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## California Capitol Hill Bulletin

### Volume 14, Bulletin 7– February 16, 2007

*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.*

#### HOUSE PASSES PILOT PROGRAM FOR PATENT LAW JUDGES

Under suspension of the rules on Monday, February 12, 2007, the House passed H.R. 34, which was introduced by Reps. Darrell Issa and Adam Schiff. The bill establishes a pilot program in some U.S. district courts to encourage judges to gain an expertise in patent cases, which are often complicated cases requiring highly scientific and technological knowledge.

Within six months of enactment, five District Courts within three appellate circuits would be chosen for the pilot program. In those Districts, judges could request to hear cases involving patent or plant variety protection issues. Although cases would continue to be randomly assigned to judges, as are all federal cases currently, if the assigned judge declines to take the case, it would be reassigned to a judge who has requested patent cases. The bill authorizes \$5 million annually for ten years to provide education and training for judges designated to hear patent cases, as well as pay for law clerks with expertise in patent case issues.

“Judicial mistakes in patent litigation are costly,” Rep. Issa said on passage.” This legislation will provide resources and a system to increase expertise on patent law among Federal judges.” Rep. Schiff stated: “This legislation will raise the level of expertise in patent litigation, improve the reliability of patents and allow businesses to spend more time inventing and less time litigating.”

Rep. Howard Berman, Chair of the Judiciary Subcommittee on Courts, the Internet, and Intellectual Property supported H.R. 34, but noted “This bill does not substitute for comprehensive patent overhaul.” His Subcommittee will begin hearings this week on comprehensive patent reform.

#### FRIDAY’S PPIC LUNCHEON TO FOCUS ON WATER ISSUES

The next PPIC lunch briefing, to be held at noon Friday, February 16, 2007, in Rayburn Room B-369, will consider “The Future of Water In California: Evaluating Options for the Delta Region.”

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It is widely acknowledged that California's Sacramento-San Joaquin Delta is in crisis today: its levee system is fragile, many of its native species are declining rapidly, and it lacks strong governing institutions. What's more, a new study finds that current management of the Delta is unsustainable for almost all stakeholders. A new report authored by an interdisciplinary team of experts just published by PPIC provides a comprehensive, scientifically up-to-date analysis of the Delta. It outlines several promising alternatives to current Delta management and evaluates their performance in three key areas: water supply, environmental effects, and economic costs. In addition, the authors recommend a number of mitigation options for those who might lose out under new management strategies.

Co-authors Ellen Hanak, director of PPIC's Economy Program, and Jay Lund, professor of civil and environmental engineering at UC Davis, will present findings from this study and discuss other water-related issues on Friday, February 16, 2007, at a luncheon briefing hosted by PPIC and the California Institute. Both are 501(c)(3) nonprofit organizations that do not employ lobbyists.

An expert in natural resource management, especially water policy, and economic development, Ellen Hanak is a research fellow and director of the Economy Program at the Public Policy Institute of California. At PPIC, she has launched a major research program on water policy and has published reports and articles on water marketing, water and land use planning, and water conservation. She has been an economist and team leader with the Center for Cooperation in International Research for Agricultural Development (CIRAD) in France, a research fellow at the Brookings Institution, a staff economist at the Council of Economic Advisers, and consultant to the World Bank. She has authored numerous PPIC publications, including "Water for Growth: California's New Frontier."

Specializing in the management of water and environmental systems, Jay Lund is a professor in the Civil and Environmental Engineering Department at the UC Davis. His activities have included system optimization studies for California, the Columbia River, the Missouri River, and several other systems—as well as studies of climate change adaptation, water marketing, water conservation, water utility planning, and reservoir operations. He served on the Advisory Committee for the 1998 and 2005 California Water Plan Updates and is a former editor of the Journal of Water Resources Planning and Management.

To attend this free, "widely-attended" luncheon briefing, reply with acceptances only to 202-974-6384 or to [ransdell@calinst.org](mailto:ransdell@calinst.org).

## HOUSE IMMIGRATION SUBCOMMITTEE CONSIDERS PROPOSED FEE INCREASES

The House Judiciary Subcommittee on Immigration, Citizenship, Refugees, Border Security, and International Law held an oversight hearing on Wednesday, February 14 to consider the immigration fee increases proposed by the U.S. Citizenship and Immigration Service (CIS). Emilio T. Gonzalez Ph.D., Director of CIS at the Department of Homeland Security testified.

In January 2004, the Government Accountability Office (GAO), responding to a request from Congress, concluded that CIS's immigration fees were

insufficient to fund its operations and recommended that it restructure its fee schedule. As a result, CIS published a proposed rule in the Federal Register in February to revise its application and petition fees to ensure it recovers its full business costs. Dr. Gonzalez outlined the goals of the new fee structure and testified that “the proposed fee increase, if implemented in full this summer, will enable a 20 percent reduction in average application processing times by the end of fiscal year 2009, and will cut processing times by the end of fiscal year 2008 for four key application types that represent a third of all applications filed. These application types are the I-90 (Renew / Replace Permanent Resident Card), I-140 (Immigration Petition for Alien Worker) and I-485 (Adjustment of Status to Permanent Resident), which will improve from six to four months processing time, and the N-400 (Naturalization), which will improve from seven to five months processing time.”

Dr. Gonzalez stressed that there is a 60 day public comment period for the proposed rule and no fee changes will go into effect under CIS has analyzed the comments and drafted a final rule reflecting the public input. He also noted that the current procedure of exempting refugee and asylum applicants from paying the fee for certain immigration benefit applications and petitions, and waiving fees for various classes of applicants, such as those filing for military naturalization, will continue. In addition, the rule proposes other improvements, such as exempting certain vulnerable applicant groups from paying a fee, such as Victims of Human Trafficking (T nonimmigrant visa) and applicants who self-petition under the Violence Against Women Act.

During the question and answer period, Subcommittee Chair Zoe Lofgren (San Jose) elicited from Gonzalez that CIS has a business process plan to improve information technology, security fraud detection, and other issues at the agency and would welcome the Subcommittee’s input as it continues to develop and implement that plan.

The discussion between Gonzalez and the members generally focused on the impact of the proposed fees on the average working immigrant families most affected. In response to a question from Chair Lofgren, where she noted that it might cost an immigrant family over \$3700 to apply for change of status, Dr. Gonzalez assured her that CIS was attempting to balance the burden on the applicants against the desire to provide the highest level of service to them. Rep. Dan Lungren (Folsom) drew out of Dr. Gonzalez the improvements that CIS has been able to make over recent years to eliminate long lines at immigration offices, reduce backlogs, and streamline the application process as much as possible. Noting this, Gonzalez argued that the higher fees were needed just to let CIS’s keep up with its increased workload. When he stressed the need for continued increased federal funding for CIS, however, full Committee Chair John Conyers (MI) warned that in this time of stringent budget constraints, CIS should not expect to get everything it needed. Rep. Maxine Waters suggested to Dr. Gonzalez that employers should be asked to share in the burden of increased costs, because they were benefitting from the immigrants labor.

For more information on the hearing, go to <http://judiciary.house.gov> .

## **HOUSE AGRICULTURE REVIEWS FARM BILL REAUTHORIZATION**

On February 14, 2007, the House Committee on Agriculture held a hearing to discuss the reauthorization of the 2002 Farm Bill as proposed by the United States Department of Agriculture (USDA). Michael Johanns, Secretary of Agriculture, presented the farm bill proposal to the Committee with Chuck Conner, Deputy Secretary of the USDA, and Dr. Keith Collins, Chief Economist of the USDA. The proposal is based on a series of open microphone forums held across the country with farmers, ranchers and rural residents voicing their opinions about the current farm bill. Based on the 4,000 written responses and 52 Farm Bill Forums in 48 states, the United States Department of Agriculture presented a comprehensive proposal. The following are a few of the provisions contained in USDA’s proposal:

- A Commodity Title Payment Limits and Eligibility provision which would end commodity program subsidies to individuals with an Adjusted Gross income above \$200,000
- The elimination of the three-entity rule and transition to direct attribution
- A Revenue-Based Countercyclical Program to provide a safety net to farmers when crop yields dwindle

- Loan Deficiency Payments and Marketing Loan Program adjustments which will lower loan rates to reflect the market and place a cap on formula-based loan rates
  - Increase the direct payment for commodities and enhance direct payments for beginning farmers
  - Eliminate the commodity program payments on all new land acquired through a 1031 tax exchange
  - Increase conservation funding by \$7.8 billion implemented through several streamlined programs including: Environmental Quality Incentives Program, Private Lands Protection Program, Wetlands Reserve Program, and Conservation Security Program.
  - Increase Technical Assistance for Specialty Crops program (TASC) by \$68 million and increased funding for the Market Access Program by \$250 million over 10 years
  - Creating Grants to States to fund initiatives to address obesity among low-income Americans and allocating \$2.75 billion of Section 32 funding to be targeted at fruits and vegetables
  - Increase the limits for direct farm ownership loans and direct farm operation loans to a combined total of \$500,000 and doubling the loans target for beginning farmers
  - \$1.6 billion in loan guarantees to complete the rehabilitation of Rural Critical Access Hospitals
  - \$1 billion for specialty crops research and \$500 million for the Agricultural Bioenergy and Biobased Products Research Initiative
  - \$150 million for the new Wood to Energy Program and \$2.1 billion in loan guarantees to support cellulosic ethanol projects in rural areas
  - \$20 million to address sanitary and phytosanitary issues among specialty crops and also make specialty crop waste eligible under the cellulosic bioenergy program.
- For more information, please visit: [www.agriculture.house.gov](http://www.agriculture.house.gov) .

## **HOUSE TRADE SUBCOMMITTEE EXPLORES U.S.-CHINA TRADE ISSUES; U.S. FILES WTO CASE AGAINST CHINA**

The House Ways and Means Trade Subcommittee held a hearing on Thursday, February 15, 2007 on continuing trade issues between the United States and China. The Subcommittee heard from a number of witnesses, including: Dan Glickman, Chairman and Chief Executive Officer, Motion Picture Association of America; Patricia Schroeder, President and Chief Executive Officer, Association of American Publishers; Geralyn Ritter, Vice President of International Affairs, Pharmaceutical Research and Manufacturers Association; and Peter Navarro, Ph.D., Professor, University of California, Irvine, The Paul Merage School of Business.

In general, the witnesses reviewed the many incidents of trade violations and barriers and the intransigence on China's part to deal forcefully with piracy and protect U.S. intellectual property rights. The witnesses also generally agreed that the U.S. Trade Representative's Office was trying its best to get China to comply with its trade and market access commitments and to better protect intellectual property rights. Mr. Glickman stressed that MPAA supports the continuing efforts of the USTR to negotiate resolutions to the problems but if they are not fruitful within a "reasonable time," MPAA would support efforts to bring compliance through trade cases.

Dr. Navarro described his role at the hearing as providing "members with a conceptual framework with which to understand the broad scope of Chinese mercantilist practices as well as to provide a more expansive definition of what constitutes an unfair 'mercantilist export subsidy'." He identified the eight major drivers of the so-called "China Price," i.e., the Chinese competitive advantage in world markets, and illustrated how 7 of these 8 China Price drivers are, in turn, driven by a complex web of direct, indirect, and hidden mercantilist export subsidies. He urged the Committee not to compartmentalize the various factors contributing to China's unfair trade practices nor deal with them in piecemeal policy fashion, but instead to address Chinese mercantilism in a "comprehensive and integrated fashion that hits all mercantilist points of the China Price compass."

For the testimony of all the witnesses, go to the committee's website at: <http://waysandmeans.house.gov> .

In a related action, the U.S. filed a trade case against China with the World Trade Organization on February 2, 2007. The complaint alleges that China is using government support and tax policies to bolster local companies in competition against U.S. and other foreign companies. The action triggers a 60-day negotiating period between the two countries; if no agreement is reached a WTO hearing panel will be convened to handle the case. If the U.S. succeeds in its case, economic sanctions against China could be imposed if it refuses to change its subsidy program.

### **HOUSE JUDICIARY SUBCOMMITTEE BEGINS REVIEW OF PATENT LAW**

Chaired by Rep. Howard Berman (North Hollywood), the House Judiciary Subcommittee on Courts, the Internet, and Intellectual Property held a hearing on February 15, 2007 entitled "American Innovation at Risk: The Case for Patent Reform." The Subcommittee heard from the following panel of witnesses: Adam B. Jaffe, Professor of Economics and Dean of Arts and Sciences, Brandeis University; Suzanne Michel, Chief Intellectual Property Counsel and the Deputy Assistant Director for Policy Coordination, Federal Trade Commission; Mark Myers, Co-Chair of the National Academy of Sciences Report, Patent System for 21st Century; and Daniel B. Ravicher, Executive Director, Public Patent Foundation.

Chairman Berman and other subcommittee members, including California Reps. Zoe Lofgren (San Jose), Darrell Issa (Vista), Adam Schiff (Burbank), and Brad Sherman (Sherman Oaks) engaged the witnesses in a wide-ranging discussion of the current patent system and suggestions for its improvement. There was broad agreement on the importance of the patent system to the innovation process and the importance of patent quality to continued innovation.

Some of the specific issues discussed were:

- the need for a presumption of validity versus the benefits of a robust post-grant opposition proceeding;
- the importance, or lack thereof, of such standards as obviousness, willfulness, and inequitable conduct;
- forum shopping in patent cases and the usefulness of a minimum contacts standard for jurisdiction; and
- resolving the issue of first to invent versus first to file and harmonizing of the U.S. system with patent systems worldwide.

This hearing is expected to be the first in several dealing with comprehensive patent reform. For the testimony of the witnesses go to the Committee's website at: <http://judiciary.house.gov>.

### **HOUSE WAYS AND MEANS DISCUSSES FAMILY SUPPORT AND POVERTY**

On February 13, 2007, the House Ways and Means Committee held a hearing to discuss the extent and nature of economic opportunity and poverty in America. The hearing consisted of two panels. The first featured five witnesses who shared their personal experiences with poverty and federal assistance programs and the second featured five research specialists on the subject of poverty in America. There were 37 million Americans living in poverty in 2005, including nearly 13 million children. After several years of decline, the number and percentage of Americans in poverty began to climb after 2000. This climb resulted in an additional 5.4 million Americans living below the federal poverty line. The following are a few common themes which were mentioned during the hearing:

- Poverty rates of minorities (particularly African-Americans) has decreased
- most children in poverty live in one-parent households, in fact, children in single parent households are 5 times more likely to live in poverty
- Witnesses agreed there should be more education and training assistance and more housing assistance
- the welfare to work program needs a smoother transition in benefits from welfare status to working status; an individual who gets a job from welfare often has trouble making ends meet
- part-time jobs and welfare to work positions rarely offer medical insurance
- disabled persons (those with depression, for instance) receive medical benefits and medication, but when ruled no longer disabled, benefits are cut and they lose access to medication and insurance, resulting in their return to disabled status

- The United States has very high poverty rates compared to other industrialized nations
- Fresno, California has the highest concentrated poverty rate among large U.S. cities
- Poverty is moving from urban to suburban locations

For more information, please visit: <http://waysandmeans.house.gov>

## **SENATE COMMITTEE EXAMINES STERN REVIEW ON THE ECONOMIC IMPACTS OF CLIMATE CHANGE**

On February 13, 2007 the Senate Committee on Energy and Natural Resources held a hearing to receive testimony on the Stern Review of the Economics of Climate Change, analyzing the extent of potential economic impacts due to climate change and increasing amounts of greenhouse gases in the atmosphere. Chairman Jeff Bingaman (NM) began with a statement that lawmakers should now be fully persuaded that the threat of global warming is real in light of the latest United Nations report estimating that 93 percent of warming is due to greenhouse gas emissions from human activity. He said that the committee's next step would be to determine an affordable solution, minimizing economic costs while ensuring that the United States remains competitive in world markets. Bingaman expressed his high opinion of the Stern Review and its evaluation of the costs of action, as well as inaction. Ranking Member Pete Domenici (NM) argued the committee that the Stern Review is vulnerable due to questionable economic calculations and stressed that any joint resolution on climate change policy would have to include large developing countries like China and India.

Sir Nicholas Stern presented the key findings of his report. He spoke of how uncontrolled climate change will negatively affect where and how we live, specifically the availability of water, human health, food production, and the environment. Increased water stress will be the most detrimental outcome in states like California. Stern claimed his report demonstrates that the cost of controlling future flows of greenhouse gas is far less than the estimated cost of damages it would help prevent. He calculated that tackling the issue of climate change would cost 1 percent of GDP to the global economy, but that failing to act would do the most damage to economic growth. Stern proposed three primary ways to fight global warming:

-Correct market failures by pricing carbon either directly through taxes or a cap and trade system, or implicitly through regulation;

-Shape policy to encourage the development of low carbon technology while doubling public research and development spending on energy; and

-Reduce greenhouse gas emissions now without new technology by focusing on energy efficiency and combating deforestation.

The remaining witnesses were Henry Jacoby from the Massachusetts Institute of Technology and Gary Yohe from Wesleyan University. Both are professors of economics and offered their own evaluation on the findings of the Stern Review. Each found issue with some of Stern's mathematical models and indicators but emphasized that such controversy should not detract from the report's main thrust, which provides ample evidence that the environment is at risk on a global scale. Jacoby and Yohe both encouraged the committee to work on near term policies and warned that the international process would stall without urgent action by the United States.

For the archived webcast and testimony, visit <http://energy.senate.gov> . For the Stern Review, go to: [http://www.hm-treasury.gov.uk/independent\\_reviews/stern\\_review\\_economics\\_climate\\_change/sternreview\\_index.cfm](http://www.hm-treasury.gov.uk/independent_reviews/stern_review_economics_climate_change/sternreview_index.cfm) .

## **FEDERAL FUSION ENERGY SCIENCE COMMUNITY CELEBRATES FY08 BUDGET LEVEL**

On Thursday, February 15, 2007, scientists and other community participants visited Washington for what was termed "Fusion Day" on Capitol Hill. By a large margin, California leads the nation in fusion energy science activities, as well as in federal funding receipts for fusion energy research.

The message delivered by the scientists was that the significant increase (to \$428 million) proposed in President Bush's 2008 budget request is important to embrace and support, as a relatively large portion of the

increase represents the U.S. commitment to the International Thermonuclear Experimental Reactor project -- a joint venture of sorts between the U.S., Japan, Russia and France that is under development in France.

Fusion energy is one of only a limited array of environmentally benign long-term energy options, and DOE's fusion program seeks to develop the scientific and technical basis for the nation to one day deploy fusion power. While significant progress has been made, past flat budgets have strained the fusion science community's efforts to maintain strength in the increasingly competitive global science community.

Among the other federally-supported fusion energy sciences projects underway is the DIII-D National Fusion Facility, a tokamak reactor operated by San Diego-based General Atomics. For additional information, visit <http://fusion.gat.com/>. Various institutions and companies across California receive fusion research funds, including Lawrence Livermore National Laboratory, Lawrence Berkeley Laboratory, UCLA, U.C. San Diego, SAIC, Lockheed-Martin, Varian Associates, Boeing, and various other universities (including UC campuses at Berkeley, Davis, Irvine and Santa Barbara, as well as Cal Tech and Stanford).

For information regarding fusion energy research, visit <http://fusion.gat.com/>.

### **SENATE COMMITTEE DISCUSSES USCAP REPORT**

On February 13, 2007, the Senate Committee on Environment and Public Works held a full committee hearing on the U.S. Climate Action Partnership (USCAP) report entitled "A Call for Action." The USCAP is composed of a group of businesses and leading environmental organizations that have joined to call on the federal government to quickly enact strong national legislation to require significant reductions of greenhouse gas emissions. Their January 2007 report lays out a blueprint for a mandatory economy-wide, market-driven approach to climate protection.

Chair Barbara Boxer and Ranking Member James Inhofe (OK) began the hearing with opening statements, which were followed by testimony from a panel of witnesses. The panel included representatives from USCAP (PG&E, Dupont, Continental Resources, BP America); Fred Smith Jr., President of the Competitive Enterprise Institute; Jonathan Lash, President of World Resources Institute; and Kevin Book, Senior Analyst/Vice President of Friedman Billings Ramsey and Company. The witnesses and Senators all discussed the effects of global warming, the need for legislative action related to global climate change, and the possible economic impacts of a cap-and-trade system.

The USCAP report lays out six principles for U.S. climate legislation: 1) account for the global dimension of climate change; 2) create incentives for technology innovation; 3) be environmentally effective; 4) create economic opportunity and advantage; 5) be fair to sectors disproportionately impacted; and 6) reward early action. Other key findings in the report include:

- Congress needs to enact legislation as quickly as possible
- The approach needs to be cost-effective
- A cap-and-trade system is essential
- Short and mid-term GHG emission targets must be established
- Complementary policies and measures must be enacted, and
- There must be international engagement and linkage

The hearing addressed concerns from lawmakers of both parties who are still conflicted about how to regulate greenhouse gases without hurting U.S. businesses and consumers. Several top Republican senators, such as Senators Inhofe and Kit Bond (MO), who oppose climate change legislation, accused the CEOs of lobbying for new regulations that could benefit their companies. Critics believe a "cap-and-trade" system on carbon emissions could help companies such as PG&E, which have invested heavily in low-carbon energy sources such as natural gas, while penalizing competitors that rely on high-carbon sources such as coal.

Senator Boxer, nevertheless, commended the business and environmental members of USCAP for coming together to call for swift action to address global warming, and she admonished those Senators for criticizing companies taking corporate responsibility on climate change. PG&E's CEO, Peter Darbee, insisted that the company was not lobbying to boost its profits, and he noted that California has kept its energy usage

flat over the last three decades – while the nation's has risen by about 50 percent – by investing in energy efficiency.

For more information, please visit: <http://epw.senate.gov/public> .

### **WAYS AND MEANS/FINANCE COMMITTEES BRIEFED ON '07 TRADE AGENDA**

U.S. Trade Representative Susan Schwab presented the Administration's 2007 Trade Agenda to the House Ways and Means Committee on Wednesday, February 14, 2007, and to the Senate Finance Committee on February 15.

Ambassador Schwab detailed a number of successes realized over the last year including the wine agreement with the European Union and also stressed that the United States continues to use all of the tools in its arsenal to ensure that China lives up to its commitments. She stated that the Administration will focus this year primarily on four areas: the Doha Round negotiations; securing Trade Promotion Authority; negotiating more trade agreements; and enforcement and dispute resolution.

Ambassador Schwab testified that over the last several months there has been some progress in breaking the impasse over negotiations in the Doha Round, but she allowed that there was still much work to be done before a breakthrough would happen. She encouraged the Congress to extend Trade Promotion Authority, stressing that the President needed its authority in order to negotiate regional and bilateral agreements and that USTR has used it to increase U.S. exports and level the playing field with U.S. trade partners.

During the question and answer period, Schwab stated that she felt the greatest impediment to bipartisan trade legislation at this time was the electorate's "misperception" of the real benefits of trade, which has translated into the debate on workers' rights and environmental standards. She stressed that she would continue to work with the Committee to bridge the gap over those contentious issues. Chair Rangel applauded her willingness to work on those issues and noted that he and Ranking Member Jim McCrery (LA) were meeting with her on those issues and would continue to search for a solution. Rep. Wally Herger (Marysville) noted the "dynamic" benefits reaped as a result of Free Trade Agreements, with fully 43 percent of total U.S. trade going to countries with which we have FTAs. In his questions, Rep. Becerra pressed Ambassador Schwab for assurances that USTR was working as hard and using the same arsenal of tools to enforce workers' rights provisions in U.S. FTAs as it uses to enforce other issues, such as intellectual property rights.

For more information on the hearings go to: <http://waysandmeans.house.gov> and <http://finance.senate.gov>

### **GOVERNOR SCHWARZENEGGER APPOINTS LINDA ULRICH AS DIRECTOR OF WASHINGTON D.C. OFFICE**

Governor Arnold Schwarzenegger has appointed a new director for the Governor's Washington D.C. office. In late February, the new director will be Linda Ulrich.

Since 1993, Ulrich has served as Deputy Chief of Staff for Rep. Ken Calvert (Corona), and she also serves as President of the California State Society. Previously, she was director of scheduling for U.S. Senator John Seymour from 1990 to 1992 and a scheduling assistant for U.S. Senator Pete Wilson from 1988 to 1990.

Regarding the selection, Schwarzenegger said, "In a year when California is leading the national debate on issues, such as climate change and health care reform, I am pleased to have Linda on my team because she uniquely understands the inner workings of Washington, D.C., as well as the critical issues facing our state."

### **NEW REPORT UPDATES FEASIBILITY OF AUBURN DAM PROJECT**

On January 30, 2007 the Bureau of Reclamation made available its report on the Auburn-Folsom South Unit (AFSU) Central Valley Project. The report was authorized by the Energy and Water Appropriations Act FY 2006.

The AFSU was originally designed as a key component for the development of water resources in the American River watershed. A dam in the vicinity of Auburn, along with other features, was meant to provide

an agricultural water supply north of the American River extending south into San Joaquin County. It was also intended to enhance hydropower, recreation, fish and wildlife, and flood control in the region. Reclamation was directed by Congress to analyze the 1978 design of the Auburn Dam feature which had been based on conditions foreseen in the 1950s.

Statutory requirements, project operations, demographics, and science have all changed significantly since this original formulation, Reclamation concluded. Therefore, the report adapts the 1978 design to current conditions and presents a range of outcomes for most evaluation factors, particularly cost and benefit values. The report does not reformulate any of the features of the AFSU or reassess water demands for the associated service areas, stopping short of a new benefit-cost analysis. However, Reclamation makes several general conclusions that they believe should be addressed if any future study of the AFSU is undertaken.

Features still relevant to the AFSU project are outlined, as well as updated design standard changes. The report describes changing criteria that would most likely prevent adoption and construction of the 1978 design for a multi-purpose Auburn Dam. In addition, five risk factors are identified as having a high probability of significantly impacting project costs, with mitigation and land costs being the most substantial cost drivers. The report concludes that the expense of designing and constructing the remaining relevant features is higher than previously thought, with total project costs ranging from \$6 to \$10 billion.

The report is available on the web at: [http://www.usbr.gov/mp/cao/docs/auburn\\_rpt/index.html](http://www.usbr.gov/mp/cao/docs/auburn_rpt/index.html)

## **PPIC STUDY FINDS CALIFORNIA EMPLOYMENT NOT HURT BY COMPANIES EXPANDING OPERATIONS TO OTHER STATES**

On February 15, 2007 the Public Policy Institute of California (PPIC) released a report analyzing claims that California is losing employment because businesses based in the state are choosing to expand to other states. It also investigated whether companies are generally downsizing their operations in California while expanding relatively more elsewhere. Overall, the study found little evidence of a bad business climate in recent years.

Key findings of the report include:

- Main shifts of employment by companies headquartered in California to other states occurred at the height of the economic boom of the 1990s.
- These shifts have been offset by increased employment in the state by firms headquartered elsewhere.
- California's share of national employment has remained fairly constant.

The full report can be obtained online at: <http://www.ppic.org/main/publication.asp?i=736> .

## **RAND REPORT FINDS NEARLY HALF OF CALIFORNIA HOSPITALS NOT SET TO MEET SEISMIC SAFETY STANDARDS**

On January 18, 2007 the RAND Corporation released a new analysis showing that nearly half of all California hospitals are unprepared to meet 2013 and 2030 deadlines for seismic safety requirements established by the 1994 state law SB1953. These deadlines were set to ensure that hospitals would remain operational following a significant earthquake. The report, titled "Seismic Safety: Will California's Hospitals Be Ready for the Next Big Quake?," also finds that upgrading hospital facilities to meet the deadlines could cost as much as \$110 billion.

RAND discovered a slow pace of compliance in meeting the retrofitting deadlines, largely due to a lack of funds and limited information on the scale and purpose of hospital construction projects. Bigger, more expensive facilities and construction costs triggered by the seismic safety standards make it harder for hospitals to recoup costs in the end. The report showed the heavily populated areas of Los Angeles and the San Francisco Bay Area to be particularly vulnerable simply because they contain the vast majority of buildings considered vulnerable to collapse during a major earthquake at 80 percent. Potential options for policymakers to fully implement SB1953 are identified in the study.

The report is available at: <http://www.rand.org/news/press.07/01.18.html> .