West Coast Salmon Season Declared Fishery Resource Disaster

Secretary of Commerce Carlos Gutierrez declared the salmon season on the West Coast a fishery resource disaster last week. The commercial salmon fishing season has been severely curtailed since April along more than 400 nautical miles, stretching from Florence, Oregon to Pigeon Point, California, because the number of naturally spawning Klamath River Chinook salmon has fallen below the conservation floor called for in the salmon fishery management plan. The Pacific Coast Federation of Fishermen's Associations estimates that the restricted season has allowed the 3,000 fishermen in California and Oregon to land only about 2 percent to 3 percent of what they would land in a good year.

The disaster declaration makes fishermen and associated businesses eligible for low-interest loans. The Department of Commerce is also gathering further information to determine whether a higher-level disaster should be declared. If it is, affected parties would also be eligible for direct federal grants to offset the disaster’s effects.

After the disaster declaration, Senators Dianne Feinstein and Barbara Boxer joined the four Senators from Washington and Oregon in urging the Senate to include $73 million in disaster relief money in this year’s Commerce, Justice, State appropriations bill. Governor Arnold Schwarzenegger has announced that California will provide $5 million in state grants to affected fishing communities and is working on securing $45 million in state help.

Senate Appropriations Moves on Commerce, Justice, State Spending Bill

The Senate Appropriations Committee moved on its FY 2007 Appropriations for Commerce, Justice, and Science with the Subcommittee approving the bill on July 11, 2006, and the full Committee acting on July 13.

The appropriations bill funds the Departments of Commerce and Justice, as well as NASA, NIST, the Small Business Administration, the Securities and Exchange Commission and other related
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agencies. The Senate Committee recommends $51.2 billion, which is $2.27 billion above the FY06 enacted level and $1.38 billion above the budget request.

The Department of Justice is funded at $22 billion, with $1.93 billion for assistance to State and local law enforcement: $733 million above the Administration’s request. This includes $555 million for the Edward Byrne Justice Assistance Grants program, which the Administration recommended eliminating, and is $143 million above the FY06 enacted level. The bill also includes $85.0 million for methamphetamine hot spots – $22.2 million above the FY06 enacted level and $44.9 million above the Administration’s request. The level of funding for the State Criminal Alien Assistance Program could not be confirmed, but is thought to be $100 million. The FY06 Senate Appropriations had recommended $200 million. The enacted level for FY 2006 was $405 million, and the House-passed appropriation for FY07 is $415 million.

Science accounts in the bill will receive a total of $22 billion, with the National Aeronautics and Space Administration (NASA) funding increasing to $16.8 billion, $126 million above the FY06 enacted level. The National Science Foundation is funded at $5.99 billion, a $410 million increase over the FY06 enacted level.

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

**House Passes Voting Rights Act**

The House passed the Voting Rights Act reauthorization on July 13, 2006, after defeating four amendments that would have made significant changes to the bill. The final vote was 390-33.

One of the failed amendments would have eliminated bilingual ballots and other support in jurisdictions with limited English language voters; it was defeated 185-238.

Another would have authorized the bill for only 10 years, instead of 25 years; it was defeated 134-288. By a vote of 96-319, the House also rejected an amendment limiting the jurisdictions that would be subject to preclearance from the Justice Department for changes in their voting procedures. Finally, the House voted down, 118-302, an amendment that would have required the Justice Department to compile annual lists of jurisdictions subject to preclearance requirements that have met the standards under current law to escape that status.

**Senate Debates Homeland Security Spending, Rejects Fix of Skewed Formula for First Responder Grants**

On Thursday, July 13, 2006, the Senate continued floor debate on the FY 2007 appropriations bill for the Department of Homeland Security and related agencies. The bill would spend $32.8 billion (of which $31.7 billion would be discretionary) for various DHS and related functions.
During debate the Senate rejected, on a vote of 29 to 71, an amendment to require DHS to spend $1.8 billion to build 370 miles of double-layered fencing and nearly 500 miles of vehicle barriers along the U.S.-Mexico border. Also rejected was a proposed amendment that would have added funding for 500 more agents to the Border Patrol, and another to add 1,700 more detention beds to house illegal immigrants.

Later in the debate, the Senate considered an amendment proposed by Sen. Robert Menendez (NJ), offered in conjunction with Sen. Frank Lautenberg (NJ) and others. The amendment would have adjusted the small-state minimum for state and local first responder grants from the current 0.75 percent to 0.25 percent -- a percentage more in line with typical state minimums found in other programs.

The proposed change met with criticism, not surprisingly from Senators from smaller states that reap the benefit of the current minimum scheme. (Some small states receive 7 times as much per person as those in large states like California and New York.) As Chair of the Senate Homeland Security Committee, Susan Collins (ME) argued against any change, as did Patrick Leahy (VT), who is ranking Democrat on the Senate Judiciary Committee. Leahy implied that it should be good enough that every state already gets “less than 1 percent” of the grant funds. He argued that his state of Vermont -- which houses 650,000 people, about one fiftieth of California - still borders another country, has a nuclear reactor, and is on a line from another country into very two large urban areas (New York and Boston). “If we’re being asked to help out other states, at least give us some basic help,” he argued.

Countering these small-state claims, Sen. Menendez noted that homeland security funding to all states would still be guaranteed, but that the fundamental tenet of federal policy in this area should be “If you have the risk, you should have the resources.” Sen. Lautenberg cited a recommendation by the 9/11 Commission, which stated that homeland security formula grants should be entirely based on risk and threat, and that they “should not remain a program for general revenue sharing.”

**HOUSE BEGINS ITS SUMMER IMMIGRATION HEARING SERIES WHILE SENATE CONTINUES ITS SCHEDULE**

The House of Representatives began an ambitious schedule of hearings on immigration reform with committees holding meetings in California, Texas, and Florida over the July 4th recess. The California hearing at the Imperial Beach Border Patrol Station was held. On Wednesday, July 5, 2005, by the International Relations Subcommittee on International Terrorism and Nonproliferation chaired by Rep. Ed Royce (Fullerton). Several members of the California Congressional Delegation took part in the hearing. Witnesses included: Darryl Griffen, Chief Patrol Agent, San Diego Sector Office of Border Patrol, U.S. Customs and Border Protection, Department of Homeland Security; Sheriff William Kolender, San Diego County Sheriff’s Department; and Sheriff Lee D. Baca, Los Angeles County Sheriff’s Department.

Agent Griffen acknowledged that, despite the increased number of border patrol agents in recent years, additional resources are still needed. He said the President’s recently announced initiative to balance resources between personnel and technology and the assistance of the National Guard will help move the agency toward its goal of securing the border. During questioning, he acknowledged that the vast majority of apprehensions and detentions in the San Diego Sector are of individuals that do not pose a security risk to the United States, but rather are attempting to enter illegally in order to work in the U.S.

Sheriff Kolender testified that “we need to address the issue of the millions of illegal immigrants already here in search of employment in a ‘sensible and compassionate way’. “ He also noted that although the State Criminal Alien Assistance Program (SCAAP) reimburses some costs, there are still “significant” unreimbursed costs to the County. Sheriff Kolender explained that, although law
enforcement officers will not stop individuals solely on suspicion of being undocumented, if during a stop their immigration status comes into question, the Border Patrol will be notified. In order to prevent terrorist attacks, Kolender testified, San Diego has created a multi-agency, multi-authority Terrorism Early Warning Group (TEW) that encompasses federal state and local resources, skills and expertise. He argued, however, that the recent elimination of San Diego from the Department of Homeland Security’s Urban Area Security Initiative (UASI) cities was inappropriate, given its border location and military bases.

For the testimony of all the witnesses, visit http://www.house.gov/international_relations.

The Senate Judiciary Committee also held another hearing on immigration issues on July 13. The Committee heard from a number of witnesses, including the Secretary of Commerce Carlos M. Gutierrez.

Secretary Gutierrez testified to the contribution made by immigrants to the U.S. economy and said that immigrants are not crossing the U.S. border looking for handouts but for the jobs available. He noted that more than 500 U.S. economists recently sent a letter to President Bush and Congress stating that immigration has been a net gain for American citizens, and cited recent surveys that show two-thirds of American voters support bills that include a temporary worker program or path to citizenship, rather than one that focuses solely on border security. He also stressed that the President is committed to securing U.S. borders by increasing the number of border patrol agents and expanding the use of technological resources at the border. And, finally, he said that workforce enforcement is an essential part of immigration reform and called for clear rules to hold businesses accountable and for the appropriate tools to allow them to comply with the law.

Testimony of all the witnesses may be obtained at: http://judiciary.senate.gov.

The Senate Armed Services Committee also held a hearing on the contributions of immigrants to the military on July 10 in Miami, Florida. The testimony is available at: http://armed-services.senate.gov.

Over the next several weeks, the House and its committees will continue to examine the issue with hearings scheduled by the Education and the Workforce, Judiciary, International Relations, and Homeland Security Committees.

**ISSA GOVERNMENT REFORM SUBCOMMITTEE INVESTIGATES RISK OF SUMMERTIME POWER OUTAGES IN SOUTHERN CALIFORNIA**

On Wednesday, July 12, 2006, Chairman Darrell Issa (Vista) chaired a hearing of the House Government Reform Subcommittee on Energy and Resources to consider the adequacy of the nation’s power supplies. The hearing particularly focused on reliability in Southern California and New York electricity supply and reliability situation, which Issa termed “critical.”

Chairman Issa asked for a realistic assessment of outage prospects from the hearing’s witnesses, including the Chairman of the Federal Energy Regulatory Commission (FERC), Joseph Kelliher, and leaders of regional Independent System Operators (ISOs) from California, New York, and New England. After hearing testimony from the witnesses, Issa said, “From what I am hearing from your answers, I'm very concerned how you are prepared to respond to the alignment of negative factors—and these are not worst case scenarios—to prevent the lights from going out. And, your policy to get them back on and keep them on cannot simply be to beg people not to use power.”

Yakout Mansour, President and CEO of the California ISO or Independent System Operator (CAISO), testified that electricity generation reserve margins for Southern California are tight this year, and that efforts are underway taken to address issues. While Mansour lauded the state’s success in reducing consumption via “demand reduction” programs, he noted that the area remains vulnerable to
hot weather and is dependent on imports of power from outside the state. He also emphasized that new investment in transmission capacity is critical to ensure reliability of electricity supply.

Chairman Issa also called for new investment in capacity. “On a bipartisan basis, this Subcommittee has come to a conclusion that we can all agree upon. Whether it is electricity generation and delivery, natural gas, or refined petroleum products, a lack of reserve capacity or constraints in the supply chain cause prices to rise and worries for businesses and consumers. These are issues that must be addressed.”

Also testifying at the hearing were Phyllis Currie, General Manager of Pasadena Water and Power, and Peter Brandien, Vice President of Operations for ISO New England.

Questioned about Southern California’s power supply reliability and availability of sources by Rep. Brian Bilbray (San Diego), FERC Chairman Kelliher noted that the area relies very heavily on imports of power, and that there has been a greater focus on addressing issues via expansion of transmission capacity than of generating capacity. (Participants termed Southern California a “load pocket” -- meaning that there is high demand and relatively little generating capacity in the area, putting a premium on adequate flow of supplies into the region. Rep. Bilbray noted that environmental considerations sometimes conflict with transmission needs, such as when lines might best flow through state parks.

For details about the hearing or to read witness testimony, visit the Government Reform Subcommittee website at [http://reform.house.gov/ER/](http://reform.house.gov/ER/).

**Oversight Hearing Held on No Child Left Behind Act**

On Wednesday, July 12, 2006, the House Committee on Education and the Workforce held an oversight hearing on the No Child Left Behind Act (NCLB). Specifically, this hearing, the third in a series to lay the foundation for next year’s renewal of the 2002 education reform lay, was convened to hear testimony on the academic progress made by Limited English Proficient (LEP) students and students with disabilities under NCLB.

In attendance on the witness panel was Ms. Kristine Neuber, a faculty member at George Mason University, Ms. Rachel Quenemoen, Senior Research Fellow at the National Center on Educational Outcomes at the University of Minnesota, Ms. Margaret McLeod, Executive Director of the Office of Bilingual Education with the District of Columbia Public Schools, Mr. Don Soifer, Executive Vice President of the Lexington Institute, and Mr. Keith Buchanan, English for Speakers of Other Languages Office Coordinator.

Committee Chairman Howard P. “Buck” McKeon (Santa Clarita) introduced the hearing by noting, “No Child Left Behind’s guiding principle is that all students can learn, and it has reaffirmed our commitment to students that historically have been overlooked in our education system. In particular, No Child Left Behind has – for the first time ever – aimed to make certain that special education students and those whose native language is not English are provided access to a solid education, are being properly examined, and are continuing to improve.”

Of central importance to this hearing was whether LEP and students with disabilities, along with other subgroups, should continue to be included in disaggregated assessment data. This data then becomes part of the accountability system’s adequate yearly progress (AYP) concept, which is then used to determine if schools are meeting expectations.

Ms. Kristine Neuber, a former special education student and current doctoral student, advocated for this assessment and for high levels of accountability and expectations. She said, “Stay the course by continuing to include students with disabilities in the accountability systems incorporated into No Child Left Behind. It is extremely important for students to have access to the general curriculum in order to truly assess their knowledge and give them the opportunity to succeed in life on equal footing with their non-disabled peers.”
Margaret McLeod, echoed the support for NCLB. She highlighted for the Committee the valuable impact NCLB has had for limited English proficient students in the Washington, D.C. public schools.

“In the four years since its implementation, NCLB has led to many positive outcomes for children, particularly for those who were often left in the margins of previous school reform efforts,” McLeod said. “For English language learners, it has meant that schools, districts, and states have had to focus attention and resources on improving the education of these students.”

McKeon noted the Committee is planning additional hearings on the No Child Left Behind Act over the next several months. To obtain all witness testimonies go to http://edworkforce.house.gov/.

**Administrative Alters Strict New Rules Requiring Proof-of-Citizenship For Medicaid Recipients**

On Friday, July 7, 2006, the Centers for Medicare and Medicaid Services (CMS) announced that it would exempt millions of Medicaid recipients from a new law requiring proof of U.S. citizenship. Those individuals who had previously proven their citizenship when applying for Medicare or Supplemental Security Income would be exempt. CMS estimates that more than 8 million of the 55 million Medicaid recipients would be thereby exempted.

The new exemption is aimed at easing the burden for the most vulnerable Medicaid recipients, such as those with intellectual disabilities, Alzheimer’s disease, or other mental impairments.

The new rule was necessitated by this year’s Deficit Reduction Act which required that anyone applying for, or covered by, Medicaid must present “documentary evidence of citizenship.” Prior to the new law, individuals could attest to citizenship without showing documentary proof. The law, however, in an apparent drafting mistake, exempted aliens who are eligible for Medicaid, if they were also covered by Medicare or SSI. CMS, in the preamble to the new rule, declared that this was “clearly a drafting error,” and Congress intended to exempt citizens, rather than aliens.

Citizenship or legal immigration status has always been a requirement for Medicaid eligibility, but -- until now -- beneficiaries could simply assert their eligibility simply by checking a box on a form.

However, Congress has now required that, beginning July 1, documents will be needed to prove identify and citizenship. A passport would meet both criteria. A birth certificate would serve as evidence of citizenship, but a second document, such as a drivers license, would be required to prove identity. Jurisdictions that fail to comply could lose eligibility for federal Medicaid matching funds -- California receives about 10 percent of the more than $200 billion in federal Medicaid funds distributed.

The changes were announced the same day that proceedings were scheduled to begin in a federal lawsuit in Chicago challenging the new rules, and the suit is expected to continue despite the proposed changes.

Even after the latest rule changes, most Medicaid will still be required to present documentation proving citizenship during their annual program enrollment renewal. Those that fail to do so will be given 45 days to produce the required papers or be dropped from coverage.

Many advocacy groups argue that there are other citizens who are unlikely to be able to produce the documents that will still be required of them, perhaps including foster children, the homeless, and victims of natural disasters. Those individuals may still lose Medicaid coverage and therefore join the ranks of the uninsured.

CMS has indicated that it will accept comments until August 11, 2006. The interim final rule is available at http://www.cms.hhs.gov/MedicaidEligibility/Downloads/Citizenship_Documentation_Interim_Regulation.pdf

The California State Association of Counties (CSAC), County Mental Health Executives Association of California, County Welfare Directors Association of California, and California Mental
Health Directors Association joined in sending a letter to CMS in June urging the Administration to make a number of changes to the proposed rules, one of which involved this exemption.

**CALIFORNIA ENACTS STATE BUDGET WITHOUT NEED FOR STOPGAP EXTENSION**

On June 27, 2006 the California Legislature passed the 2006-2007 Budget Bill. This bill authorizes total spending of $127.9 billion, of which $101.3 billion is from the General Fund and $26.6 billion is from special funds. Governor Arnold Schwarzenegger signed the bill into law on July 1, 2006 marking only the fourth time in the last 20 years that a budget has been completed before the start of the new fiscal year.

A link to the Governor’s release on budget highlights is available at [http://www.governor.ca.gov/govsite/pdf/press_release_2006/2006BudgetHighlights.pdf](http://www.governor.ca.gov/govsite/pdf/press_release_2006/2006BudgetHighlights.pdf), and a parallel document from Assembly Speaker Fabian Nunez is available at [http://democrats.assembly.ca.gov/members/a46/press/a462006100.htm](http://democrats.assembly.ca.gov/members/a46/press/a462006100.htm). Details of the budget itself are available from the California Department of Finance at [http://www.dof.ca.gov](http://www.dof.ca.gov). The Legislative Analyst’s Office (LAO), California’s nonpartisan fiscal and policy advisor, said that this budget reflects a sharply improving fiscal picture, brought about by continued stronger-than-expected growth in General Fund revenues. Some of the spending highlights, as reported by the LAO, include:

- A substantial increase in education spending; $8 billion in new funds for K-14 Proposition 98 education. Funding increases for both the University of California and California State University systems.
- For transportation, the bill provides the full $1.4 billion annual Proposition 42 transfer of sales taxes on gasoline to fund transportation programs, and it repays $1.4 billion of past Proposition 42 related loans.
- In the health and social services area, the budget package includes: (1) one-time funding for hospitals to increase patient capacity to meet health care emergencies such as an avian flu pandemic; (2) increased funding for county block grants for California Work Opportunity and Responsibility to Kids, child welfare services, and foster care, and (3) funding for pass through of the federal January 2007 Supplementary Security Income cost-of-living adjustment, which-under the terms of the 2005-06 budget package-had previously been delayed until April 2007.
- The budget includes significant funding increases for corrections to cover higher inmate population and health-related costs.
- It provides for a $2.1 billion payment into a reserve fund for the state’s rainy day needs.
- The budget devotes $2.8 billion in General Fund revenues to the repayment of budgetary debt which had been incurred in previous years.

For a complete overview of the California state budget visit the LAO at [http://www.lao.ca.gov](http://www.lao.ca.gov).

**PPIC RELEASES AN INTERIM REPORT ON BUSINESS RELOCATION IN CALIFORNIA**

The Public Policy Institute of California (PPIC) recently released a new interim report discussing the debate over the importance of firms moving out of California. The findings of this report reinforce earlier work by the Institute showing that business relocation has a negligible effect on employment in California.

The emphasis of this report is on an industry level analysis of business relocation. Rather than use aggregate numbers, the authors look at specific industries to determine if some are more affected by business relocation. They find that certain industries such as manufacturing, information, and finance and insurance are more mobile and relocation is more frequent. However, this holds true in both
directions – meaning that businesses in these sectors move into and out of California more often. The authors find, in fact, that the net effect on job loss and gain due to relocation remains small across all major industries. For example, the annual job loss rate from relocation in finance and insurance – the industry with the largest effect – was one-quarter of 1 percent annually between 1992 and 2003.

Another key finding of the authors suggests that California job losses due to relocation are concentrated in higher-paying industries. Between 1992 and 2003, over half the state’s job loss from relocation was within the highest paying one-third of industries. However, because these higher-paying sectors tend to be more mobile, these same industries are more likely to move into California. In total, the net effect of relocation on the state’s overall employment and aggregate earnings is relatively small.

Finally, the report cites in its conclusion that, “Overall, these findings reinforce our earlier conclusions that a focus on interstate business relocation is unlikely to be helpful either in devising effective policies to create or retain jobs or in detecting more serious problems an industry faces. Of course, this research does not answer the questions of whether California has a good or bad business climate.”

The report, *Interstate Business Relocation: An Industry-Level Analysis*, is available on PPIC’s website at [www.ppic.org](http://www.ppic.org). This interim report is part of an ongoing project on job creation and destruction and was supported in part by David A. Coulter.

**PPIC Reports on Lawns Effect On Water Demand in California**

A California Economic Policy report released this week by the Public Policy Institute of California (PPIC) contends that, over the next 25 years, Californians’ love affair with lawns will be a major factor in escalating water demand in the state’s cities and suburbs. The dominant land-use pattern in inland areas, namely, single-family homes with lush lawns, will most certainly aggravate this demand. Without efforts aimed specifically at reducing outdoor urban water use, the demand will pose significant financial and environmental challenges for California.

According to the study, released on Wednesday, July 12, 2006, typical single-family homes use twice as much water as multifamily units. In the interior parts of the state, the share of single-family homes in new housing has risen from 80 percent to 86 percent since 2000. Conversely, the coast has seen a surge in multifamily housing, with the share of new townhomes, condominiums, and other multifamily units rising from 37 percent to 46 percent.

Using detailed residential housing data, the report finds that a typical inland residence needs two to three times more water than a coastal residence. It will be driven even higher by population growth: At least half of the 11 million additional residents California expects by 2025 will live in interior regions.

The report, *Lawns and Water Demand in California*, finds that recent conservation efforts, such as improving the efficiency of landscape irrigation and replacing some lawns with less thirsty plants, can have significant water-saving potential. For example, the state’s most common lawn type is a cool-season turf grass, which requires several times more water than would native plants.

If you would like to read the complete report, please visit [http://www.ppic.org](http://www.ppic.org).

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