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## 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.*

### GOVERNOR AND CALIFORNIA LAWMAKERS SEEK LEVEE REPAIR AND FLOOD CONTROL FUNDING

On February 28, 2006, Governor Arnold Schwarzenegger and Senators Dianne Feinstein and Barbara Boxer joined forces to press the federal government for more funding for levee repairs and flood control in the Sacramento-San Joaquin delta.

Governor Schwarzenegger declared a state of emergency for the area last week and met with Chief of Staff Andrew Card to urge the federal government to issue a disaster declaration disaster in an effort to free up federal funding for levee repairs.

In the meantime, Senators Feinstein and Boxer committed to pushing for inclusion of additional funding in the supplemental appropriations legislation that is expected to be considered by Congress in the next few weeks. The supplemental will provide additional funds for Iraq and Afghanistan, and for further hurricane relief. The Senators sent a letter to the Chair and Ranking Member of that chamber's Appropriations Committee asking for \$23.5 million to complete previously identified high priority projects. Feinstein, a member of the Senate Appropriations Committee, also stated in a joint press conference with the Governor on Tuesday, that she will seek additional funding in the FY07 Budget for levee projects. The President's Budget proposal included \$65 million for Sacramento area flood control projects.

Governor Schwarzenegger, who was attending the National Governors Association meeting, also met with House Appropriations Committee Chairman Jerry Lewis while he was in Washington. He also met with Homeland Security Secretary Michael Chertoff, who agreed to come to California to examine the levees in the near future.

In addition to these efforts to raise federal funds, the Governor -- after returning to California this week -- wrote to Assembly Speaker Fabian Núñez proposing that the state bond package for levee repairs be increased to \$6 billion. Initially, the Governor proposed a state bond of \$2.5 billion for flood control over 10 years, with an additional \$3 billion to be provided by the federal government and \$500 million by local governments.

For more information, visit Governor Schwarzenegger's website at <http://www.governor.ca.gov>.

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## CALIFORNIANS MOVE TO CRIMINALIZE BORDER TUNNELS

Sen. Diane Feinstein and Rep. David Dreier (Covina), joined by other California members, introduced bills in their respective bodies to make it illegal to build tunnels under the border between the U.S. and Mexico.

Since September 11, 2001, according to Rep. Dreier, U.S. authorities have discovered 40 tunnels crossing international borders into the U.S. All but one has been on the southern border, and 21 of the 40 were along the California-Mexico border. Eight alone have been discovered in San Diego since the beginning of 2006. In one case, U.S. authorities discovered two tons of marijuana inside a 1,200 yard tunnel, complete with lighting, electricity, ventilation and a water pump.

The bills would make it a felony under federal law to construct or finance an unauthorized tunnel or subterranean passage across an international border into the United States, punishable by up to 20 years in prison. Those who recklessly permit others to construct or use an unauthorized tunnel or subterranean passage on their land would be subject to conviction and a term of imprisonment of up to 10 years. Additionally, the legislation doubles the sentence for using a tunnel or subterranean passage to smuggle aliens, weapons, drugs, terrorists, or illegal goods. Finally, the bill ensures that assets involved in the offense, or any property traceable to the offense, may be subject to forfeiture.

Californians joining Rep. Dreier as original cosponsors of his bill include: Duncan Hunter (Alpine), Susan Davis (San Diego), Elton Gallegly (Simi Valley), Adam Schiff (Burbank), and Jane Harman (Venice). Senator Feinstein co-authored the Senate version of the bill with Sen. Jon Kyl (AZ).

## SENATE JUDICIARY BEGINS IMMIGRATION DEBATE

The Senate Judiciary on Thursday, March 2, 2006, began its mark up of draft legislation to reform U.S. immigration policy. The Chairman's mark, authored by Committee Chair Arlen Specter (PA), would make significant changes to current law. To strengthen border security, the bill authorizes funding to recruit, hire and train 250 new Custom and Border Protection officers, 200 new personnel positions to investigate alien smuggling, and 250 additional port of entry inspectors.

It would also create a guest workers program in which undocumented aliens could apply for a U.S. work visa without returning to their home country, but would not be afforded a path to U.S. citizenship. Also, they would be required to spend an entire year in their home country between stays in the United States. In order to apply for a visa, those aliens would have to show proof of a job offer and pay a \$500 fee. Another provision would create a new temporary worker visa (H-2C) that would allow aliens, who would return to their home countries, to temporarily fill vacancies in hard to fill industries. It also would allow low-skilled workers and their families, who have no intention of relinquishing their foreign citizenship, to be in the United States legally for up to six years.

The bill would also authorize reimbursing state and local governments for the costs of detaining and processing illegal aliens through the criminal justice system. Other provisions in the bill would create an electronic employment verification system and require employers to verify the legal status of workers.

It would also prohibit the hiring, recruiting, or referral of any alien knowing of their illegal status. Employers would be required to take reasonable steps to verify that their employees are authorized to work.

Senators on the Judiciary Committee had circulated over 30 possible amendments to the Chairman's mark prior to Thursday. Senator Specter expects to mark up the bill over three consecutive Thursday meetings this month, and Senate Majority Leader Bill Frist has said that he wants the bill to be considered by the Senate beginning March 27. The House passed a bill last year, H.R. 4437, that focused solely on border security and did not include a guestworker program. Whether or not to include a guestworker program in an immigration reform bill is expected to be one of the most hotly contested issues this year.

### **IMPLEMENTING MEDICARE PART D DISCUSSED BY ENERGY & COMMERCE PANEL**

On Wednesday March 1, 2006 Dr. Mark McClellan, the administrator for Centers for Medicare and Medicaid Services, testified at the Committee on Energy and Commerce hearing regarding the daunting task that the federal government has in front of it implementing the new drug benefit program, Medicare Part D. He briefed the Committee on the steps CMS is taking to make the transition go more smoothly.

Also testifying at the hearing was the California-based non-profit organization, California Health Advocates (CHA), which spoke about the myriad problems that beneficiaries encounter with the implementation of Part D, the new Medicare prescription drug package. According to CHA, California's Health Insurance Counseling and Advocacy Programs (HICAPs), have reported that their clients are overwhelmed by the sheer number of choices and complexity of Part D plans. Issues pertaining to the enrollment and eligibility for clients adjusting to the new Part D plan, specifically dual eligible individuals, is also a major concern. Complications of data exchange between Part D plans, the Centers for Medicare and Medicaid Services (CMS), and its contractors are leading to gaps in medication coverage.

In addition to problems with eligibility and enrollment data, the CHA testified that many HICAPs and other consumer assistance programs reported that there are still widespread problems with data available to pharmacies and plans that accurately reflect an individuals' Low Income Subsidy (LIS) status and the correct amount of their prescription drug copayment. Moreover, the CHA briefly discussed the overall discontent with other aspects of the Medicare Part D plan, such as the transition "first fill" coverage process, the language access required by CMS stipulations, marketing misconduct, rural issues for Californians obtaining their medications, and the added costs for dual eligibles.

Furthermore, the CHA made strong, straightforward recommendations to the Committee on Energy and Commerce on the protocol of the Medicare program. First and foremost, the lack of standardization needs to change so that the Medicare program can more effectively care for all beneficiaries, with specific attention being paid to LIS individuals. Also, the Anthem/Wellpoint system needs to be redesigned and expanded to serve as a payer of last resort for dual eligibles.

The testimony on the part of CHA concluded that medicare beneficiaries deserve a prescription drug benefit that individuals can understand and easily access. The CHA asserts that while many beneficiaries are successfully getting their prescriptions filled and there have been mild improvements in data issues and Part D plan responsiveness, many problems encountered by Part D enrollees will not go away without further attention and intervention.

For more information on this report or to view a copy visit the Committee of Energy and Commerce website at: <http://www.energycommerce.house.gov> .

### **SENATE PASSAGE GIVES FINAL CONGRESSIONAL APPROVAL TO PATRIOT ACT RENEWAL; NO FORMULA CHANGE BUT INCLUDES METHAMPHETAMINE CURBS**

Late on Thursday, March 2, 2006, by a vote of 89-10, the U.S. Senate approved a bill extending many provisions of the USA Patriot Act, which was enacted shortly after the 9/11 terrorist attacks and expanded the law enforcement authority of the federal government. The renewal was enacted after many months of

negotiation and compromises that yielded increased privacy protections. The new legislation is H.R. 3199, the USA Patriot Act Improvement and Reauthorization Act of 2005.

The bill does not include changes to the formula for distributing federal homeland security grants to state and local first responder agencies that is widely criticized for favoring small states and disadvantaging large states, which are believed to be at greater risk of future attack.

However, the newly-passed measure does incorporate the "Combating Methamphetamine Epidemic Act" (also known as the "Combat Meth Act"), sponsored by Sen. Dianne Feinstein and Jim Talent (MO), which makes it harder to manufacture the highly addictive drug. Among other things, the anti-meth provisions impose limits on daily retail sales and monthly mail-order/Internet sales of certain over-the-counter medicines (pseudoephedrine) that can be used in meth production, requires logging of purchases, increases penalties for smuggling and selling meth, and lowers the thresholds for considering dealers to be major suppliers of the illegal drug. It authorizes \$585 million for enforcement, training, and research into treatment. It also authorizes \$70 million for drug courts, \$99 million per year for five years for Meth Hot Spots Grants, and authorizes \$99 million per year for 2006 and 2007 for grants for endangered children. (As all of these amounts are authorizations, they will also need appropriations in order to be funded.)

The Patriot Act renewal legislation also clarifies standards and penalties for violence targeted at rail and mass transit systems, and it includes a variety of penalty toughening measures aimed at beefing up the nation's port security systems.

## **RURAL STATE SENATORS SEEK FORMULA REVISIONS TO RYAN WHITE CARE ACT**

On Wednesday, March 1, 2006, a Senate health panel heard testimony from a top Department of Health and Human Services (HHS) Administration official, who discussed plans to reauthorize the Ryan White Comprehensive AIDS Resource Emergency Act (RWCA) or the CARE Act of 1990. At the hearing, committee members from smaller and rural states used the hearing as a forum to express their opposition to the RWCA's funding formula, which they said unfairly advantages states with large metropolitan areas, such as California.

The first in a series conducted by Senate Health, Education, Labor, and Pensions (HELP) committee, panel Chair Michael Enzi (WY), the hearing focused on the achievements of RWCA, ways of targeting funds more equitably, and improvements in treatment and services to keep pace with the persistent threat of AIDS. Chair Enzi in his opening remarks was wary of the high prevalence of AIDS among women, minorities and rural residents. He was concerned that the disease was growing at a fast rate in Southern states, noting that 7 of the 10 states with the highest AIDS rates are from that area.

Ranking Democrat Edward Kennedy (MA) lauded the Chair for approaching the reauthorization in a bipartisan manner. He expressed encouragement at the efficacy rates of drug treatment and their impact on extending life expectancy. Sen. Kennedy commented on his plan to expand AIDS services under the Act to include mental health, nutrition, and transitional housing assistance for those afflicted.

Testifying before the committee, Elizabeth Duke, Health Resources and Services Administrator touted the benefits of the Ryan White CARE Act, stating that services such as antiretroviral drugs, primary care, and other supports have successfully been made available to half a million AIDS victims every year, 65 percent of whom were racial minorities. She stressed that mortality rates are lower and that lives have been extended thanks to the services provided under the Act. Outlining the structure of the program's components, she identified the different populations served by the different CARE Act accounts, and she described President Bush's 2005 proposal to improve the effectiveness of the program.

The Administration's principles for reauthorization include serving the neediest, extending life, providing preventive services, improving accountability, and increasing flexibility. According to Dr. Duke, the President's budget proposal which improves Ryan White CARE Act spending to \$2.16 billion in FY 2007, is further strengthened by a White House legislative proposal to allow HHS to transfer up to 5 percent of grants between different subprograms in the law. She encouraged Congress to support the proposal. Most

of the additional funding contained in the FY 2007 budget would be targeted to assist states with waiting lists of those seeking treatment, according to Dr. Duke.

Sens. John Sessions of Alabama and Richard Burr of North Carolina voiced their disapproval of RWCA's formulas that are used to distribute funds to states. According to Sen. Burr, the formulas were too complicated and produced uneven distributions that shortchanged rural states unfairly. He suggested that California received too great a share of funding, questioning Dr. Duke on the rationale for sending \$5,200 in RWCA funds per recipient to California, as opposed to \$3,200 per recipient in North Carolina and \$3,300 in Iowa. Sen. Sessions wanted the Administration to propose a fix to what he described as an "allocation disparity".

Sen Hilary Clinton (NY), who hails from a state with the highest population of AIDS victims, was not in favor of reducing funding for states with historically high rates of AIDS cases. She was concerned that New York would experience a decrease of funding under an Administration proposal that would apportion 75 percent of program funds based on a new needs index. Sen. Clinton sought assurances that states like New York, California, and Massachusetts would not have their share of funding diluted under the index.

Sen. Enzi before adjourning the committee hearing stated that he was working with his colleagues to develop a reauthorization proposal this year.

The CARE Act expires at the end of the 2006 fiscal year and is typically approved every five years.

For more information on this hearing or to view Dr. Duke's testimony, visit the Senate HELP website at: [http://help.senate.gov/Hearings/2006\\_03\\_01\\_b/2006\\_03\\_01\\_b.html](http://help.senate.gov/Hearings/2006_03_01_b/2006_03_01_b.html).

## **CALIFORNIA DEMOCRATS URGE BIPARTISAN MEETING ON BUDGET ISSUES**

Writing on behalf of the California Democratic Congressional Delegation and the California State Assembly, Rep. Zoe Lofgren and Assembly Speaker Fabian Núñez sent a letter to Governor Arnold Schwarzenegger on February 24, 2006, urging him to convene a bipartisan Congressional delegation / Legislative leadership meeting to address federal budget and appropriations priorities. Rep. Lofgren and Speaker Núñez expressed disappointment that the Governor had not called for such a meeting earlier.

The lawmakers attached a list of over 30 federal funding issues in several broad policy fields ranging from education to seniors to science and technology where, they assert, California has been "shortchanged" by the Administration's FY07 budget proposal. Among the specific areas they list are: underfunding of the No Child Left Behind Act; reimbursement for emergency coverage of dual eligibles during Medicare Part D implementation; insufficient funding for Delta levee repairs and flood control; and, funding cuts at NASA facilities in California.

## **ADA REGULATIONS DISCUSSED AT HOUSE T&I COMMITTEE HEARING**

On Thursday March 2, 2006, Chairman Petri of the Transportation and Infrastructure Committee, led a hearing on the Federal Motor Carrier Safety Administration's (FMCSA) oversight role in improving bus safety, specifically for individuals eligible under the Americans with Disabilities Act (ADA).

In September of 1998, the Department of Transportation (DOT) amended ADA regulations to require accessible over-the-road bus service, ensuring timely bus service for passengers with disabilities, including wheelchair users. Fifty percent of the fleet of large fixed route bus companies must be accessible by October 2006 and 100 percent by October 2012. On the other hand, small fixed route bus companies have no compliance deadlines but must ensure their new buses are accessible and that they provide accessible bus service to passengers with disabilities on a 48-hour advance notice basis.

Yet, based on FMCSA reports and the testimony of the Administrator of FMCSA, Annette Sandberg, many bus companies do not understand their responsibility to provide adequate bus service to individuals with disabilities. As a key witness, Mrs. Sandberg asserted that FMCSA's role for ADA regulations is quite limited in that the Department's main responsibility is to require over-the-road bus companies to submit multiple reports annually to FMCSA. Interstate carriers must include information about their number of

requests for accessible bus service, the number of times these requests were met, the number of accessible buses, and the total number of buses in each companies fleet. However, overall industry compliance with data reporting requirements has been relatively low in part because no penalties exist for noncompliance with ADA. As evidence of this problem, FMCSA reports found that only approximately 21 percent of over-the-road bus companies submitted at least one required report.

Furthermore, the FMCSA reporting period that ended recently on September 30, 2005, found that 6 out of a total of 25 motorcoach carriers were found to be unsatisfactory in terms of ADA regulations, but that only 3 of these bus companies were reviewed and investigated. Moreover, at the hearing Mrs. Sandberg testified that the FMCSA does not have any real authority to enforce ADA regulations within the industry, but that it works alongside DOJ to assist in the efforts to handle ADA complaints and continues to remind motorcoach operators about their annual reporting requirements.

For more information about this report or to view a copy visit the Committee of Transportation and Infrastructure website at: <http://www.house.gov/transportation> .

### **CALIFORNIA DEPARTMENT OF FOOD AND AGRICULTURE RELEASES REPORT ON STATE'S 2005 GRAPE HARVEST**

A recent report released by the California Department of Food and Agriculture (CDFA) found that just over 4.3 million tons of grapes were crushed in 2005, up by 19 percent from the 2004 Grape Crush Report. The amount of grape tonnage crushed in 2005 is so high that it is the largest amount since California started tallying tonnage statistics in 1968. The annual 2005 Grape Crush Report estimates that red wine varieties accounted for the largest share of all grapes crushed, at 2.2 million tons, up by 35 percent from last year. The white wine variety crush totaled 1.5 million tons, which is up substantially by 34 percent from 2004 amounts.

The CDFA report asserts that the primary factor responsible for the abundant grape harvest for 2005, is due to the cooler-than-average weather in California during much of September and October creating a bumper crop of high-quality grapes. In addition, the CDFA found that there were more bunches of grapes on the vines and that the average berry was larger than in previous years.

The record harvest comes at a time of rising wine consumption in the United States, where in 2005 Americans sipped a record 274 million 9-liter cases of wine. Furthermore, the plentiful 2005 grape totals are proving to be beneficial to California wineries because the industry is still trying to recover from a recent grape glut that sent fruit prices plummeting and left wineries with millions of cases of surplus wine.

However, grape growers in California assert that although 2005 grape totals are at record highs, this excess is a one-time phenomenon and therefore consumers should not expect wineries to keep the prices low. Rather, wine connoisseurs should take advantage now of the high quality grapes, which are allowing both the low-end and high-end wineries to produce great tasting wine, according to the growers.

For more information on this report or to view a copy, visit: <http://www.cdfa.ca.gov> .

### **HOUSE WAYS AND MEANS SUBCOMMITTEE HOLDS HEARING ON MEDPAC**

On March 1, 2006, the Subcommittee on Health of the House Committee on Ways and Means convened a hearing on MedPAC's March report on Medicare payment policies. In his testimony to the Committee, Medicare Payment Advisory Commission's (MedPAC) chair Glenn Hackbarth expressed concern with the trend of higher Medicare spending without a commensurate increase in value to the program. This trend, if continued and unchecked, may result in the Medicare program absorbing unprecedented shares of the GDP and federal spending if combined with the retirement of baby boomers and Medicare's new prescription drug benefit. Hackbarth recommended that policymakers take steps now to slow growth in Medicare spending and encourage greater efficiency from health care providers. In addition, he suggested increases in Medicare collaborations with other payers.

Hackbarth noted that the March report to Congress focuses on improving Medicare payment accuracy and calibrating payment adequacy to the efficient provider. Also included in the report is the Commission's prior proposal to measure resource use and improve quality, to attain better value for the Medicare program. Review of Medicare fee-for-service payment systems for hospital inpatient, hospital outpatient, physician, outpatient dialysis, skilled nursing, home health, long-term care hospitals, and inpatient rehabilitation facilities is found in the report. The analysis of payment adequacy for long-term care hospitals and inpatient rehabilitation facilities is the first for the above mentioned sectors under their new prospective payment systems. Hackbarth explained that Medicare payments to cover the costs efficient providers incur in furnishing care to beneficiaries is the Commission's goal in all payment systems.

Additional recommendations recommended by MedPAC in its March report include improvements to the process for determining relative values in the physician payment system, continuing to evaluate the relative payments for different services within other prospective payment systems, suggestions that Medicare create incentives to improve quality through its payment systems, the urgent need for Medicare to start differentiating among providers by paying more for higher quality performance and less for poor quality, and, lastly, that Medicare measure resource use of physicians and feed this information back confidentially to them.

Also testifying before the Subcommittee was El Segundo based DaVita Patient Services Chief Executive Officer Kent Thiry. In summary, Thiry addressed four core questions as it related to DaVita and the Renal Leadership Counsel (RLC) which he formerly chaired. The first question addressed whether DaVita and RLC was delivering high quality care and if they provided good value for the taxpayer dollars spent on health care. Thiry's response was yes; that over a single decade, dialysis providers have dramatically improved the quality of care for patients on dialysis. Specifically for RLC, member companies have improved clinical performance and outcomes by increasing efficiencies and productivity in each treatment.

The second question addressed whether DaVita and RLC supported pay-for-performance. Thiry stated that the kidney care community is supportive of and ready to implement pay-for-performance. The third question addressed by Thiry in his testimony asked about the importance of an annual update to DaVita and RLC on ongoing quality improvement efforts. Thiry testified that dialysis providers must seek payment updates directly from Congress each year – an obligation unique to dialysis payments as opposed to most other Medicare payment systems, which receive annual payment updates automatically. Thiry claimed that while the approval process by Congress has resulted in Medicare payments that do not cover patient treatment costs, dialysis providers have continued to provide care to Medicare beneficiaries. Providers are able to accomplish this, Thiry said, by cross-subsidizing Medicare reimbursement with the higher rates from private insurance. Thiry asserted, however, that this system was not sustainable for the future. He recommended steps towards a more stable, predictable payment update – one that mirrored or paralleled the Medicare payment system.

The fourth and final question addressed by Thiry in his statement to the Subcommittee was whether DaVita and RLC supported MedPAC's recommendations. He testified in support of MedPAC's recommendations.

Additional information regarding this hearing is available on the House Committee on Ways and Means website: <http://waysandmeans.house.gov> .

## **CENSUS BUREAU SAYS IT'S "ON TRACK" FOR 2010 CENSUS**

On March 1, 2006, a House Government Reform Subcommittee received assurances that the 2010 Census was on schedule for a timely execution from the Bush Administration's Census Bureau chief. Representatives from the Government Accountability Office (GAO) and other experts also weighed in on potential challenges in the build up to the decennial survey. The census is an important benchmark in determining how much money flows to states from federal formulas.

The hearing entitled, "Apportionment in the Balance: A Look into the Progress of the 2010 Decennial Census" was convened by Subcommittee Chair Michael Turner (OH) to check on the progress of the census

bureau and to examine plans undertaken by the bureau to improve the accuracy and reliability of the data collection processes, and look at proposed methods of using technology when census execution starts up in four years.

Charles Louis Kincannon, the Census Bureau Director asserted that the 2010 Census was on track and that the agency was moving closer toward achieving its goals. He noted that the American Community Survey model implemented in 2005 would be used to eliminate the census long form and speed up the processing of data. Modernization and consolidation strategies were being adopted by the agency to enhance mapping of communities, and the consistency of their location; and to prevent the overlooking of certain neighborhoods, according to Director Kincannon.

Details about automation improvements were delivered by Director Kincannon. He claimed that a \$1 billion Information Technology contract awarded to Lockheed Martin would advance accuracy and protect collection and storage of data. The automation plans were currently in design and implementation phases, in preparation for testing in 2008 for what he called the Census Dress Rehearsal. Hand held mobile computing devices would also be used to collect and transmit information on survey respondents. The dress rehearsal is scheduled to be conducted in two locations, one of which will be California's San Joaquin County. According to Kincannon's testimony, 2010 activities account for 60 percent of the Administration's budget request for FY 2007.

Mr. Kincannon was criticized by Rep. Carol Maloney (NY) for proposing to eliminate a survey that analyzes the impact of government programs on poor families known as the Survey of Income and Program Participants (SIPP). Rep. Maloney stressed her support for retention of the program suggesting that data from the survey would provide key indicators for assessing the impact of effects of welfare reform and the most recent budget cuts contained in the Deficit Reduction Act of 2005 (DRA). Mr. Kincannon remarked that the survey in question was useful but that it experienced longstanding accuracy problems and that he was in favor of establishing a new and re-engineered version of the survey, although he could not provide further details about the structure of a replacement to SIPP.

Providing expertise on planning, testing, and management oversight were Brenda Farrell and David Powner of the GAO. Acting Director Farrell acknowledged the steps taken by Census to prepare for the upcoming decennial cycle, however she took issue with the growth in costs of conducting the survey and was concerned about the reliability and accuracy of hand held computer devices. Ms. Farrell warned about problems with capturing demographic shifts along the Gulf coast after the hurricane impacts of last year and said greater assurances and oversight were needed to monitor the IT contracts. Mr. Powner speaking more in detail about the IT contracts, recommended that more needed to be done to guarantee a full set of capabilities and to provide suitable coverage, accuracy and timeliness of the data.

For more information on this hearing visit: <http://reform.house.gov/FC/>

## **CRB EXAMINES CALIFORNIAN HIGH SCHOOL DROPOUT RATES**

A recent report conducted by the California Research Bureau (CRB) examines the various definitions for high school dropouts and graduates used by the California Department of Education (CDE) and looks at the compilation of statewide data on high school enrollment by race and ethnicity. In addition to analyzing statewide data and definitions, the author uses the findings in the report to also confirm the evolution of education in the state as a result of the nation's changing economy. High school education is now considered to be at a minimum standard, and the jobs of the future increasingly require some postsecondary education skills, according to the authors.

Not all news is bad for California. According to the report, the official dropout rate for all high school students in California has dropped from 20 percent for the class of 1992 to 13 percent for the class of 2005. The report, however, also discloses that the "basic completion ratio" graduation rate, which compares 9<sup>th</sup> grade enrollment to the number of students who graduated, found that only 70.7 percent of Californian students from the class of 2004 graduated from high school. The report suggests ethnic disparities also exist. In reviewing statewide enrollment data, the author of the report finds that 82 percent of all high school

students in the class of 2005 remained in school until the 12<sup>th</sup> grade, but only 74 percent of Latino students, 75 percent of African American students, and 78 percent of Native American students continued in school until the 12<sup>th</sup> grade.

California's official one-year and four-year dropout rates from high school have substantially decreased from the early 1990s, yet beginning in 2002-03 the report finds that these rates are on a slight increase as a result of the use of a new criteria method. The CDE began using criteria to identify dropouts established by the National Center for Education Statistics (NCES) in order to fully comply with the accountability requirements of the federal No Child Left Behind (NCLB) Act of 2001. For example, prior to the 2002-03 school year, CDE would not have counted a student who transferred to an adult education program as a high school dropout, yet under NCES standards high schools are now required to count a student that attends adult school as a dropout.

Another area of concern that the report raises is that studies show that most high school graduates are not prepared for four-year university demands, with only 22 percent of Latino and 25 percent of African American graduates being equipped for college. In addition, results from the Californian High School Exit Exam (CAHSEE) from the class of 2006, show that about 80 percent of all students have passed the high school exit exam. Yet, slightly more than 50 percent of English-learners in the statewide school system have passed the CAHSEE.

The report asserts that results found from CDE studies support a reason for concern among California educators about the state's high school dropout rates. African American and Latino students are less likely to graduate from high schools compared to Asians and Caucasians, and between 25 percent to 33 percent of all students fail to graduate from public high schools in California.

For more information on this report or to view a copy visit: <http://www.library.ca.gov> .

## **CALIFORNIA HOUSES FIVE OF NATION'S TOP 30 AREAS FOR JOB CREATION AND ECONOMIC PERFORMANCE, PER MILKEN REPORT**

A recent report released by the Milken Institute, The Best Performing Cities Index, revealed that California boasts five of the nation's top 30 metropolitan areas for job creation and economic performance in 2005. The index ranks metro areas throughout the country on their ability to create and sustain jobs. It includes both long-term (five years) and short-term (one year) measurements of employment and salary growth.

According to the Milken Institute index the top 2005 winners all have similar characteristics: strong and growing service sectors, robust recoveries in tourism, growing populations, and an increasing number of retirees. As evidence, six metros in the top 20 come from the Southwest, of which three are in California; Riverside, Santa Barbara, and Santa Ana.

The report finds that the Inland Empire region of Riverside, San Bernardino, and Ontario topped California areas, at No. 10 in the nation. That ranking was nevertheless down from its No. 8 ranking in the 2004 Milken Institute Best Performing Cities Index. The most reasonable explanation for the Inland Empire's high ranking for 2005, is that the region remains the state's fastest growing metro area with high migration from coastal Southern California, driven largely by housing affordability and availability of new homes. Yet, although the Inland Empire's income levels are relatively low, the region ranks fourth nationally in wage and salary growth over the past five years.

Among other California metro areas, Anaheim and Irvine placed 17<sup>th</sup>, up from 35<sup>th</sup> in the 2004 index; San Diego, Carlsbad, and San Marcos ranked 29<sup>th</sup>, down from 16<sup>th</sup>, and Bakersfield came in at 30<sup>th</sup>, up from a previous 90<sup>th</sup> place in the 2004 index. The report also noted in particular that the Los Angeles / Long Beach / Glendale area came in at No. 124 nationwide, up from No. 140 in 2004, but ranked fifth among the nation's 10 largest metropolitan areas.

The Milken Institute's Best Performing Cities Index is aimed at enabling business, industry associations, economic development agencies, investors, academics, governments, and public policy groups, to assess and

monitor recent metro performances. The findings in the Milken Institute index report assert that improving a city's capacity to compete globally will only be possible if the firms within the region have access to advanced technology and a well-educated, flexible workforce.

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

### **NEW CENSUS BUREAU REPORT COMPARES DEFINITIONS OF INCOME AND POVERTY**

A new Census Bureau report, comparing different ways of measuring poverty, indicates that child poverty rates can vary by a range of over 7 percentage points depending on the type of measurement used to govern the definition. Overall poverty rates can fluctuate by a range of as much as 8.3 percentage points, depending on the inputs used to define income. The report also examines income differences between 2003 and 2004 on a regional scale, finding that states in the Western portion of the country experienced the second largest declines in median household income across different income definitions.

The report entitled "The Effects of Government Taxes and Transfers on Income and Poverty 2004" compares the traditional "money income" definition used to determine US poverty rates to 3 other income definitions, each using different indicators to represent income. Money income is defined as all money before deductions for taxes and other expenses are factored and excludes non-cash supports and capital gains or lump sum payments. Market income includes income and capital gains, home equity, and other gains and losses to individuals from market related activities (and excludes government cash supports). Post-social insurance income blends money income, non-means-tested government transfers (e.g Social Security payments), and market income indicators. Finally, disposable income includes the value of government subsidies, and federal and state taxes as well as market income indicators.

According to the report, of all the income measurements tested, the disposable income definition lowered the median household income most significantly from the median level determined under the traditional money income method. The use of post-social insurance income instituted a 10.4 percent increase in the median household income rate.

Geographically, states from the West experienced the 2<sup>nd</sup> most significant percent reductions in real income per capita from 2003 to 2004 regardless of the definition used. The most significant reduction was experienced when using the market income indicator.

Poverty rates, set at 12.7 percent according to the money income definition, experienced the highest increase when defined using the market income definition, leaping to a national rate of 19.4 percent. When disposable income as an indicator of poverty was tested, the poverty rate slipped to 10.4 percent. Post social insurance income set the poverty estimate at 12.9 percent. Child poverty estimates across income definitions demonstrated similar trends according to the authors.

For more information on this report or to view or download a copy, visit the Census Bureau website at: <http://www.census.gov/hhes/www/poverty/effect2004/effect2004.html> .

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