



THE CALIFORNIA INSTITUTE FOR FEDERAL POLICY RESEARCH

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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.

THREE-MONTH HIGHER EDUCATION ACT EXTENSION CLEARS HOUSE

On March 14, 2006 the House approved a three-month extension to the Higher Education Act (HEA), keeping student aid programs alive through the end of June. The temporary extension (HR 4911) authored by new House Education and the Workforce Committee Chair Howard “Buck” McKeon (Santa Clarita) and cosponsored by the Committee’s Ranking Democrat George Miller (Martinez) makes no policy changes to existing law and was approved by voice vote.

HEA (PL 105-244), the comprehensive college student assistance law, expired at the end of last year’s legislative session after Congress failed to enact multiyear reauthorization legislation in time. Before adjourning for the winter, Congress instead approved a temporary stopgap measure that carried HEA programs through the end of this month. In addition, GOP leaders successfully divided out several student loan and mandatory spending provisions from higher education reauthorization measures and attached them to the Deficit Reduction Act of 2005 (PL 109-171), which was signed by President Bush in February. Those loan restructuring provisions contained in the budget reconciliation law created \$12.7 billion in savings, increased loan limits for borrowers and reduced fees. Chair McKeon called the savings in the DRA an important step toward “reining in runaway discretionary spending”. Rep. McKeon, the chief architect of a House reauthorization measure (HR 609) which cleared the Education and the Workforce Committee last July, also noted that the extension would give members time to finish work on the bill (also called the College Access and Opportunity Act). Although he indicated that he intended to reach across the aisle and produce a bipartisan bill, HR 609 did not receive Democratic support during the Education and the Workforce Committee markup.

According to Chair McKeon, HR 609 strengthens Pell grants, increases transparency among colleges and universities, and expands college access. Important to California are provisions in the bill which eliminate Pell grant tuition sensitivity, make Pell grants available to college students year round, and phase out the

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Campus Based Aid program base minimum guarantee, which directs funding to colleges on the basis of program participation length rather than student need. New Subcommittee on 21st Century Competitiveness Chair Rick Keller, speaking in support of the extension on the House floor stated that there was “important work yet to be done” and that he viewed the Pell grant program as a “passport out of poverty for low income students.”

For more information on HR 609, visit the committee’s website at:
<http://edworkforce.house.gov/issues/109th/education/hea/hea.htm>

LUNGREN, HARMAN INTRODUCE SAFE PORT ACT TO TIGHTEN SECURITY AND DESIGNATE PORT GRANTS SOURCE

On March 14, 2006, California Reps. Dan Lungren (Folsom), Chairman of the Homeland Security Subcommittee on Economic Security, Infrastructure Protection, and Cybersecurity, and Jane Harman (Venice), Ranking Member of the House Intelligence Committee, introduced the “Security and Accountability For Every (SAFE) Port Act.” The legislation calls for spending \$800 million a year for the next five years to increase port security, with half of the money going toward grants to port districts for security updates.

According to Rep. Lungren, the bill will require the Department of Homeland Security (DHS) to conduct terrorist watch-list checks of all port employees with access to secure areas and it will ensure that all 100 percent of containers are scanned for radiation. Additionally, the SAFE Port Act will provide risk-based funding through a dedicated Port Security Grant Program to harden U.S. ports against terrorist attacks and it will require the Secretary of DHS to develop protocols for resuming trade after a transportation security incident.

Chairman Lungren stated, “I am hopeful the recent heightened attention paid to the issue of national port security will inject a sense of urgency and spur the adoption of real-time legislation that ensures the safety of the American people and the security of our global supply chain. The SAFE Port Act strategically and practically addresses the need for comprehensive port security by effectively extending our borders out and focuses our limited resources on suspect cargo, port operations, and individuals before our national security can be compromised. Our shores must be the last line of defense in port security, not the first,” Lungren said.

The SAFE Port Act, which has 46 bipartisan original cosponsors, is the companion bill to “GreenLane Maritime Cargo Security Act,” introduced by Senators Susan Collins (ME), Patty Murray (WA), Norm Coleman (MN), and Joe Lieberman (CT).

A hearing on the SAFE Port Act was held by the Homeland Security Subcommittee on Economic Security, Infrastructure Protection, and Cybersecurity on Thursday, March 16, 2006. For more information on the bill or the hearing visit <http://homelandsecurity.house.gov>.

In a related development, the Senate voted 90-8 to add \$978 million for port security to the fiscal 2007 budget resolution (S Con Res 83) on March 15. The amendment by Sen. Mitch McConnell (KY) would fund targeted cargo searches and background checks for port employees. The budget resolution would offset the increased funding with cuts from other, non-specified, discretionary spending.

HOUSE AND SENATE PASS COUNTERFEIT LABELING BILL

On Tuesday March 7, 2006, the House passed the “Stop Counterfeiting in Manufactured Goods Act” (H.R. 32), by a unanimous vote. The bill bans

trafficking in counterfeit labels, containers or stickers, and requires the forfeiture and destruction of equipment used to make fake goods. The House had originally passed the bill by voice vote on May 23, but the Senate, in passing the bill by voice vote on February 15, 2006, added a substitute amendment that included provisions from companion legislation (S 1699) and a separate bill (S 1095) that expanded the definition of trafficking. With the House's second vote, the bill now goes to the President for signature.

The United States economy is losing millions of dollars in tax revenue and tens of thousands of jobs because of the manufacture, distribution, and sale of counterfeit goods. According to U.S. Bureau of Customs and Border Protection estimates, counterfeiting costs businesses about \$200 billion annually. Moreover, ties have now been established between counterfeiting and terrorist organizations that use the sale of counterfeit goods to raise and launder money. The provision to ban trafficking in counterfeit labels was included in response to a 2000 federal appeals court ruling that overturned the conviction of a supplier of counterfeit brand-name labels that were attached to generic products. With the enactment of H.R. 32 criminal penalties for trafficking in counterfeit marks can be imposed.

For more information on this legislation or to view a copy visit the Library of Congress's Thomas website at: <http://thomas.loc.gov> and search for H.R. 32.

SENATE JUDICIARY CONTINUES TO GRAPPLE WITH IMMIGRATION ISSUES

During the week of March 13, the Senate Judiciary Committee continued work on Committee Chairman Arlen Specter's (PA) draft legislation to reform U.S. immigration policy and completed its fifth day of markup. See, *Bulletin*, Vol. 13, Nos. 6 (3/3/06) & 7 (3/10/06). During the session held Thursday, March 16, 2006, the broad outlines of an agreement on a temporary guestworker program appeared to be taking shape. Under the compromise worked out by Sens. John Cornyn (TX) and Edward Kennedy (MA), potential immigrants who are living outside the United States could receive a two-year temporary worker visa. Most would then have to leave the United States at the conclusion of the two years before applying for a three-year work visa, that could then be renewed once. Employers would be able to seek permanent resident status on behalf of a worker holding a three-year visa and the employee would be able to apply for an adjustment to status on his or her own behalf after the end of the first year of a renewed three-year visa.

The legislative language of the compromise is still being drafted and may contain a cap (perhaps 600,000) on the number of guestworker visas that could be issued in the first year of the program. Press reports indicated that the compromise reached was likely to yield committee approval of the measure.

The Committee had not reached agreement on how to handle the estimated 11-12 million undocumented immigrants currently in the United States, however.

In other action, the Committee adopted an amendment offered by Sen. Russ Feingold (WI) providing for judicial review of denied naturalization applications. Sen. Jeff Sessions (AL) was successful in adding language authorizing state and local law enforcement to investigate, apprehend, arrest, detain or transfer illegal aliens to federal custody. The provision was also modified to specify that such assistance is voluntary and reimbursement for state and local detention and/or transportation costs would be available.

The Committee expects to reconvene on March 27, following the upcoming district work period, to vote on the guestworker compromise. The Committee is working under pressure exerted by Senate Majority Leader Bill Frist (TN), who has threatened to bring a border enforcement bill (without any guestworker provisions) to the Senate floor on March 27, if the Committee cannot report a bill by then.

HALF-DAY CAPITOL HILL FORUM ON MARCH 27 REGARDING SKILLED-WORKER IMMIGRATION POLICIES AND THEIR EFFECT ON U.S. COMPETITIVENESS

On Monday, March 27, 2006, TechNet, University of California Washington Center, UC Berkeley, and the California Institute for Federal Policy Research will hold a forum on highly-skilled worker immigration policies and their impact on U.S. higher education and employment. The program is entitled "Maintaining America's Competitiveness: Recruiting and Retaining the Best and Brightest Minds."

There is no cost to attend the event, which will take place from 8:30 a.m. to 1:15 p.m. (lunch provided) on Monday, March 27, 2006, in the Senate Russell Caucus Room (325 Senate Russell Building, Washington, DC).

To attend the forum, which will include lunch, send e-mail to elizabeth.victoreen@ucdc.edu. For purposes of determining whether to accept the lunch invitation under Congressional gift rules, it may be helpful to note that most of the inviting organizations are 501(c)(3) charitable nonprofits, and that the entire forum -- which is supported financially by Oracle, Cisco Systems, Intel, National Venture Capital Association, and Compete America -- will be construed a widely-attended event.

The event will begin at 8:30 a.m. with a welcome & introduction by Technet President Lezlee Westine and UC Washington Center Director Bruce E. Cain. From 8:35 am to 9:05 am, the audience will hear from the keynote speaker, Treasury Secretary John Snow (invited).

The first panel will run from 9:05 am to 10:20 am and is entitled "Education: The Foundation of US Competitiveness at Risk." This panel will examine what is behind the decline in attracting the best, most talented minds in the world to study in the US and its long-term implications for national security, higher education, and international competitiveness. Featured panelists include: Stuart Anderson, Executive Director of the National Foundation for American Policy; Victor Johnson, Associate Executive Director of the National Association of Foreign Student Advisers; Debra Stewart, President of the Council of Graduate Schools; Woody Sessoms, Area Vice President for Enterprise Sales and Executive Sponsor for Education at Cisco Systems, Inc. (invited); and the Honorable George Miller (Vallejo) (invited). Panel I will be moderated by Jack Citrin, Associate Director of the Institute of Governmental Studies at UC Berkeley.

The forum's second panel will take place from 10:30 am to 11:45 am and will be titled "Talent Gap: Maintaining a Skilled Workforce that Advances Innovation and Economic Security." It will focus on the fact that the leaders of our nation's most innovative companies agree that the nation's current immigration system works against US-based innovation and broader economic security interests. Issues to be discussed include: highly skilled worker visa and legal immigration policies; the challenges US companies face in recruiting and retaining the world's best minds; the boom in competitive sources of skilled talent overseas; and proposals for immigration reform that will advance economic development, innovation, and job creation. Participants in Panel II will include Tod Loofbourrow, Chairman and CEO of Authoria, Inc.; Craig R. Barrett, Chairman of the Board of Intel Corporation (invited); John W. Thompson, Chairman and CEO of Symantec Corporation (invited); the Honorable Spencer Abraham, Former Secretary of Energy and US Senator (invited); and Sandy Boyd, Chair of Compete America and VP of Human Resources Policy at the National Association of Manufacturers (confirmed). Moderating Panel II will be Evan Thomas of Newsweek Magazine.

From 12:00 noon to 1:15 pm will be a lunch conversation (box lunches will be provided) with policy makers entitled, "The Outlook for Immigration Reform." Evan Thomas, Assistant Managing Editor of Newsweek Magazine, will moderate a discussion among Senators Cornyn (confirmed), Specter (invited), Leahy (invited), Alexander (invited), Bingaman (invited), and Kennedy (invited), on immigration legislation that advances US innovation in higher education, employment and economic security. This session will conclude with a 20-minute media and audience Q&A period.

For additional information regarding the event, contact Andrea Hoffman, Director of Public Policy at TechNet, at 1717 Rhode Island Avenue, NW, Suite 630, Washington, DC 20036, call 202.587.4470, or visit <http://www.technet.org>. Again, to attend the event, please send e-mail to elizabeth.victoreen@ucdc.edu.

SENATE HOLDS HEARING ON CONSOLIDATION IN THE OIL AND GAS INDUSTRY

California public and private sector witnesses featured prominently in a Senate Judiciary Committee hearing held on March 14, 2006, that examined consolidation in the oil and gas industries. Witnesses included: Professor Severin Borenstein, E.T. Grether Professor of Business, Administration and Public Policy at the University of California Berkeley; Mr. Tom Greene, Senior Assistant Attorney General for the State of California; Joseph M. Alioto, Partner at the Alioto Law Firm in San Francisco; and Mr. David O'Reilly, Chairman and Chief Executive Officer of Chevron Corporation, which is located in San Ramon.

Speaking before the panel, Chevron Chairman O'Reilly indicated that the primary cause of rising gasoline prices is the sharply increasing price of crude oil in the world, which has climbed dramatically above \$60 a barrel. He stated that consolidation allows for important economies of scale in the competitive global oil industry, and provide "affordable, reliable and higher quality fuels" to the nation. He urged Congress and the

Administration to streamline approvals for new refineries, discourage specialized regional blends of gasoline, open additional areas to oil exploration, and promote energy efficiency and alternative energy sources.

O'Reilly pointed out that while mergers of U.S. oil companies do result in larger companies, those companies are dwarfed by enormous state-owned companies in the Middle East. He noted that Chevron, which merged with Texaco in the 1990s and UnoCal last year, today holds approximately 13 billion barrels of reserves, and the consolidated ExxonMobil (the nation's largest oil company) has about twice that amount. However, for example, both the Saudi company Aramco and the National Iranian Oil Company have more than 10 times as much as that of ExxonMobil. By joining forces, U.S. companies stand a better chance of competing with those giant entities.

Professor Borenstein focused his comments on the competition issues in the U.S. oil and gas industry, with the assertion that no U.S. oil company has a large enough share in the crude oil market to profitably exercise market power and raise prices. He stated that the world oil price has risen rapidly due to significant demand growth and to crude oil production capacity being constrained, because some producers are able to exercise market power, most notably Saudi Arabia. Furthermore, Mr. Borenstein suggested that high oil prices are the primary reason that gasoline prices are high and that market power in the refining industry is becoming a serious concern. Specifically in California, he stated that due to its special gasoline blend and shortage of refining capacity, market power can be an issue.

Mr. Greene reported on California's experience with the treatment of petroleum companies by state and federal law, particularly the federal antitrust law. Mr. Greene asserted that an effective pricing statute must encompass refiners as well as retailers for the state of California, because refiners can affect gasoline prices to the suppliers even if supply issues do not provide an apparent linkage. For example, shortly after Hurricane Katrina hit, the California State Attorney General's Office was flooded with complaints about dramatically higher gasoline prices even though the Gulf Coast refineries do not supply California stations with gasoline.

Professor Borenstein and Mr. Greene each concluded with one main point. First, Professor Borenstein recommended that there should be an increased burden on refiners to demonstrate large efficiencies before a merger can be approved and that there should be a more detailed analysis of the incentives of refiners to exercise market power before and after a proposed merger because greater scrutiny in the industry is needed. Second, Mr. Greene asserted that today Section 1 of the Sherman Act is irrelevant in concentrated industries, like petroleum, and needs to be reformed in order to be useful in the 21st century.

For more information on this hearing, visit <http://judiciary.senate.gov>.

SENATE COMMERCE EXAMINES U.S. COMPETITIVENESS

The Senate Commerce, Science, and Transportation Committee held a hearing on March 15 on innovation and competitiveness challenges facing the United States and legislative action that can be taken to address these challenges.

The Committee heard from the following witnesses: Dr. Craig Barrett, Chairman of Board, Intel Corporation; Mr. Norman Augustine, Chairman of the Board and Chief Executive Officer (Retired), Lockheed Martin Corporation; Dr. John E. Kelly, III, Senior Vice President of Technology and Intellectual Property, IBM Corporation; and Ms. Deborah Wince-Smith, President, Council on Competitiveness.

Dr. Barrett noted that the U.S. must change its policies on tax, immigration, and the intellectual property system in order to maintain and enhance U.S. global competitiveness. He noted that tax policy currently discourages investment in research and new manufacturing. Also, U.S. immigration policy is "a shambles," Dr. Barrett stated. Noting the concern with undocumented immigration and national security, he nonetheless stressed that U.S. immigration policy must encourage the world's brightest students to study in the United States and to stay here after they finish their education. As for intellectual property, he opined that the patent system is in disrepair and we needed "more and better paid examiners; better search tools including expanded databases in computing technologies, semiconductors, and software; and we need to "get back to basics" with regard to how the courts handle patent infringement lawsuits."

Mr. Augustine who chaired the National Academies of Sciences' Committee on Prospering in the Global Economy of the 21st Century. He noted that since the Committee's report was released in October 2005 two bills, "generally harmonious" with its recommendations have been introduced: the National Innovation Act

(NIA) and the Protecting America's Competitive Edge Act (PACE). Among the recommendations made by the committee and included in the bills are: establishing an Innovation Acceleration Grants Program which would encourage federal agencies funding research in science and technology to allocate a fraction of their Research and Development (R&D) budgets to grants directed towards high-risk frontier research; increasing the national commitment to basic research by nearly doubling research funding for the National Science Foundation (NSF) by FY 2011; making permanent the Research and Experimentation (R&E) tax credit with modifications expanding eligibility for incentives to a greater number of firms; and expanding existing educational programs in the physical sciences and engineering by increasing funding for NSF graduate research fellowship programs as well as Department of Defense science and engineering scholarship programs.

Dr. Kelly testified in support of both the NIA and PACE Acts. He noted the multitude of changes in innovation trends over the last several years and urged the Committee to set its priorities to encourage "innovation-based prosperity," including several of those set forth in the NIA and PACE Acts. He also stressed that "our nation's structural transition to a services economy . . . needs to be supported by a deepened understanding of how services support and interact with manufacturing and other more traditional activities." In summary, Dr. Kelly urged the U.S. to renew its commitment to basic research, improve dramatically its math and science abilities, and embark on a sustained effort to hone the supporting network of policies that enable contemporary innovation.

For the testimony of the witnesses, visit <http://www.commerce.senate.gov> .

AFTER STATE WINS FORMULA RELIEF, CALIFORNIA ELECTS NOT TO JOIN MULTI-STATE LAWSUIT OVER MEDICARE CLAWBACK

California has opted to not pursue a lawsuit against the federal government to challenge the Medicare prescription drug "clawback". Other states filed a lawsuit in early March 2006.

Thanks to a California-sought recalculation of the federal reimbursement formula, the State now expects to save millions of dollars from the revised clawback, as opposed to losing millions under the initial formula. Because of delays and glitches in the transition from Medicare Part D to the new drug plan in January of this year, tens of thousands of California dual eligibles (that's individuals who qualify for both Medicaid and Medicare) were denied drug treatments from their pharmacists. Governor Arnold Schwarzenegger and the State Legislature stepped in to pick up the tab while the federal government resolved the discrepancies, but a provision in the clawback formula governing reimbursements to states would have cost California \$130 million in additional expenses because of the glitches.

According to the office of Governor Schwarzenegger, the revised clawback formula would now provide California with a savings of up to \$60 million rather than a loss, ruling out the possibility that the state would join any legal challenge to the provision. According to Department of Health and Human Services (HHS) Secretary Michael Leavitt, the new formula reduces state clawback payments by 25 percent of what was previously estimated.

A February 9 statement by Governor Schwarzenegger stated, "This is a step in the right direction. I have worked in good faith for more than a year with Secretary Leavitt to address this issue to ensure California saves money on this program as Congress and the President intended when they passed and signed the Medicare Modernization Act. Instead of penalizing California at a cost of more than \$77 million to implement the Medicare prescription drug program for our low-income seniors and persons with disabilities, California will now save \$43 million more than if Medi-Cal continued to provide medication for these vulnerable Californians." The governor added, "I want to thank Secretary Leavitt for his commitment to working together to ensure costs for a federal program are not borne by California taxpayers and make certain our low-income seniors and persons with disabilities have access to the medications they need."

Several states have moved ahead with a lawsuit unappealed by the revisions to the formula instituted by the Bush Administration.

GOVERNOR ASKS HHS SECRETARY TO EXTEND FEDERAL REIMBURSEMENT FOR MEDICARE PRESCRIPTION DRUG PROGRAM'S DUAL ELIGIBLES

On Thursday, March 16, 2006, Governor Arnold Schwarzenegger wrote to U.S. Health and Human Services Secretary Michael Leavitt asking the federal government to extend past April 1 the program to reimburse California for the cost of implementing the emergency prescription drug program for so-called "dual eligibles." The Medicare Part D transition program is slated to expire on April 1, but the Governor is requesting that coverage be maintained at least through April 16. The Governor also requested HHS to provide data to assess whether problems in the federal system have been resolved.

The letter notes that state of California reports that it has filled more than 576,000 prescriptions for more than 188,000 beneficiaries as of March 15, costing the state \$39 million. It states, "Large numbers of these prescriptions are provided by pharmacies who specialize in services to people in nursing facilities, people with AIDS/HIV, people with mental diseases and people who require home infusion therapy." It states that the Governor believes that the California program "should be used only as the payer of last resort," and he offers to jointly review program usage by pharmacies in California.

A press release and the text of the letter are available on the Governor's website, at http://governor.ca.gov/state/govsite/gov_homepage.jsp.

BAY AREA DEMOCRATS' MEDICARE PRESCRIPTION DRUG REPORT DEBATED

A March 6, 2006, report published by House Government Reform Committee Democratic staff suggests that Medicare procured drugs for average costs considerably more than prices negotiated by the federal government under other health assistance programs. It focuses on the effect of the drug plan for San Francisco Bay area residents.

The report was challenged by top Administration officials at a debate held in March 2006 in California. The report was criticized for containing flaws and not adequately taking into account the benefits of the program.

The report, prepared for House Minority Leader Nancy Pelosi (San Francisco), Rep. Pete Stark (Fremont), and 8 other Democratic Bay Area members of Congress, was drafted to examine the impact of the Medicare drug reforms contained in Republican written legislation on the 10 most prescribed treatments in 2004. According to the report, prices under the Medicare drug plan were over 75 percent higher than prices negotiated by other agencies including the Department of Veterans Affairs, 60 percent higher than prices negotiated in Canada, nearly 5 percent in excess of internet suppliers and 2 percent higher than wholesale costs available at Costco.

In response to the alleged shortcomings of the new program, a top Center for Medicare and Medicaid Services (CMS) official questioned the credibility of the report's findings. On March 7, 2006 Regional Administrator Jeff Flick asserted that the report ignored the overall size of the program and failed to take into consideration the increasing use of generic drugs and low cost treatments. The Medicare program has enrolled 1.8 million beneficiaries since 2003, the overwhelming majority of whom experienced positive savings according to Administration sources. According to Administrator Flick, the drug benefit plan instituted many of these significant savings for those enrolled. The option also existed for Medicare beneficiaries to reduce costs by consulting with physicians and pharmacists about lower cost alternatives.

The report's findings are consistent with criticisms voiced by Democratic party members that Medicare prescription drug prices are too high. As the House Ways & Means Health Subcommittee's ranking Democrat, Rep. Stark is the co-sponsor of a series of legislative measures that would make changes to existing Medicare law. HR 752 would establish a uniform benefit option and give Medicare the authority to directly negotiate prices with pharmaceutical companies, while HR 4685 would guarantee prescriptions even if enrollment in the plan cannot be verified by pharmacies. HR 3861 gives eligible beneficiaries until the end of this calendar year to enroll in a Medicare prescription plan without incurring a penalty.

Entitled "New Medicare Drug Plans Fail to Provide Meaningful Drug Price Discounts in the San Francisco Bay Area," the report is available for viewing or download from Rep. Stark's website, at: http://www.house.gov/stark/news/109th/pressreleases/20060306_BayArea_PartD.pdf.

SURVEY RESULTS ON THE MEDICARE PRESCRIPTION DRUG PLAN

A report released by America's Health Insurance Plans (AHIP) on Monday, March 13, 2006, discusses the results found in two surveys that seniors are feeling increasingly positive as they experience the new Medicare prescription drug benefit program. The surveys were conducted by Ayres, McHenry & Associates on behalf of AHIP. They included only seniors enrolled in the drug benefit, including 408 respondents who signed up for the benefit themselves, and 401 respondents who were automatically enrolled through Medicaid. The results showed that the vast majority of seniors who are enrolled have had no problems with the plan and state that the plan covers the drugs they need.

According to summary findings, ten weeks after the start of the new Medicare drug benefit, sixty percent of seniors who voluntarily signed up for the program say they are already saving money and more than 80 percent report having no problems related to enrollment usage of their new benefits. The poll also found that 65 percent of enrolled seniors state that they would recommend that other seniors sign up for the program, versus 8 percent who state they would not.

Additionally, AHIP reports that 90 percent of seniors who are dually eligible for Medicare and Medicaid state that they too have not experienced problems using the new Medicare drug benefit. The President and CEO of AHIP, Karen Ignagni, asserted that dual eligibles are the most vulnerable population of seniors and that officials are still working hard with the Centers for Medicare & Medicaid Services (CMS) to resolve any remaining challenges and problems that seniors may be facing.

Furthermore, the surveys found that dual eligibles are skeptical about the motives behind attacks on the Medicare drug benefit and are concerned that these attacks may discourage seniors from enrolling in the program. A substantial 35 percent of seniors state that politicians' criticisms of the Medicare drug plan are motivated by a desire to score political points, compared to 14 percent who state that these criticisms are motivated by a sincere interest in fixing the program.

For more information or to view the report visit the AHIP website at: <http://www.ahip.org>.

TRADE WITH MEXICO AND CALIFORNIA JOBS DISCUSSED AT HILL BRIEFING

On Monday March 13, 2006, economist and Public Policy Institute of California (PPIC) research fellow Howard Shatz presented an overview of his report on trade with Mexico and California jobs, which appeared in PPIC's *California Economic Policy* (CEP). Dr. Shatz's research provided a means of evaluating the impact of the North American Free Trade Agreement (NAFTA) on the California and US job market.

According to the new study, trade between the United States and Mexico between 1994 and 2002 affected jobs in the state, in that trade expansion caused some industries to expand and others to contract, leading to a reallocation of jobs rather than significant employment losses.

Between 1994 and 2002, almost 425,000 U.S. workers were certified as being displaced because of either imports from Mexico or production shifts (company relocation or restructuring practices to reduce production costs). To rectify this concern, NAFTA trade adjustment assistance programs were introduced to attempt to mitigate the burden of increased economic integration on workers. Dr. Shatz's research suggested that shifts in production drove job displacement at higher rates than import competition.

Dr. Schatz used assistance enrollment data (or certifications) to track the effects of NAFTA on different sectors of labor. He stated that in the state of California, 28,000 workers were certified as being displaced, amounting to about 0.2 percent of average annual employment. Overall, employees from all sectors of the economy were impacted at an average rate of 2.5 percent, but some sectors were more adversely impacted than others. For example, manufacturing jobs showed a 4 to 8 percent decline due to trade or production shifts traced to Mexico, according to Schatz. Furthermore, the briefing discussed that workers certified as displaced by Mexican imports were generally coming from low-wage industries, totaling between 13 percent and 16 percent of all U.S. workers certified as displaced. The highest share of assistance certifications (25.2%) were issued to workers from the apparel industry. Dr. Shatz pointed out that on one hand manufacturing wages remained stagnant through the 1990s and that low skill labor wages overall may have experienced a slight decrease in that time. On the other hand, he posited, that higher skilled workers experienced an increase in their wages over the period of heightened economic integration.

Dr. Shatz asserted at the conclusion of the PPIC luncheon that new reforms, including expanding the definition of workers affected by globalization and strengthening benefits such as wage insurance, in which displaced workers who take a new job at a lower wage receive temporary additional payments to make up for part of the lost wage, are positive steps for Californian workers.

More information on and a copy of the report are available from the PPIC website at: <http://www.ppic.org> . Streaming video of the briefing in Windows Media (wmv) format is available from the California Institute's website, at <http://www.calinst.org/video/PPIC-Baldassare-20060223.wmv> . To download an MP3 audio file, go to <http://www.calinst.org/video/PPIC-Baldassare-20060223.mp3> .

SENATE ADDS ANTI-METH FUNDING TO BUDGET BILL

During consideration of the FY 2007 budget bill on Tuesday, March 14, 2006, the Senate unanimously approved an amendment by Senators Jim Talent (MO) and Dianne Feinstein to provide \$99 million to assist law enforcement in the fight against methamphetamine. The funds would flow via the COPS Meth Hot Spots program.

The amendment's approval came several days after President Bush's March 9th signing of the budget reconciliation package that first authorized the \$99 million. The "Combat Meth Act, also sponsored by Sens. Talent and Feinstein, had been attached to the budget reconciliation package last fall. Tuesday's amendment to S.Con.Res 83 provides \$99 million over five years for the COPS Meth Hot Spots program that will help state and local law enforcement agencies with training, investigation, and incarceration. Funds may be also be used for personnel and equipment for enforcement, prosecution and environmental clean-up.

EXPERTS ADDRESS MATH AND SCIENCE EDUCATION CHALLENGES IN HOUSE

On March 15, 2006 the Research Subcommittee of the House Committee on Science conducted a hearing to examine the barriers confronting college students wishing to enter into math, science, engineering and teaching careers. Panelists agreed that certain actions should be taken by the federal government to improve learning methods and attract greater numbers of students to science and engineering. They also agreed that the National Science Foundation (NSF) would be an appropriate agency to institute any reforms.

Subcommittee Chair Bob Inglis (SC) commented that an effective education system was necessary in order for the US to maintain its edge as a leader in technology. Chair Inglis explained that instructors ought to strike the right balance between being competent in the fields of science, math, and engineering and being good educators who are capable of capturing the imaginations and stimulating the interest of their students.

Panelist Elaine Seymour discussed the systemic obstacles that have contributed to what she termed a "national crisis" in recruiting and retaining science, technology, engineering and math (STEM) educators. Her research suggested that high school seniors entering K-12 teaching programs in these fields experienced a gradual decline in interest over the course of their study. The most common obstacle withholding student interest was poor learning experiences, according to Dr. Seymour. She indicated that faculty have actively discouraged student interest in STEM and that current teacher preparation assistance was inadequate in meeting the teaching force limitations being experienced in colleges nationally. Dr. Seymour recommended the promotion of teaching workshops as a cost effective and useful way of improving teacher quality.

Dr. John Burris of Beloit College in Wisconsin recommended that the NSF budget be doubled to remedy the challenges facing STEM students and to build better and more sustaining learning environments. Dr. Burris suggested that NSF programs supporting new pedagogies, new curricula, updated equipment and supplies would be important steps toward improving interest in STEM fields.

Physics Nobel Laureate Carl Wieman believed that changes could be introduced to improve education standards if stronger financial inducements were established and made available to instructors within institutions.

Assistant Dean Margaret Collins, speaking on behalf of community colleges, underscored the obstacles unique to those institutions and praised Higher Education Act programs such as Perkins loans and TRIO for their role in helping stimulate interest in STEM fields. She argued that recruitment and retention goals were most difficult to achieve in community colleges which practice open enrollment policies and serve under-represented communities.

Although they discussed different facets of the problem of STEM education quality, the panelists agreed that the federal dollars can make a difference.

Senior Subcommittee California member Dana Rohrabacher (Huntington Beach) saw STEM standards as one of the greatest challenges to the future. He preferred to see greater financial compensation programs available to STEM students and professionals to attract better quality teachers and students. “We need to pay experts better to attract more young people,” said Rep. Rohrabacher. He supported full scholarships for STEM majors hired into government agencies and opposed the proliferation of H1-B work visas which are used by private companies to import high-skill workers from other countries to fill domestic labor shortages. He argued that the issuing of such visas “bid down wages” and contribute to a reduction in compensation to Americans.

For more information on this hearing or to view copies of testimony, visit the House Science Committee website at: <http://www.house.gov/science/hearings/research06/march%2015/index.htm> .

For more information on HR 609, visit the House Education and the Workforce Committee website at: <http://edworkforce.house.gov/issues/109th/education/hea/hea.htm> .

HOMELAND SECURITY PANEL APPROVES CHANGES TO CRITICAL INFRASTRUCTURE INFORMATION SYSTEMS

On Wednesday, March 15, 2006, the House Homeland Security Subcommittee on Emergency Preparedness, Science and Technology marked up and passed a bill to establish new internal programs within the Department of Homeland Security (DHS). The bill, HR 4941, requires that DHS work to develop regional technology integration systems and help develop voluntary national standards for equipment and critical infrastructure information systems.

During markup on Wednesday, the subcommittee adopted an amendment by Rep. Loretta Sanchez (Lakewood) that adds funding \$50 million to the FY 2007 authorization for cybersecurity programs. Sanchez initially had pegged the additional authorization at \$50 million, but the subcommittee removed the specific amount (changing the language to “such sums as may be necessary”) before it was adopted.

Other amendments were offered and later withdrawn, including one to establish a national strategy for interoperable communications, and another (by Rep. Sanchez) to require DHS to report on the activities of the Homeland Security Advanced Research Projects Agency.

HOUSE RESOURCES FIELD HEARING IN FRESNO TO EXAMINE CENTRAL VALLEY PROJECT IMPROVEMENT ACT

On Friday, March 24, 2006, the House Water and Power Subcommittee of the full Committee on Resources will hold an oversight field hearing in Fresno to examine the implementation of the Central Valley Project Improvement Act (CVPIA). Beginning at 9:00 a.m., the hearing will be led by Subcommittee Chairman George Radanovich (Mariposa) and will take place in the State Sen. Kenneth Maddy Turf Club in the Grandstand Building at the Big Fresno Fairgrounds at 1121 S. Chance Avenue in Fresno.

At the hearing, the Water and Power Subcommittee is expected to examine the impacts of the 1992 CVPIA, which reallocated water for environmental purposes and set up a fund to restore fish and wildlife in the Central Valley. The Subcommittee will review whether the promises of CVPIA are being met and the outlook for the program’s effectiveness in light of growing and competing water needs in California.

A list of witnesses and other information is expected to be announced in the near future on the House Resources Committee website at <http://resourcescommittee.house.gov> .

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