HOUSE PASSES SCIENCE, STATE, JUSTICE, & COMMERCE; ADDS $10 MILLION FOR SCAAP

On Thursday, June 29, 2006, the House passed its FY 2007 Appropriations for Science, and the Departments of State, Justice, & Commerce. The $59.84 billion bill, H.R. 5672, exceeds the FY 2006 level of $57.21 billion, and is a bit over the President’s request of $59.70 billion. The vote was 393-23.

With its approval, the House has already completed action on 10 of the 11 bills emanating from the House Appropriations Committee, chaired by Rep. Jerry Lewis (Redlands).

During consideration of the bill, the House adopted by voice vote an amendment by Rep. John Barrow (GA) to increase funding for the State Criminal Alien Assistance Program by $10 million, bringing funding for SCAAP up to $415 million. California wins a large share of SCAAP funding (typically about 40%), and the bipartisan California Congressional delegation has worked hard to maximize funding for the program.

Two amendments were also adopted that increased funding for the Edward Byrne Memorial Justice Assistance Grants program by a total of $75 million, bringing total funding for the program up to $635 million. In total, the bill provides about $2.6 billion in state and local law enforcement assistance programs, compared to the $1.2 billion proposed by the Administration. The House also adopted by voice vote an amendment that would deny Justice Department grants to local law enforcement agencies that prohibit discussing the immigration status of detainees with federal officials.

Several California members were successful in adding amendments to the legislation during floor consideration. Rep. Mike Thompson (St. Helena), joined by other West Coast members, was also able to secure $2 million in additional Commerce Department funding to help salmon fishermen suffering economic losses because of the decline in the salmon population. Thompson had originally sought to add $81 million in emergency funding for the West Coast commercial salmon industry.
An amendment by Rep. Juanita Millender-McDonald (Carson) added $5 million to the Justice Department Drug Court Program, and one offered by Rep. Dennis Cardoza (Atwater) to add $5 million to the Drug Endangered Children grant program was also approved on the floor.

Rep. Darrell Issa (Vista) highlighted that report language for the 2007 bill specifies that $4.5 million is intended to address “prosecution of human smugglers referred to as ‘coyotes’ and other criminal aliens, methamphetamine traffickers, and identity thieves.”

An amendment by Rep. Susan Davis (San Diego) to set aside $1 million in funds for the National Veterans Business Development Corporation was accepted by voice vote. Rep. Henry Waxman (Los Angeles) was also successful in having an amendment adopted by voice vote. His amendment prohibits the use of funds in the bill “from being available for the Industry Trade Advisory Committee on Chemicals, Pharmaceuticals, Health/Science Products and Services (ITAC 3) unless the membership of the committee is "fairly balanced in terms of the points of view represented" pursuant to section 5(b)(2) of the Federal Advisory Committee Act; or the Industry Trade Advisory Committee on Intellectual Property Rights (ITAC 15) unless the membership of the committee is "fairly balanced in terms of the points of view represented" pursuant to section 5(b)(2) of the Federal Advisory Committee Act.”

An amendment to strip the bill of a $750,000 earmark for the Fairplex Trade and Conference Center in Los Angeles County. The amendment was defeated.

The California Institute will produce an analysis of the bill focused on California implications in the near future. Further information about the bill can is available at: http://www.appropriations.house.gov .

PPIC EXPERTS DISCUSS SECURITY AND THE NATION’S SEAPORTS

On Wednesday, June 26, 2006, the Public Policy Institute of California (PPIC) held a briefing for an audience of more than 65, including congressional staff, government officials, and representatives of business, labor and education organizations. The briefing outlined findings from the recently released report, “Protecting Our Ports - Are U.S. Security Measures Missing the Boat?”

In addition to a presentation by the report’s lead authors, the briefing -- co-sponsored by the California Institute -- featured remarks from several members of Congress. Rep. Dan Lungren (Folsom), sponsor of the “SAFE Ports” Act, noted that, “there is an absolute need for us to do something serious” about port security. In response, he and bipartisan California colleagues developed the Act, which recently passed the House by an overwhelming 421-2 margin. Congressman Lungren serves as Chairman of the House Homeland Security Subcommittee on Economic Security, Infrastructure Protection, and Cybersecurity, which has responsibility for the development of strategies to protect against terrorist attacks on the United States and prioritizing investment in critical infrastructure protection across all sectors, including transportation.

Welcoming participants and thanking the presenters were Rep. Jane Harman (Venice) and Rep. Loretta Sanchez (Anaheim). They discussed provisions of the SAFE Ports Act, of which they were key cosponsors. A number of the recommendations urged in the PPIC report are in fact mirrored in provisions of the Act. Rep. Harman is ranking member of the Select Intelligence Committee and Rep. Sanchez serves as ranking member of the Homeland Security
Committee’s Subcommittee on Economic Security, Infrastructure Protection, and Cybersecurity. Both members expressed their desire to see this Act pass the Senate quickly and without significant change.

Following a welcome and introduction by PPIC President and CEO David Lyon, the focus of the briefing was a presentation by Dr. Jon Haveman, the co-editor of “Protecting the Nation’s Seaports: Balancing Security and Cost” and a Program Director and Economy Research Fellow at PPIC. His presentation reviewed some of the conclusions of this report, namely that:

- Shipping containers are a key vulnerability in the global maritime supply chain system. Containers, the vast majority of which remain un inspected, can serve terrorists in several different ways, and myriad loopholes in global regulations make the container system easily exploitable.
- The creation of comprehensive port attack recovery plans could do much to mitigate the effects of a port terrorist attack, through the reduction of post-attack economic panic and the quick restoration of global supply chains.
- Federal officials should reconsider the adequacy of current port security funding and staffing levels. These have not kept pace with the plethora of new, but often conflicting, programs and initiatives created in the wake of the September 11 attacks.

The report is available at [http://www.ppic.org](http://www.ppic.org) and a videotape of Wednesday’s briefing is available in streaming media format at [http://www.calinst.org/video.htm](http://www.calinst.org/video.htm).

**PPIC Releases Port Security Study; Streaming Presentation Posted on Web**

The latest report by the Public Policy Institute of California (PPIC), released on Wednesday, June 28, 2006, examines various aspects of the port security topics. The report is the culmination of two years of research and collaboration, and includes chapters authored by PPIC researchers as well as experts from major California universities and private sector efforts. A team of economists and maritime security experts have come together to look at an array of security issues to provide one of the most comprehensive examinations of port security to date.

Given that 41 percent of U.S. international trade passes through the nation’s 361 seaports and that millions of American paychecks depend on this flow, the PPIC report considers how devastating would an attack be to the nation’s economy, and its chapters provide a range of estimates: At the high end, some of the authors argue that an attack on a major seaport such as Los Angeles-Long Beach could cost the nation tens of billions of dollars. However – if response and recovery is appropriate and sufficient – other authors find that the economic cost would be relatively small.

The study evaluates security provisions put in place by the federal government after September 11, when protecting the nation’s ports quickly and all at once was the impulse. Limited staff, time, and money have led to slipped schedules, unclear priorities, uncoordinated strategies and programs, and vague lines of responsibility. One example is a program to roll out identification cards for transportation workers, which is now years behind schedule.

“No matter what we do to protect the ports, it will not be enough to ensure – absolutely – against an attack at some location,” says PPIC program director Jon Haveman, who edited the volume with PPIC research fellow Howard Shatz. One of the report’s strongest recommendations is that comprehensive recovery plans be created specifically to reduce economic panic and to restore global supply chains quickly following a catastrophe. “How well government reacts to the problems caused by an attack is probably as important as how well it anticipates them,” adds Shatz. In fact, the authors also suggest that rigorous recovery plans can serve as a disincentive to terrorists, who have been shown to focus on targets where they can do the most damage—economic and otherwise.

Besides recovery, the authors recommend a number of important but potentially costly security measures. The report, Protecting the Nation’s Seaports: Balancing Security and Cost, says it is critical to implement these measures in such a way that justifies the costs and balances different types of threats – because strengthening one target along the maritime supply chain, or even the entire supply chain, necessarily means making other targets more vulnerable.
Measures would include continuing a “layered” defense whereby there are several tracking, screening, and inspection points for shipping containers as they flow from the foreign country’s factory gate, through the maritime domain, to U.S. shores; using multiple technologies such as radiation detectors and container tracking devices; steering government development of new technologies toward areas that the private sector has no incentive to pursue; strengthening emergency response at the nation’s ports; strengthening terrorism insurance markets; and reevaluating the level of overall port security funding and staffing for public entities that focus on port security, such as the U.S. Coast Guard.

For more information on this report, or to view a copy of “Protecting Our Ports - Are U.S. Security Measures Missing the Boat?”, visit the PPIC website at: http://www.ppic.org.

A videotape of the June 28 Capitol Hill presentation that unveiled the report is available on the California Institute website in streaming video (Windows Media) at http://www.calinst.org/video.htm.

BILBRAY ASSIGNED TO ARMED SERVICES, GOVERNMENT REFORM, VETERANS AFFAIRS

Newly sworn-in Rep. Brian Bilbray (San Diego) received Congressional committee assignments on Thursday, June 29, 2006. He will join the rosters of the House Government Reform Committee, the Veterans Affairs Committee, and -- apparently thanks to a maneuver by a fellow Californian -- the Armed Services Committee. According to Congressional Quarterly, a seat for Bilbray on the House Armed Services Committee was made possible because Rep. Howard P. “Buck” McKeon elected to take a leave of absence from the Committee. By taking a leave of absence rather than resigning from the panel, McKeon is able to retain seniority on the committee, which would prove valuable if he chose to return to it at a future date. Reportedly, the move also ensures that state legislator Kevin McCarthy -- a likely successor to Rep. Bill Thomas, who retires at the end of this year -- will still be able to obtain an Armed Services Committee seat if he is elected in the fall.

SENATE APPROPRIATIONS PASSES FY 2007 ENERGY & WATER SPENDING BILL

The Senate Appropriations Committee approved its $30.7 billion FY2007 Energy and Water Appropriations on Thursday, June 29, 2006. The total is $1.25 billion over the budget request, and provides $24.7 billion for the Department of Energy (a $650 million increase), $5.13 billion for the Army Corps of Engineers ($406 million increase), $1.06 billion for the Bureau of Reclamation ($143 million increase), and $306.3 million for independent agencies ($57 million increase). The bill also provides $25 million in funding math and science training for teachers, as intended by the Protecting America’s Competitive Edge (PACE) Act.

The bill provides $38.610 million for the CALFED program under the Bureau of Reclamation. Water and Related Resources funding is set at $888.99 million, and the Central Valley Project Restoration Fund at $41.478 million.

Included in the Department of Energy programs is funding for Inertial Confinement Fusion and High Yield of $412 million. This is a decrease of $39 million from FY2006 as “funding for the National Ignition Facility (NIF) is reprioritized to fully utilize the Z machine,” according to the Committee. NIF construction is provided $129 million, a $30 million reduction. The Committee Report calls for the use of available contingency funds to complete construction and to find efficiencies of operation in installing the remaining 180 lasers. The Science Campaign is provided $268.7 million, $5 million above the President’s request, to support research and experiments. Office of Science programs are also funded as part of the American Competitive Initiative.

The California Institute will produce an analysis of the bill focused on California implications in the near future. Further information on the bill can be obtained from the Committee’s website at: http://www.appropriations.senate.gov
Senate Interior Appropriations Reported Out of Full Committee

On Thursday, June 29, 2006, the Senate Appropriations Committee approved its FY2007 Interior Appropriations bill. The $26.1 billion bill provides appropriations for the Department of the Interior (except the Bureau of Reclamation), the Forest Service, the Indian Health Service, the Environmental Protection Agency, and related agencies.

During the markup, the Committee approved an amendment offered by Sen. Dianne Feinstein that disqualifies oil companies from bidding on future leases if they refuse to re-negotiate leases from 1998 and 1999 where they are currently paying no royalties. Another amendment requiring the Secretary of Interior to seek to re-negotiate leases where no royalties are being paid was also added to the bill; this amendment also clarifies the intent of Congress to implement price thresholds for certain federal leases. The Committee also accepted an amendment to give temporary relief to small public water systems attempting to comply with the Safe Drinking Water Act’s new arsenic standards.

The bill provides a total of $2.56 billion for wildland fire management activities, including $776.6 million for the Bureau of Land Management and $1.78 billion for the Forest Service. The total includes $491.6 million for hazardous fuels reduction, an increase of $3.4 million over the enacted level. Additionally, the Committee provide $5 million for Rural Fire Assistance, $73 million for State Fire Assistance and $14 million for Volunteer Fire Assistance.

Payments-in-lieu-of-taxes (PILT) is funded at $235 million ($37 million over the request and $2.5 million over the FY06 level), under the bill. $1.3 billion for the U.S. Fish and Wildlife Service ($32.4 million over the budget request.) The bill also provides $249 million for Endangered Species Act activities, including $74 million for Recovery, $80 million for Section 6 grants, $10 million for the Land Owner Incentive Program and $7.3 million for Private Stewardship Grants. It also increases State Wildlife Grants by $17.4 million over the House allowance to $67.5 million.

For further information regarding the bill, visit the Senate Appropriations Committee’s website at http://www.appropriations.senate.gov. The California Institute will produce an analysis of the bill focused on California implications in the near future.

Senate Appropriations Reports 2007 Agriculture Spending Bill

The Senate Appropriations Committee voted unanimously on Thursday, June 22, 2006 to report to the full Senate the fiscal year 2007 Department of Agriculture, Rural Development, Food and Drug Administration, and Related Agencies Appropriations bill. The bill authorizes $112.8 billion, which is $3.8 billion less than FY06 funding and $1.7 billion more than the President's budget request. This Senate version comes in at $1.1 billion more than the House version with $18.2 billion of the bill's total in discretionary funding.

The Committee adopted an amendment to provide nearly $4 billion in emergency spending for disaster aid to farmers struck by drought and fire. This represented a victory for farm state senators, who were unable to get this aid included in the recently passed emergency supplemental spending bill last week.

Senator Conrad Burns (MO) introduced an amendment to provide $160 million for a year of free credit monitoring to veterans whose personal information was compromised last month. The Committee approved this proposal with a vote of 15-3.

Another adopted amendment, introduced by Senator Byron Dorgan (ND), would allow farmers to be licensed so that they could travel to Cuba to sell their products. A similar provision was added to the House Transportation-Treasury-HUD-Judiciary-D.C. appropriations bill, but both may be removed if the White House issues a veto threat.

Some other highlights include:

Agricultural Programs
- $3.427 billion for farm loans; included in this amount is $1.423 billion for farm ownership direct and guaranteed loans and $1.941 billion for farm operating direct and guaranteed loans.
- $865.9 million for the Food Safety and Inspection Service, a $36.5 million increase from the fiscal year 2006 level;
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- $2.4 billion for agricultural research and extension programs, including $1.2 billion for the Agricultural Research Service and $1.2 billion for the Cooperative State Research, Education, and Extension Service; and

Domestic Food Programs
- $13.6 billion for child nutrition programs;
- $37.9 billion for the food stamp program; and
- The Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) is funded at $5.264 billion, which includes a $125 million reserve. The subcommittee mark rejects the Administration’s proposal to limit nutrition services and administration grants.

Food and Drug Administration and Related Agencies
- $1.9 billion for the Food and Drug Administration, $117.9 million more than FY06.

The Institute will prepare a more detailed analysis of the California implications of the bill, which will be available in the near future.

SENATE TO TAKE UP COMMITTEE-APPROVED HOMELAND SPENDING BILL AFTER JULY 4

On Thursday, June 29, 2006, the Senate Appropriations Committee approved the FY 2007 Homeland Security Appropriations bill. The full Senate is expected to consider the measure on approximately July 10. The bill proposes total spending of $31.7 billion in FY 2007 discretionary spending for the Department of Homeland Security (DHS), a $1.47 billion increase from the fiscal year 2006 enacted level. Actual bill text was unavailable as this Bulletin was finalized, so the following information is derived largely from overview documents provided by the Senate committee.

The bill proposes to increase spending for the US Visitor and Immigrant Status Indicator Technology (US VISIT) program to $400 million from $336 million in FY 2006. For U.S. Customs and Border Protection, the bill would provide a total of $6.6 billion, including $2.1 billion for border staffing between the ports of entry (including 1,000 new Border Patrol agents), 139 million for the Container Security Initiative; $132 million for sensor and surveillance technology; $645 million for air and marine operations; $461 million for automation modernization; and $288 million for construction along the border -- specifically including $30,000,000 for the California border. For Immigration and Customs Enforcement, the bill would provide $3.9 billion, up from $3.1 billion in 2006, and the total proposed would include $1.4 billion for investigations and intelligence and $1.8 billion for detention and removals.

Under the Senate bill, the Transportation Security Administration would receive a total of $6.1 billion. Included in these funds would be $2.6 billion for passenger and baggage screener workforce; $181 million for checkpoint support; $55 million for air cargo security; $13.2 million railway security; $30 million for transportation threat assessment and credentialing. The bill would provide the U.S. Coast Guard a total of $8.2 million, most of which would be used for operating expenses.

For the Office of Domestic Preparedness -- the source of most homeland security grants to state and local governments and full responders -- the bill proposes a total of $3.3 billion first responder grants and assistance. The total would include: $850 million for state and local assistance grants and law enforcement terrorism prevention grants; $745 million for Urban Area Security Initiative (UASI) grants; $210 million for port security grants; $150 million for rail and transit security grants; $50 for buffer zone protection plan grants; $40 million for the commercial equipment direct assistance; $145 million for the National Domestic Preparedness Consortium; $25 million for demonstration training grants; $655 million for firefighter assistance grants -- of which $115 million would be for SAFER Act grants and $205 million for emergency management performance grants (EMPG).

The bill would also provide a total of $525 million for Infrastructure Protection and Information Security, including $105 million for critical infrastructure outreach and partnerships for data sharing with infrastructure owners and operators, $82 million for cybersecurity and $68 million to “identify critical infrastructure and their vulnerabilities, to assess risks identified, and to reduce vulnerabilities.”

For the Federal Emergency Management Agency (FEMA) the Senate committee-passed bill includes $2.67 billion for emergency preparedness and response (EP&R) activities, including: $240 million for Readiness,
Mitigation, Response and Recovery. It also provides the United States Citizenship and Immigration Services a total of $135 million for the Systematic Alien Verification for Entitlements (SAVE) and Employment Eligibility Verification (EEV) programs (to be combined with fee collections to supposed yields of $2 billion) for the processing of immigration applications.

A total of $818 million would be provided in the bill to support basic and applied research, development of prototypes, and procurement of systems to mitigate the effects of weapons of mass destruction. The funds would include $327 million for biological countermeasures; $75 million to counter chemical warfare agents toxic industrial chemicals; $50 million for university programs; $40 million for the counter-MANPADS program; and $25 million for interoperability communications.

**HOUSE PASSES OFFSHORE DRILLING BILL**

On Thursday, June 29, 2006, the House passed H.R. 4761, the Deep Ocean Energy Resources (DOER) Act, by a vote of 232-187. The bill was reported out of the House Resources Committee on June 21 on a 29-9 bipartisan vote, but was the subject of a contentious debate on the House floor. The bill is designed to allow more energy resources to be produced in the deep seas on the outer-continental shelf (OCS) by giving coastal states the power to allow or prohibit off-shore oil and gas production up to 100 miles away from their coastlines. The bill would increase the revenue share for states that allow drilling off their coasts.

A significant portion of the controversy regarding the measure related to whether the bill would generate revenues for the U.S. or cost the treasury money. Opponents argued that it would cost up to $74 billion over 15 years. But Chairman Pombo rejoined that the Congressional Budget Office score on the bill showed a net gain of $2.3 billion in federal revenues over five years.

During the debate, however, the opponents announced that the Administration had just put out a letter opposing the bill based on estimates showing federal revenue losses of billions of dollars over the long term. Proponents, including Resources Chair and bill sponsor Rep. Richard Pombo (Tracy), pushed for passage of the bill with the intention of resolving the funding issues before the bill goes to the President. Chairman Pombo also offered a Manager’s Amendment -- which was adopted by voice vote -- to address some of the problems raised with the bill and enhance support.

**HOUSE ENERGY & COMMERCE EXAMINES IP PROTECTION**

The House Energy & Commerce Subcommittee on Telecommunications and the Internet held a hearing on June 27, 2006 focused on: “The Audio and Video Flags: Can Content Protection and Technological Innovation Coexist?” The Subcommittee heard from a number of witnesses, including: Mr. Mitch Bainwol, Chairman and Chief Executive Officer, Recording Industry Association of America; Mr. Fritz Attaway, Executive Vice President and Special Policy Advisor, Motion Picture Association of America; Mr. Gary Shapiro, President and Chief Executive Officer, Consumer Electronics Association; and Ms. Gigi Sohn, President, Public Knowledge.

Mr. Bainwol testified in support of an audio flag to protect music copyrights. He noted that although authorized online download services have helped turn the corner on piracy losses, the emerging threat on the digital front. He argued that HD Radio and satellite services allow broadcast programs to be automatically captured and then disaggregated, song-by-song, into a massive library of music on users’ portable devices without the payment of a licensing or distribution fee. Mr. Bainwol supported H.R. 4861 (co-authored by Rep. Mary Bono (Palm Springs), which would give the FCC jurisdiction to promulgate rules regarding content protection for digital radio. The bill would require digital radio services that use the government spectrum and the government-granted compulsory license to implement certain content protection technology. The bill also calls for private market negotiations of an “audio broadcast flag” that would differentiate between radio broadcasts and download services, and require a market license only for download services.

Mr. Attaway called on the Committee to enact legislation, such as H.R. 4861, to reinstate the FCC’s Broadcast Flag regulations, which were invalidated by the D.C. Circuit Court of Appeals. The Broadcast Flag
is a technology inserted into a computer device by the manufacturer, which allows the owner of copyrighted content to prevent unauthorized Internet distribution.

Mr. Shapiro voiced “grave concerns” over any flag legislation. He stressed that nothing should be enacted unless it was proven absolutely necessary, and he questioned whether there was sufficient evidence to show that either an audio or a video flag protocol was necessary. Ms. Sohn as well questioned the need for any legislation, arguing: “I urge the Committee to think very long and hard about trying to fix what is not broken...Is it good policy to impose limits on a new technology like HD Radio (that unlike digital television, consumers need not adopt) that may well kill it?”

For witness testimony, visit the Committee website at: http://www.energycommerce.house.gov.

**BIPARTISAN LETTER BACKING CARSON HYDROGEN POWER PROJECT GARNERS 46 CALIFORNIA SIGNATURES**

On Wednesday, June 28, 2006, a bipartisan array of 46 California members of Congress, led by Reps. Juanita Millender-McDonald (Carson) and Darrell Issa (Vista) wrote to the U.S. Department of Energy expressing support for an innovative “clean energy” project underway in Southern California.

Addressed to Energy Secretary Samuel W. Bodman, the Californians’ letter notes that the Carson Hydrogen Power Project (CHPP) that is being developed by BP and Edison Mission Energy will gasify petroleum coke, “bringing benefits to the State’s economy and air quality while helping to meet the State’s growing electricity needs, supporting maximum efficient operation of the BP Carson refinery and mitigating greenhouse gas emissions from the electricity sector.”

According to the letter, the project “will be the largest hydrogen-fired power generation facility in the world and will have the lowest CO₂ emissions in the world for an integrated gasification combined cycle plant” and provide one of the nation’s largest industrial markets for recycled water.

The letter urges DOE to give CHPP “due consideration” as it evaluates whether to deem the project eligible for various incentives (such as investment tax credits) provided for in the Energy Policy Act of 2005.

For additional information regarding the project, see Bulletin, Vol. 13, No. 13 (5/12/2006) or http://www.bpalternativenergy.com/.

**SENATE SUBCOMMITTEE CONDUCTS OVERSIGHT HEARING ON SAFETEA-LU**

On Tuesday, June 27, the Senate Subcommittee on Housing and Transportation conducted an oversight hearing on the Federal Transit Administration’s (FTA) implementation of last year’s surface transportation bill, the Safe, Accountable, Flexible, Efficient Transportation Equity Act – A Legacy for Users (SAFETEA-LU). The subcommittee took this opportunity to get updated on implementation thus far and to hear about challenges that the FTA will face as it completes the job.

Three witnesses were called to give their various perspectives on the FTA’s implementation of SAFETEA-LU. The panel consisted of Ms. Sandra Bushue, Acting Administrator at the FTA, Ms. Kate Siggerud, the Director for Physical Infrastructure at the Government Accountability Office, and Mr. William Millar, President of the American Public Transportation Association.

The three witnesses were questioned thoroughly regarding a new program that the FTA has created called Very Small Starts (VSS). Much like Small Starts, Very Small Starts is intended to allow for a streamlined application process for smaller projects. The difference being that VSS projects must request under $50 million in Federal dollars and must not be on fixed guideways. Small Starts was specifically outlined in SAFETEA-LU to provide a similar service for projects under $75 million, however, authorization for VSS was not in the bill. In response to questioning from Chairman Wayne Allard (CO), Ms. Bushue stated that the FTA felt they had the authority to create this program.

Other questions focused on whether VSS was mode neutral. The consensus seemed to be that, because of the no fixed guideways requirement, this program was likely to favor bus projects. Ms. Bushue said that the program is still being formulated and they would revisit the proposed requirements.
In general, all parties agreed that the FTA was making progress on the implementation of SAFETEA-LU. When asked by Senator Jack Reed (RI) for his opinion, Mr. Millar commended the agency and said, “Frankly, it’s going very well and were off to a good start”. Ms. Siggerud testified that initial progress on the New Starts program, which includes Small Starts and VSS, was going well. She also noted that changing the Jobs Access and Reverse Commute (JARC) program from a discretionary funding source to a formulaic one was also progressing. However, she stated that “transparency, communication, and accountability issues will be important as FTA moves forward in implementing changes required by SAFETEA-LU”.

Witness testimony can be found at [http://banking.senate.gov/](http://banking.senate.gov/).

**HOUSE HEARING HELD ON COMMUNITY DEVELOPMENT BLOCK GRANTS**

Last year, the House Subcommittee on Federalism and the Census held a series of five hearings regarding the Community Development Block Grant (CDBG) program. On Tuesday, June 27, 2006, the Subcommittee held a hearing to follow up on the prior findings and review implementation.

The 2005 hearings covered three primary topics: (1) the Administration’s FY06 Strengthening America’s Communities Initiative proposal to move the CDBG program from the Department of Housing and Urban Development (HUD) to the Department of Commerce; (2) the current formula under which CDBG allocations are determined as well as four HUD-proposed alternative formulae; and (3) the use of CDBG funds and programmatic measures to track performance of use of funds. Based on those hearings a report was written entitled, “Bringing Communities Into the 21st Century: A Report on Improving the Community Development Block Grant Program”. Last month HUD delivered a legislative proposal for reforming the CDBG program: the Community Development Block Grant Reform Act.

The House Government Reform Subcommittee on Federalism and the Census hearing on June 27 explored the Administration’s reform proposal and the decision-making process supporting its creation. Witnesses in attendance were Ms. Pamela Patenaude, Assistant Secretary at HUD, Mr. Stanley Czerwinski, Director of Intergovernmental Relations at the Government Accountability Office (GAO), and Mr. Michael Springer, Assistant Director of Strategic Issues at GAO.

Addressing the first topic of last year’s hearings, Ms. Patenaude testified that the Administration’s FY 2007 Budget retains the CDBG program at HUD. She went on to say that the three main elements of the CDBG Reform Act of 2006 are formula reform, enhanced performance measurement requirements, and a $200 million Challenge Grant. The Administration has chosen to use a single formula, as opposed to the current system which uses dual formulas depending on whether the community qualifies as entitled. The single formula approach will apply to all grantees and use the following common factors: Persons in poverty excluding full-time college students; housing units over 50 years old and occupied by a poverty household; female headed households with children under 18; housing overcrowding and fiscal capacity.

In combination with the new formula, performance measurement requirements will be enhanced. Ms. Patenaude said that, “HUD must have the tools necessary to hold grantees accountable for achieving their goals.”

Finally, a 200 million dollar Challenge Grant program will be created for which grantees could compete for additional funding to carry out community and economic development.


**CALIFORNIA COURT HOLDS FDA PRE-EMPTS PROP 65 WARNING REQUIREMENTS**

A San Francisco County Superior Court held recently that federal food and drug laws pre-empt California state laws regarding warning labels on canned tuna. Proposition 65 requires businesses to provide “clear and reasonable” warnings on products that are known to cause cancer or reproductive toxicity. The state filed suit against canned tuna manufacturers, arguing that the tuna cans needed to contain a Prop 65 label because of the methylmercury contained in tuna.

The Court held that the Prop 65 requirements about warning labels conflicts with the U.S. Food and Drug Administration’s policies on advising consumers of the benefits and risks of eating fish and shellfish. The
ruling, in the consolidated case Public Media Center v. Tri-Union Seafoods, is viewed as a victory for proponents of federal uniformity in public health and food safety regulations.

**Peruvian Legislature and President Adopt US-Peru Free-Trade Pact**

On Wednesday, June 28, 2006, Peru’s Congress ratified a free-trade deal with the United States, and Peruvian President Alejandro Toledo signed it the same day. The pact’s approval by Peru leaves final ratification up to the United States.

The United States is Peru’s primary trading partner, and California is the third largest trade state (after Florida and Texas) for Peru. According to the California Chamber of Commerce, which this month hosted Peruvian Ambassador Eduardo Ferrero at an international trade luncheon, California exported $117 million in goods to Peru in 2004, primarily computers and electronic parts, machinery, and agriculture.

Despite Bush Administration encouragement to act before the August recess, prospects and a timetable for U.S. Congressional action to ratify the pact are uncertain at this time.

**Bay Area Economic Forum Reports on Investing in State’s Infrastructure**

The Bay Area Economic Forum, a partnership of the Bay Area Council and the Association of Bay Area Governments, recently released a report entitled, “Investing in California’s Infrastructure: How to Ensure Value for Money and Protect California’s Competitive Position in the National and Global Economy.” This report addresses the opportunity currently before the state to extend the impact of its limited public funds through the expanded use of public-private partnerships.

The report’s author, Mr. Peter Luchetti, a member of the Forum’s board of directors and CEO of GFP Advisors, suggests that the proposed level of investment in infrastructure in the Governor’s Strategic Growth Plan is too low to meet the needs of California. He notes that over the last 45 years, the historical rate of investment has been 2.5% of the gross state product (GSP). However, the ten-year level of infrastructure investment proposed by the Governor is only approximately 1% of GSP. Furthermore, the $37 billion in infrastructure bonds approved by the state Legislature for the November ballot is substantially less (54% of the Governor’s $68 billion in general obligation bonds).

In order to bridge the gap between the proposed levels of investment and the historical levels of investment, this report recommends that California look to global best practices for creative approaches to infrastructure investment. It specifically suggests that the state government adopt the model of public-private partnerships developed in the United Kingdom, an economy the same size as California’s, which has more than ten years of experience with public-private infrastructure development. It discusses mechanisms developed in the UK for deciding whether a project should be publicly or privately developed, and for ensuring that privately developed projects deliver public value.

The report says that experience in the UK shows that public-private partnerships can deliver net savings of 15-30% over a project’s life cycle, saving taxpayer funds and accelerating project development. Furthermore, Mr. Luchetti says that the principles developed in the UK and outlined in the report can be applied at both the state and local level.

This report can be accessed on the Bay Area Economic Forum’s website at [www.bayeconfor.org](http://www.bayeconfor.org).

**Roundtable Lunch on July 25 to Feature White House’s Ruben Barrales**

The next “Golden State Roundtable Luncheon” will be held on Tuesday, July 25, 2006, and will feature keynote remarks by Ruben Barrales, Deputy Assistant to the President and Director of Intergovernmental Affairs for the Bush Administration.

The luncheon, for which tickets must be purchased, will be held in the Eisenhower Lounge of the Capitol Hill Club, at 300 First Street, SE, in Washington, DC, from 12:00 noon to 1:30 p.m. on Tuesday, July 25, 2006. Lunch cost is $35 for members of the California State Society, congressional staff, and federal staff, or $40 for non-CSS members, and complimentary for members of the California Congressional Delegation.
attend, tickets may be purchased online at http://www.californiastatesociety.org by selecting “Pay Online.” (If not possible, you may also reply to via email to castatesociety@yahoo.com).

Ruben Barrales serves as the President's liaison to state and local elected officials, maintaining a close working partnership between the White House and the nation’s governors, legislators and local officials. Barrales is involved in a variety of issues including Homeland Security. In addition, he informally serves as the key liaison between the White House and the California community.

Prior to joining the President’s staff, Barrales was President and CEO of Joint Venture: Silicon Valley Network -- a regional civic organization of Silicon Valley business executives, government officials, and educational leaders.

Barrales directed Joint Venture’s initiatives to improve the quality of education, increase workforce training, and to promote public policies of importance to Silicon Valley’s technology-driven economy.

In 1992, Barrales became the first Latino elected to the San Mateo County Board of Supervisors. He was reelected and became President of the Board of Supervisors in 1996. He has served on various boards including the California Speaker’s Commission on State and Local Government Finance, as an advisor to the Stanford Institute for Economic Policy Research, and as a Director of the Hispanic Foundation of Silicon Valley.

In 1996, 1998, and 2002, Hispanic Business Magazine named Barrales one of the "100 Most Influential Hispanics" in the United States, and he was 2005 recipient of Ohtli Award given by the government of Mexico, an award that recognizes individuals who dedicate their lives and professional careers to improving the well-being and prosperity of Mexican communities abroad.