet the new welfare-to-work rules. He said the Schwarzenegger Administration is working with the California Congressional delegation to amend those rules either before the measure is approved or as part of a revision that would be taken up in the coming months.

According to the LAO, child support program costs are shared – 66 percent federal and 34 percent state. States may also compete for incentive funds based on the performance of their child support enforcement system. Right now there are no stipulations as to whether or not the federal incentive funds towards the state's 34 percent match may be used. Yet effective October 1, 2007, if the Deficit Reduction Act of 2005 passes, states would no longer be able to use their incentive funds as matching funds, thereby creating a need for an additional source of funds to make up for matching losses. However, California would modestly increase state savings beginning in fiscal year 2009, as a result of the act's new statutes stating that California would no longer have to reimburse the federal government for its share of child support that is passed through to welfare families. As it is right now, every time California passes through to welfare families the first \$50 per month collected from the noncustodial parent, it must pay back the federal government for its 50 percent share of the amount passed through to the family.

Federal, state, and county governments fund specific foster care programs throughout California and are somewhat financially responsible for the children who are removed from their homes due to abuse or neglect. In 2003 with *Rosales v. Thompson*, a federal court judge took this issue one step further stating that a child removed from the home as a result of abuse or neglect, may be eligible for federal foster care assistance regardless of whether the child's "home of removal" was eligible for aid under federal income guidelines. The Deficit Reduction Act of 2005 would amend this federal law so as to effectively reverse the *Rosales* decision, reducing federal funds coming to California, according to the report. Within the parameters of Title VII, explicit limits would be placed on federal administrative funds for children placed in ineligible facilities, such as those residing in unlicensed relative homes, detention centers, or hospitals. California's foster care system does benefit somewhat from budget reconciliation language due to a provision that increases national funding for child abuse prevention in a program entitled, Safe and Stable Families Funds.

Under today's federal law, once an individual is determined to be disabled and therefore eligible for the SSI and SSP program, the person may receive a lump sum payment to cover the period back to when they first applied for assistance. That lump sum payment retroactively may not exceed one-year's worth of benefits. Yet with the proposed budget reconciliation measure, payment of the lump sum amount would be limited to three months worth of benefits, rather than one-year's worth. Title VII would also require that more frequent redeterminations of eligibility be implemented in hopes of discovering ineligible individuals profiting from SSI and SSP programs. By doing this, supporters of the Deficit Reduction Act of 2005 intend to produce additional federal and state savings from apprehending ineligible recipients of SSI/SSP funds.

The Low-Income Home Energy Assistance Program (LIHEAP) provides financial support to eligible low-income households to offset the costs of heating and cooling dwellings, payments for weather-related energy

emergencies, and weatherization services to improve home energy efficiency. The Deficit Reduction Act of 2005, under Title IX, if implemented, would increase LIHEAP funding, on a one-time basis, during fiscal year 2007 by \$1 billion. The state of California is likely to receive roughly 5 percent of this funding.

The pending federal measure, under Title VI, would make extensive changes in funding, benefits, and eligibility rules for the Medicaid program in our country, which provides health care coverage to low-income families and children, and to the aged, blind, and disabled. Specifically, The Deficit Reduction Act of 2005 intends to impose new rules on states for their so-called "quality improvement fees," when they are imposed on Medicaid managed care plans, allowing for an increase in state revenue.

The author of the report concludes that if enacted, the Deficit Reduction Act of 2005, poses many challenges for state policy makers. Furthermore, given that states will suffer significant costs and losses in revenue, under this act, the Legislature should explore other options to allow states access to additional funds and other financial sources for state health programs. The Governor's budget, which was prepared prior to Congressional action, does not recognize these potential impacts on the state of California, thus escalating the state's problems even more, according to the report.

For more information on this report or to view a copy, visit the LAO website at: <http://www.lao.ca.gov>.

### **CBP AND COLLEAGUES TO PRESENT BRIEFING ON SOCIAL PROGRAMS IN THE STATE AND FEDERAL BUDGETS ON TUESDAY, JANUARY 31**

Interested persons are invited to attend a briefing that will offer summary information regarding a number of topics related to the federal budget, the California state budget, and social services programs.

This session will look at how programs such as TANF, child care, foster care, child support and Medicaid may be impacted by federal budget reconciliation and state budget decisions and what the presenters expect in this area in the year to come.

The briefing will feature presentations by Jean Ross of the California Budget Project, Michael Herald of the Western Center on Law and Poverty, and Nancy Strohl of the Child Care Law Center. It will take place on Tuesday, January 31, 2006, at 10:30 am, in Room 1539 of the Longworth House Office Building in Washington, DC. Breakfast refreshments will be served.

To attend this widely-attended briefing, please reply (acceptances only, thank you) to 202-546-3700, or send email to [randsell@calinst.org](mailto:randsell@calinst.org), and please indicate the date of the event you wish to attend.

### **CLASP REPORT CONTENDS FEDERAL BUDGET CUTS DISPROPORTIONATELY AFFECT CALIFORNIA'S CHILD WELFARE PROGRAMS**

A recent report by the Center for Law and Social Policy (CLASP) examines the implications of federal funding cuts to child welfare funds and the direct effects it will have on California's child welfare programs. According to the report, the proposed budget reconciliation package awaiting Congressional approval stands to reduce federal funding to children and families in California's child welfare system, and eight other western states, by hundreds of millions of dollars. California is projected to experience the most serious cuts amounting to \$271.5 million over five years and \$614 million over ten years, the report finds.

Shortly after the House of Representatives returns on January 31, 2006, it will vote on a budget reconciliation package known as The Deficit Reduction Act of 2005. The bill, which would institute \$39.7 billion in federal cuts to support servicing the national debt was already approved by the Senate before the winter recess.

California, which houses the nation's largest foster care population, is expected to be most hurt by potential reductions in Title IV-E foster care adoption maintenance payments. According to the report, the Congressional Budget Office (CBO) estimated that nine states would be impacted by the cuts, with California in danger of losing 63 percent of a \$397 million rollback over five years. The report assumes that the Budget agreement will create a financial disincentive to placing children with licensed and unlicensed relative foster parents. Furthermore, because the budget creates a financial disincentive for Californian foster families, it is possible that far fewer foster children will be placed in relative care, going contrary to the priorities of federal and state laws, according to the report. Subsequently, low-income relatives caring for foster children in California will be forced to turn to other sources of support such as the Temporary Assistance for Needy Families (TANF) block grant.

According to the report, California relies on five main federal funding sources to aid the state's child welfare programs. Title IV-E of the Social Security Act is the largest source of funding, representing 48 percent of all

federal child welfare funding. Title IV-B, which includes the Promoting Safe and Stable Families (PSSF) program is intended to fund prevention services, and accounts for 5 percent of the federal child care funding pot. The TANF program accounts for 15 percent of federal funding for children being raised by surrogate parents. Medicaid, including the Targeted Case Management program, represents 10 percent of the federal funding and the Social Services Block grant accounts for 17 percent of federal funding to all the nation's states.

The author of this report does find some new money for California with the approval of The Deficit Reduction Act of 2005. Additional grants for PSSF are expected to bring an additional \$34 million to California over five years and \$66 million over 10 years.

Net overall reductions are projected to overshadow these gains, however, with California's net annual losses from child welfare budget reconciliation provisions projected to be between \$41.6 and \$69.7 million. The report concludes that California children already in long-term foster care may experience a loss of both case management and other service assistance intended to provide them with an adequate education, stable placements, and basic necessities. Furthermore, the federal budget, if passed, will create a coordination barrier to compliance with both the federal statutory mandates and commitments made through the federal Child and Family Services Review process.

For more information on this report or to view a copy visit <http://www.clasp.org>.

## **RAND STUDY SUGGESTS CALIFORNIA'S HIGH POPULATION AREAS BENEFIT MOST FROM UNIVERSAL PRESCHOOL**

A recent study by RAND Labor and Population finds that California's most populated regions would make hypothetical gains if a universal preschool system was established in the state. The study expands on an earlier report released in 2005 that quantified the benefits of quality preschool care and found considerable monetary returns to California taxpayers for investing in a comprehensive Pre-K program that served all 4-year olds in the state. The new report disaggregates the effects of universal preschool by making county-level estimates, finding that Los Angeles County would gain the largest benefits from such a program.

The earlier report, authored by senior economist Lynn Karoly, employed a cost-benefit analysis of quality universal pre-kindergarten care throughout California, concluding that for every \$1 invested in Pre-K the public sector would reap an estimated \$2.32 in foregone social spending over 10 years. Savings would be achieved from estimated reductions in grade repetition, use of special education, high school dropouts, abuse and neglect, and juvenile crime. All levels of government would benefit from such a program, according to the report.

The latest study uses the same approach but it provides substate estimates for each indicator and approximates California's preschool gains on a regional and countywide basis. Assuming that voluntary preschool care would become available to 70 percent of the state's 550,000 4 year-olds for one year, the most significant gains are likely to be produced in Los Angeles County, the Central Valley and the Inland Empire, according to the study.

Los Angeles County children are estimated to see a drop in the number of special education children by 6 to 11 percent, a reduction of 11 percent in the number of high school drop outs and a 10-14 percent decline in the number of children involved in juvenile crime, according to the study. Orange County children are likely to see a 4-7 percent reduction in special education demand while the high school drop out rate would decline by 21 percent, as a result of universal preschool. The Bay Area would experience a 3-5 percent drop in special education children, an 11 percent decline in the high school drop out rate, and a 4-6 percent reduction in juvenile crime, according to the author.

To view a copy of the report or to inspect county level data, visit RAND's website at: [http://www.rand.org/pubs/technical\\_reports/TR340/index.html](http://www.rand.org/pubs/technical_reports/TR340/index.html)

## **MEXICO POLITICS COME TO CALIFORNIA**

For the first time, Mexican citizens living outside their country can vote this year in Mexican national elections. Campaigning officially began with a tour of the state of California last week, bringing representatives from the three major Mexican political parties to the state for the first time to drum up support for their presidential candidates.

Members of the Democratic Revolutionary Party (PRD), the National Action Party (PAN), and the Institutional Revolutionary Party (PRI) embarked upon the tour unaccompanied by the candidates themselves-- Mexico's laws bar them from campaigning in person. The party representatives appeared in Santa Clara, debated before the World Affairs Council in San Francisco, and have plans to hold political forums in Los Angeles, Santa Ana, and San Diego.

According to population sources, the almost 5 million persons of Mexican origin living legally in the U.S. are

supplemented by an estimated 6 million Mexicans living in the country without legal documentation. This amounts to more than half the national undocumented immigrant population.

All three Mexican party representatives vowed to maintain good relations with the United States, though none had a ready solution to the issue of illegal immigration, which has overshadowed the U.S.-Mexico relationship in recent years. According to pollsters, Lopez Obrador, candidate for the PRD party and front runner in the presidential election, is poised to join the ranks of a series of democratically elected left-leaning leaders. Felipe Calderon, of outgoing President Vincente Fox's PAN party, is calling for illegal immigrants to gain legal status in the United States, claiming that the immigration issue is about human rights and that it's the responsibility of the United States to open up more legal avenues for Mexican laborers to work here. The candidate for the PRI party, Roberto Madrazo, wants to focus primarily on economic growth and eliminating inequality in Mexico so as to reduce outward migration to the U.S.

All three party representatives voiced a strong commitment to ending corruption in Mexico and strengthening an open and accountable government. Subsequently, they agreed that Mexico needs to reform its tax system and improve public education and economic growth, yet the three parties disagreed over how to achieve growth and how to manage it. The outcome of Mexico's presidential elections will surely have an impact on immigration policy in border states, including the state of California and its Mexican descendent population.

### **CALIFORNIA'S HIGH EDUCATION STANDARDS: A CHALLENGE NOT ONLY FOR STUDENTS**

A new education report explores the fundamental tension between superintendents and teachers over the implementation of California's new standard-based educational provisions. In a recent Public Policy Institute of California (PPIC) report, the San Francisco based foundation examines a representative group of 49 individual schools in 22 California school districts to look at how professionals at these schools manage the challenge of meeting new education standards.

According to PPIC researchers, California's unique problem is that the state has 6.3 million public school students, more students than any other state in the nation, and that California has to meet some of the toughest state education standards in the nation. California state public schools are expected to progress towards and eventually attain an Academic Performance Index (API) score of 800, which put in a different context means that schools need to have 70 percent of their students performing above the national median in order to pass state standards.

The PPIC report surveys superintendents and teachers for their views on meeting these new standards. According to the report, superintendents are known to strongly support the new standard-based regimen, mainly because it gives them more direct authority over what actually goes on in their classrooms. Teachers on the other hand supported standards generally, while harboring certain reservations. The report found that among approximately 2,000 teachers surveyed, respondents didn't profoundly support the implemented state measures. The survey shows that 12 percent considered the state's goals too ambitious and therefore untenable, while 39 percent characterized them as "lofty" and therefore very difficult to achieve.

According to the survey, the vast majority of superintendents share a vision of how state education standards should be implemented by first adopting the best textbooks and teaching schedules, then through the use of the best tools to evaluate their students and, last, through the acceptance of the most effective intervention strategies to aid students who are not meeting state standards. Rather than a preoccupation with education standard implementation processes, teachers were more concerned over the gap between the ideal of high state standard achievement and the reality of low, present-day achievement levels at many Californian schools.

A significant percentage of teachers assert that serious impediments to student achievement are due to key factors such as: the lack of student motivation, the lack of parental support, inadequate English-language skills, and irregular student attendance. The report emphasizes that these barriers to learning, and to subsequent attainment of academic standards, intensify at schools with students from lower socioeconomic levels, even though many of these schools are allocated additional funding from the California government.

The author of the report concludes that high standards for all public schools in California will inevitably focus greater attention on schools serving low-income students, which are more likely to be low achieving schools. It is the point of view of the author that the state of California use two alternative approaches to meeting new standards: first, build on existing categorical programs, and second, allocate more unrestricted funds to the districts housing schools in low income communities.

For more information on this report or to view a copy visit the PPIC website at: <http://www.ppic.org>.

## LAO EXAMINES NEW TRANSPORTATION LAW

A new report published by the California Legislative Analyst's Office (LAO) estimates that the state's federal transportation funding will grow by 40 percent under the new federal authorization law, to a total of \$23.4 billion. The landmark 6-year federal act known as the Safe, Accountable, Flexible, and Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU), signed into law last summer, will also provide a greater share of discretionary or earmarked dollars to California than prior federal legislation. The report recommends to the California Legislature several legislative actions that the authors say are necessary to keep up to date with new federal provisions.

The new transportation law provides states with \$286 billion in highways, transit, and safety authorizations through 2009. From this national total, California's projected \$23.4 billion in returns will continue to be dominated by highway construction program funds (\$17.8 billion or 76 percent of all state allocations), while \$5.1 billion will be directed to the state in the form of transit assistance (22%) and \$452 million for safety programs, the report notes. Under SAFETEA-LU, highway authorizations grew at a faster rate than transit grants, compared to levels set by the prior federal law referred to as the Transportation Equity Act for the 21<sup>st</sup> Century or TEA-21.

Generally, highway and transit funds flow to states either through formula apportionments or discretionary allocations (usually earmarks). The report suggests that discretionary highway funds programmed by SAFETEA-LU, grow at a much higher rate than formula funds. According to the report, the \$3.7 billion amount of highways and transit discretionary returns in store for California constitutes a four-fold increase from earmarked authorizations under TEA-21. Although they have slowed in growth, formula grants are still by far the most prolific type of transportation grant, still accounting for 86 percent of California's highway returns, and 75 percent of available transit authorizations under the new law. All examined safety grants projected to flow to California are distributed by formula, according to the report.

The authors of the report note that a higher level of earmarked returns for California could be problematic if certain earmarked projects are not consistent with statewide priorities. Earmarks tend to be available for specific projects and unlike formula funds may not usually be flexed for other uses. Earmarks also cover only a portion of a project's costs and are typically expected to be supplemented by other funding sources.

The report contains a list of all major California earmarks found in the new law and federal commitment levels for each project. California's top earmarked project under SAFETEA-LU is a transit fixed guideway extension project in Los Angeles known as the Metro Gold Line Eastside Extension, which costs \$406 million.

The report summarizes some other SAFETEA-LU policy provisions that stand to impact California's transportation infrastructure and then provides a series of recommendations for the Legislature's consideration. Among the included recommendations, the report proposes that: appropriate state agencies estimate associated costs and priority levels of SAFETEA-LU earmarked projects, the Legislature devise a method of distributing new Coordinated Border Infrastructure program funds, CalTrans assess the risks of participating in an environmental streamlining pilot project, and the Legislature update Congestion Mitigation and Air Quality Improvement (CMAQ) program distributions to phase out former nonattainment areas that are now compliant with federal air quality standards.

For more information on this report or to view a copy, visit: <http://www.lao.ca.gov/PubDetails.aspx?id=1365>

## PPIC SURVEY ON CA STATE BUDGET, STATE GOVERNMENT APPROVAL RATINGS

According to the Public Policy Institute of California's latest survey, a majority of residents (60 percent) say they are satisfied with the budget plan Gov. Schwarzenegger released on January 10<sup>th</sup>. This is in stark contrast to his 2005 budget proposal that only garnered 38 percent of resident support. In addition, his proposal to cut funding in this year's budget plan has bipartisan support.

The governor's State of the State address proposal to spend \$222 billion over 10 years to rebuild the state's infrastructure without raising taxes is supported by 68 percent of California residents. This, too, has bipartisan support. Overwhelming support for the governor's proposal to increase the minimum wage from \$6.75 to \$7.75 by July 2007 is evidenced by the supportive 81 percent of the survey respondents, 91 percent of Democrats, 81 percent of Independents, and 66 percent of Republicans.

Compared to the governor's historic approval ratings, Californians presently feel less satisfied with him overall. Specifically, the governor's approval rating for K-12 education is 30 percent, state budget and taxes is 35 percent,

transportation and traffic congestion is 38 percent, and jobs and the economy is 39 percent – all of which are lower than when the governor first took office.

With regard to the State Legislature, only 29 percent of Californians and 25 percent of likely voters approve of the job they are doing. Moreover, nearly half (48 percent) of state residents do not believe the governor and legislature will be able to work together and accomplish a lot in the coming year.

Despite gains, albeit minor, in the governor's satisfaction rating, Californians continue to be pessimistic about the state budget. Fifty-six percent of residents say the state is going in the wrong direction compared to 41 percent a year ago. Sixty-one percent of residents maintain that the budget situation is a big problem, compared to 70 percent one year ago. Most striking, however, is that nearly three-fourths (72 percent) do not believe the budget situation has improved at all in the past two years, despite the recent revenue surge.

In response to the governor's proposed infrastructure plan, forty-eight percent of Californians believe educational facilities should be the top priority over transportation projects (25 percent), water systems (17 percent), jails and prisons (3 percent), or courts (2 percent). These figures are consistent with general spending priorities: the majority of Californians think the state should spend more on K-12 education and roads and infrastructure, while about a quarter of Californians want more money spent on corrections and prisons.

Transportation is one subject that is regionally divided. For example, residents of the San Francisco Bay Area (33 percent) are less likely than residents in the Central Valley (41 percent) or Southern California (47 percent) to rate freeways as the top priority. There is no general perception of Californians, though, when it comes to the most important type of transportation project: 38 percent of residents say freeways and highways, 29 percent say transit systems, and 24 percent say local streets and roads.

Although raising taxes has long been unpopular with Californians, 71 percent of residents favor raising cigarette taxes and taxes on high-income individuals (65 percent). This information is the foundation for two citizen's initiatives that are headed for the 2006 ballot, both of which are already enjoying strong early support, according to PPIC. One proposal would raise taxes on personal income above \$400,000 annually to pay for universal preschool and is supported by 63 percent of likely voters. The other ballot initiative would increase taxes on a single pack of cigarettes by \$2.60 to pay for children's health insurance and other health programs and is supported by 64 percent of likely voters.

For additional information and to access a complete version of this report, please visit <http://www.ppic.org>.

## **VULNERABLE AGRICULTURAL INDUSTRY IN VENTURA COUNTY**

Leading economists for the central region forecast the demise of Ventura County's agricultural industry as a result of rising land and labor costs, as reported in "The Migrant Project: Contemporary California Farm Workers" which debuted at a Workforce Investment Board conference on Thursday, January 26, 2006 in Oxnard.

Authors Charles Maxey, Dean of the School of Business at California Lutheran University, and Bill Watkins, Executive Director of the Economic Forecast Project at UC Santa Barbara, state that a particular liability is represented by growers' reliance on poorly paid and poorly educated immigrant workers. A solution the authors provide, and notably controversial at this time, is to establish a federally authorized guest-worker program.

The report warns of future shortages of workers due to rigorous enforcement of immigration laws. Validation of this warning is evidenced in the California Farm Bureau Federation reports provided by Central and Imperial Valleys which document the difficulty in finding enough workers to harvest citrus and vegetable crops this year. In addition to the agricultural industry, the heightened risk for immigrants without documentation has also affected the construction and service industries. However, the demand for low-wage labor continues to rise as efforts to enforce immigration laws strengthen in the booming Southwest.

Ventura County's agricultural industry is being squeezed inexorably by a multitude of factors, including the growing competition in the global market for farm commodities, according to the authors.

Despite annual crop reports from the Agricultural Commissioner's Office that imply steadily rising levels of productivity and value, the local farming industry has actually been economically stagnant for about three decades, according to the report. The inflation-adjusted value of Ventura County's crop production has remained at about \$1 billion a year (in 2000 dollars) since the early 1970s.

Although Ventura County's overall economy "has grown rather impressively," contributions by the farming industry to the overall economy have fallen. As recently as 1991, agricultural production directly accounted for 5 percent of the county's economic activity; by 2003, that figure had been halved.

Painting a different picture of the farming industry's dwindling impact on the economy is the continued importance of agriculture as a source of jobs; the study found that the number of agricultural jobs in Ventura County increased by more than 5,000 between 1983 and 2003, from 14,908 to 20,175. This figure only includes workers employed directly in agricultural production, such as field and orchard workers; not reflected in this data are employees at related business such as packinghouses, processing facilities and equipment dealerships.

Congress has several bills that offer differing perspectives of the most effective way to address the issue of immigration. On one front are those who propose streamlining the guest-worker program and offering legal status to undocumented workers already in the U.S. Advocates of this strategy face bitter opposition, however, from those who propose a tougher border crackdown and strengthened enforcement against undocumented workers and their employers.

### **RISE IN HUMAN SMUGGLING MET WITH NEW PUNITIVE MEASURES AT BORDER ENTRIES**

Starting January 20, 2006, Americans participating in human smuggling activities will be faced with punitive action under a new federal program aimed at curbing the number of illegal border crossings. The new civil fines program will give customs officials at San Ysidro and Otay Mesa border ports the authority to impose fines of up to \$5,000 on human smuggling offenders. The new administrative measures may coincide with the Secretary of Homeland Security's recent announcement concerning forthcoming border security improvements at the Department of Homeland Security (DHS).

Advocates of the program argue that not enough action is being taken to deter U.S. residents and citizens from engaging in the practice of human smuggling, since border agents do not have the resources to prosecute American offenders. According to customs figures, 4,078 U.S. citizens were apprehended at California's two border ports of entry and found responsible for human trafficking. Of those only 279 were charged with alien smuggling.

The apprehension of human smuggling via vehicle crossing at San Ysidro has increased fourfold since 2000, possibly as a result of the construction of a border fence. In order to deter smuggling practices, border officials are instituting a \$5,000 fine for first-time suspected smugglers and \$10,000 for second time offenders.

Just days earlier Homeland Security Secretary Michael Chertoff joined Sec. of State Condoleezza Rice to announce a coordinated effort to modernize the U.S. border security framework to address modern day challenges. The plan would involve improved technology and efficiency, travel documentation advancements, and smarter traveler screening practices. The Secure Borders and Open Doors in the Information Age scheme references human smuggling as a concern and briefly discusses the work of the Human Smuggling and Trafficking Center to curb illegal border crossings.

For more information on the Secure Border and Open Doors in the Information Age plan, visit the DHS website at: <http://www.dhs.gov/dhspublic/display?content=5347>

### **INSTITUTE ANALYSIS OF INTERIOR & ENVIRONMENT APPROPRIATIONS ON WEBSITE**

An analysis prepared by the California Institute of the Conference Report on the FY06 Appropriations for the Department of Interior and the Environment is now available on the Institute's website at: <http://www.calinst.org>

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