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## California Capitol Hill Bulletin

Volume 14, Bulletin 22 – June 29, 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.*

### BIPARTISAN CALIFORNIA DELEGATION CIRCULATING LETTER ON FUNDING CHANGES FOR INTEROPERABILITY GRANT

Reps. Zoe Lofgren (San Jose), Kevin McCarthy (Bakersfield) and David Dreier (San Dimas) are circulating a bipartisan, California Delegation letter urging the use of a risk and need-based allocation methodology for the Public Safety Interoperability Communications (PSIC) grant program. The letter is addressed to Homeland Security Secretary Chertoff and Commerce Secretary Gutierrez, requesting that the Department of Homeland Security and the Department of Commerce adopt a funding methodology for the new PSIC grant program that allocates funds to states based solely on risk and need, does not distribute funding through an arbitrary state minimum requirement, and provides sufficient flexibility for the uses of the funds by the state and local governments.

California contains numerous potential high-profile targets, a high risk of major catastrophic earthquakes, floods, and wildfires, and a population of more than 37.5 million (12% of the total U.S. population) which makes California especially challenging to first responders. The Californians seek to ensure that first responders have vital interoperable communication systems to coordinate immediate incident response and subsequent recovery efforts to help mitigate the impact of a terrorist attack or natural disaster. A risk and need-based PSIC allocation formula would help ensure that first responders in California, and other large, high-risk states, have the vital resources they need to secure California through the acquisition, deployment, and training for the use of interoperable communications systems. The letter has the support of Gov. Schwarzenegger, the California State Association of Counties, and the League of California Cities.

Members wishing to sign the letter should contact the offices of Reps. Lofgren, McCarthy, or Dreier.

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## SENATE FAILS TO RESURRECT IMMIGRATION BILL

By a vote of 46-53, the Senate failed to garner the 60 votes needed to invoke cloture and move ahead on its comprehensive immigration reform bill (S. 1639) on Thursday, June 28, 2007. After the defeat, Majority Leader Harry Reid (NV) pulled the bill from the floor, but noted: "It's a legislative issue. It will come back, it's only a question of when." Whether there is time to take another stab at passing the bill before the 2008 election season heats up, however, is very uncertain.

Earlier in the week, a first cloture vote succeeded, 64-35, which allowed the Senate to begin considering over two dozen amendments to the bill. On that cloture vote, Senate Republicans split 24-25 for cloture, while Democrats voted 39-9, and the two independents split their votes.

In an attempt to keep the bill from bogging down again, Reid packaged 27 amendments together into one omnibus amendment. Under the Senate Rules, that procedure, called a "clay pigeon," severely circumscribed debate on individual amendments, with votes allowed on whether to table (thus killing) an individual amendment contained in the package. If the motion to table the amendment (known as a "division") failed, the amendment could then be called up separately at a later time.

On Wednesday, the Senate voted to table several amendments. One, offered by Sen. Kay Bailey-Hutchison (TX), would have required illegal immigrants to return to their home countries before obtaining their Z Visas, rather than before applying for a green card. The vote to table was 53-45. An amendment that would have reduced the number of illegal immigrants eligible for a Z Visa was also tabled 79-18. The Senate also tabled the Bond Amendment, 56-41, which would have barred undocumented immigrants from obtaining green cards and eventually becoming citizens, and the Menendez Amendment, 55-40, which would have given greater weight for family reunification under the point system for immigration established in the bill.

The only amendment the Senate failed to table was offered by Sen. Max Baucus (MT). It would have stripped all references in the bill to the requirements for issuing secure driver's licenses and identification cards under a law passed in 2005 law.

What the House will do given the Senate defeat is unclear, as the leadership had indicated it would wait for the Senate to act before taking up an immigration bill. House Republicans, however, did take a symbolic 114-23 vote against the Senate's bill after a closed-door meeting of their Conference earlier in the week.

## DOJ MAKES FY2006 SCAAP AWARDS -- FINALLY

More than 14 months after the application deadline passed, the Department of Justice's Bureau of Justice Assistance finally has announced the FY 2006 awards for the State Criminal Alien Assistance Program (SCAAP).

Of the roughly \$333.7 million awarded, the State of California will receive \$91,781,092. Although this is a 6.78% increase over the \$85,953,191 the state received in FY05 funds, the state's share of total SCAAP funds fell

from 29.9% to 27.5%. Nevertheless, California's share remains more than triple that of second place New York State's award of \$30,361,445, and five times the Texas total of \$17,620,709.

In addition, in FY 2006, California's local entities will divide a total of \$35.6 million. Among local governments, Los Angeles County will receive the most, with an award of \$10,541,093; however this amount represents a \$2 million reduction from the \$12,530,034 it had received in FY05 funds. Orange County follows with \$7,305,511, an increase from its FY05 award of \$6,562,437. The smallest award in the state, \$2,090, goes to the County of Amador.

FY 2006 appropriations amounted to \$399,827,000 (net of an across-the-board cut), but BJA only awarded a total of \$333,695,957. Some or all of the nearly \$66 million difference is being held back pending final review and award to 31 jurisdictions, including Contra Costa County. The combined state and local total of \$127,319,971 for California (excluding the pending Contra Costa award) represents approximately 38.15 percent of the total funding amounts awarded so far by BJA for 2006.

To see the complete list of awards go to: <http://www.ojp.usdoj.gov/BJA/grant/06SCAAPPayments.pdf>. Since the totals are difficult to ascertain from the DOJ grant information, we have loaded a state-by-state breakout of SCAAP funding on the California Institute website, at <http://www.calinst.org/SCAAP07.htm>.

### **SENATE COMMITTEE REVIEWS WILDFIRE MANAGEMENT**

On June 26, 2007, the Senate Committee on Energy and Natural Resources held a Wildfire Management oversight hearing. Testifying were Mark Rey from the Department of Agriculture, James Carson, the Associate Deputy Secretary of the Department of Interior, and Robin Nazzaro from the GAO. With a wildfire season predicted to be exceptionally dangerous, the focus of the hearing was on the preparedness for the 2007 wildfire season and the effort to contain the rising costs of wildfire management. During the hearing, its timeliness was noted as a wildfire continues to rage in the Lake Tahoe region of California.

The witnesses noted that the year 2006 was the second warmest summer in recorded history and was preceded by a winter of drought-like conditions and a low snow pack. The forecast for 2007 includes a prediction of 136% of the annual average acres burned. This raised concerns among the committee members and led to a discussion of many diverse issues of wildfire management.

Among the key points that were made were the following. There was widespread consensus that spending money on the preparation and prevention of wildfires will reduce the overall cost of wildfire management. Concern was expressed, however, that the nature of insurance coverage for fire fighters might actually prevent the most effective deployment of fire fighters in the affected area. It was also noted that the carbon dioxide emissions from these wild fires contributes to pollution and global warming. As the agency costs for prevention and containment continue to rise and with the prospect of more wildfires, Congress is clearly concerned about future costs in this area. Environmental concerns, however, make it harder to clear forests in a way that can prevent future forest fires, and the economic model for the forest service appears to be inadequate. Moreover, revenues from forestry are down and the mission of the forest service is less clear than it used to be. Lastly there are many people in fire prone communities that are opposed to giving up trees for the purposes of fire safety.

For further information, go to: <http://www.energy.senate.gov>.

### **HOUSE ENVIRONMENT AND PUBLIC WORKS COMMITTEE EXAMINES GLOBAL WARMING AND POWER PLANTS**

On June 28, 2007, the House Environment and Public Works Committee held a full committee hearing entitled "Examining Global Warming Issues in the Power Plant Sector." The hearing featured testimony from public interest groups, energy companies and the U.S. Chamber of Commerce. From California, Peter Darbee, Chairman, CEO, and President of Pacific Gas and Electric testified. The hearing discussed reducing emissions from powerplants and low-cost energy solutions.

Powerplants are the single largest CO2 emitting sector in the U.S. economy. They account for 40% of U.S. emissions. The single largest source of fuel for powerplants is coal, which accounts for about 50% of our electricity generation. PG&E proposed a national strategy on combating climate change which included recognizing companies that have taken action, investing in clean energy futures, and free-market consumer based choices. Caps on emissions need to ratchet down gradually so technology has time to catch up, Darbee also said. Flexible compliance options are vital mechanisms, including green house gas offsets. In a highly charged question and answer session, CEOs discussed the profitability of “clean energy” and the effect of the current legislation on the American job market.

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

## **HOUSE PANEL GRILLS DHS ON US-VISIT EXIT SYSTEM**

Chairwoman Loretta Sanchez (Anaheim) led the House Homeland Security Subcommittee on Border, Maritime and Global Counterterrorism in a hearing on Thursday, June 28, 2007 to review the U.S.-VISIT system to track foreign nationals entering and leaving the United States. Among the witnesses were: Mr. Robert A. Mocny, Director, US-VISIT Program, U.S. Department of Homeland Security; Mr. Robert M. Jacksta, Executive Director, Travel Security & Facilitation Office of Field Operations, U.S. Customs and Border Protection; and Mr. Randolph C. Hite, Director, Architecture and Systems Issues Information Technology, Government Accountability Office.

Mr. Hite’s testimony was very critical of DHS and its failure to implement an exit tracking system despite ten years and close to a quarter of a billion dollars in federal funding. Director Mocny tried to defend the Department and testified that it expected to have an exit system in place and operating by December 2008. Mr. Hite, however, said he had seen no evidence that gave him confidence the Department could meet that schedule. Chair Sanchez and other members of the Committee grilled Mocny on the status of DHS’s plan for an exit system, with Sanchez expressing skepticism that a full plan even existed, much less that it was satisfactorily thorough.

US-VISIT uses biometric information – digital fingerprints and photographs – to verify identity and screen persons against watch lists. The scope of the program includes the pre-entry, entry, status, and exit of hundreds of millions of foreign national travelers who enter and leave the United States at air, sea, and land port of entries (POE). Although DHS has implemented the entry tracking segment of US-VISIT, it has fallen woefully behind on putting together a plan for the exit tracking of foreign nationals.

A report prepared by the Majority Staff of the Committee found that: “the Department has changed the course of the system to an "identity services" system with little involvement from Congress or key stakeholders and has placed the vast majority of its resources on entry. . . .The Department must take concrete steps towards deploying US-VISIT's biometric exit capabilities before changing the core functions of the system. The first step the Department must take is to execute and deliver to Congress an exit action plan that identifies implementation benchmarks, anticipated pilot projects, funding, and completion dates.”

For more information, go to: <http://www.homeland.house.gov> .

## **T&I PANEL DISCUSSES BENEFITS OF INTERCITY RAIL SYSTEM**

On June 26, 2007, the House Transportation and Infrastructure Subcommittee on Railroads, Pipelines and Hazardous Materials heard testimony from witnesses on the benefits of intercity passenger rail. Among several other witnesses, the subcommittee heard from Will Kempton, director of the California Department of Transportation (CALTRANS). Kempton stated that the number of riders in California is only second to New York, but he agreed with previous witnesses on the need to invest capitol dollars to build a more efficient intercity rail system in order to alleviate highway congestion.

Kempton said that reliability was still an issue. “If we want to increase ridership, we need more capitol,” Kempton said. He called for a reliable program that provides continual funding. The consensus among

witnesses is that the passenger rail system cannot be financed on a state level. A long term partnership with the federal government has to form, and the government needs to subsidize a national passenger rail system.

For more information, go to: <http://www.transporation.house.gov> .

### **HOUSE TRANSPORTATION APPROVES DISASTER GRANTS**

The House Transportation and Infrastructure Committee on June 28, 2007, approved by voice vote, the Emergency Management Performance Grant program (H.R. 2775). The bill provides grants to state and local entities to prepare for, and respond to, natural disasters. The bill authorizes \$1.35 billion for fiscal years 2009 to 2011 for the FEMA administered program.

Since 9/11 and the absorption of FEMA into the Department of Homeland Security some legislators and community leaders have expressed concern that there has been less focus on preparation for natural disasters.

For more information, go to: <http://www.transportation.house.gov> .

### **CONGRESS AGAIN TEMPORARILY EXTENDS HIGHER ED LAW**

On Thursday, June 28, 2007, the House cleared a one-month extension of the Higher Education Act, S. 1704, which the Senate had passed by voice vote on June 27<sup>th</sup>. The Higher Education Act (PL 105-244) was scheduled to expire June 30 and neither chamber is close to passing successful renewal legislation.

Earlier in the month, the House had passed a four-month extension, which would have extended HEA programs through October 31. The Senate, however, did not act on the House bill, and it proposed the one-month punt. The Act is now set to expire on July 31, 2007.

The Higher Education Act first expired in September 2003, but its functions have been kept active by a long series of temporary extension measures.

The Senate Health, Education, Labor and Pensions Committee approved S 1642 last week to renew the Higher Education Act. It would increase the amount of information that schools and lenders must provide students about their loans, and would ban lenders from partnering with schools that supply them customers.

For information on California's share of federal student aid or on how student aid funding works, see "*Federal Formula Grants and California: Student Aid and Higher Education*," product of a joint venture between the Public Policy Institute of California (PPIC) and the California Institute. To view a copy, visit the PPIC website at: <http://www.ppic.org/main/publication.asp?i=627> .

### **HOUSE SCIENCE AND TECH COMMITTEE ADVANCES RENEWABLE ENERGY BILLS**

On June 21, 2007, the House Committee on Science and Technology, Subcommittee on Energy and Environment marked up three pieces of legislation designed to enhance the country's knowledge and use of biofuels, solar power, and carbon capture and sequestration. H.R. 2773, the Biofuels Research and Development Enhancement Act, is designed to restructure and enhance biofuels research and development programs within the Department of Energy.

The measure would:

- Provide for a research, development and demonstration program to address inherent problems with transporting and storing biofuels in existing infrastructure
- Create a program to research biorefinery energy efficiency
- Increase funding for biofuels related research
- Establish a grant program for states with low biofuels production to work toward higher levels
- Create several studies on increasing consumption of mid-level ethanol-blended gasoline (10%-40% blend); optimization of Flex Fuel Vehicles while running on E-85; and engine durability at differing blend levels of biodiesel

The Subcommittee also cleared H.R. 1933, the Department of Energy Carbon Capture and Storage Research, Development and Demonstration Act of 2007 which directs the Secretary of Energy to continue researching new methods of carbon dioxide capture and storage. The measure also promotes regional partnerships to conduct large-scale storage of carbon dioxide in various geologic formations such as depleted oil and gas fields, or unmineable coal seams.

H.R. 2774, the Solar Energy Research and Advancement Act of 2007, which was also favorably reported, is designed to address issues not covered in the Energy Policy Act of 2005 by establishing research, development and training programs to facilitate the adoption of solar energy technologies.

On June 27, 2007, those three bills were accompanied by a fourth (H.R. 906, the Global Change Research and Data Management Act) for mark up by the full committee. H.R. 906, introduced by Space and Aeronautics Subcommittee Chairman Udall and Energy and Environment Subcommittee Ranking Member Inglis, places greater emphasis on the production and exchange of information needed to develop strategies to cope with current climate change and to mitigate greenhouse gas emissions to reduce further impacts.

The Full Committee reported all four bills, as amended, by voice vote.

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

## **HOUSE SUBCOMMITTEE ON TECHNOLOGY AND INNOVATION REVIEWS SBIR AND STTR PROGRAMS**

On June 26, 2007, the House Committee on Science and Technology, Subcommittee on Technology and Innovation, held a hearing to review the Small Business Innovation Research (SBIR) and the Small Business Technology Transfer (STTR) programs. The hearing, entitled “SBIR and STTR – How are the Programs Managed Today?” featured testimony from program coordinators of various government offices.

The following are a few key points from the hearing:

- The Department’s SBIR budget is determined by a statutory 2.5 percent assessment of the extramural research, development, test and evaluation (RDT&E) budgets of each participating component.
- The National Institute of Health SBIR/STTR programs encompass 23 of NIH’s 27 Institutes and Centers.
- The SBIR median award size in FY 2006 was \$137,000 for Phase I and \$833,000 per year for Phase II projects.
- For STTR, the median award size was \$149,000 for Phase I and \$816,000 for Phase II.
- The most significant changes in the STTR reauthorization in 2001 have been the doubling of the setaside from 0.15 percent to 0.30 percent of agency extramural R&D budgets and the increase in the award maximum of Phase II grants from \$500,000 to \$750,000, beginning in FY 2004.
- Phase I SBIR awards can be up to \$100,000 for up to 6 months and provide a small business with support to conduct research on a new technique or product; the National Science Foundation provides a Phase IB supplement with awards up to \$50,000 to bridge the gap between Phase I and Phase II and to stimulate investment in Phase I programs.

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

## **NATURAL RESOURCES REVIEWS OCS OIL AND GAS LEASING**

On June 28, 2007, the Natural Resources Subcommittee on Energy and Mineral Resources, chaired by Rep. Jim Costa (Fresno) held a hearing on oil and gas leasing on the outer continental shelf. The hearing featured, among others, Rep. Mike Thompson (St. Helena) and Mr. Walter Cruickshank, Acting Director, Minerals Management Service, U.S. Department of the Interior. The focus of the hearing was the “The Minerals Management Service’s Proposed 2007–2012 Program for Oil and Gas Leasing on the Outer Continental Shelf.”

The US currently obtains 29% of domestic oil, 20% of domestic gas and a significant amount of the nation's seafood from the outer continental shelf. This area is a great source of revenue and energy for the US. However, it is difficult to make informed judgments on the benefits and risks of further drilling because of the lack of up to date seismic data for the desired areas. Members expressed concern that the 2007-2012 Plan does not incorporate all the necessary information, and throughout the discussion there were mixed opinions about drilling in these regions.

Rep. Thompson represents a region that covers 1/3rd of the California coastline and the bill he has introduced against drilling is supported by 80% of his district. The outer continental shelf of the Pacific Ocean contains 1/4th of the upwelling regions in the world. These regions create an abundance of food for marine life and are very productive ecosystems. Tampering with this area, Thompson argued, and especially the possibility of an oil spill, could destroy the marine life. That in turn would pose a threat to the large industry of marine fishing. Moreover, he argued, tourism is of huge importance on the California coastline and polluting the water could have a devastating impact on the industry.

Rep. Lois Capps (Santa Barbara) has also introduced legislation to ban oil and gas drilling off the coast of California.

Those in favor of more leasing on the outer continental shelf for oil and natural gas drilling suggest that energy and oil prices are too high and that the US imports too much oil already. The best way to decrease imports and lower prices of oil, they argue, is by making better use of the country's vast domestic resources. The outer continental shelf provides a step in that direction. Mr. Cruickshank predicted that the demand for energy will go up by 25% in the next 5 years and that 60% of untapped oil and 40% of untapped gas is contained in the outer continental shelf.

To obtain the testimony of all the witnesses, go to: <http://www.resources.house.gov> .

## **SENATE PANEL REVIEWS WATER QUALITY AT BEACHES**

On Wednesday, June 27, 2007, the Senate Environment and Public Works Subcommittee on Transportation Safety, Infrastructure Security, and Water Quality held a hearing on Water Quality at US Beaches. Testifying at the hearing were Senator Barbara Boxer; Representative Frank Pallone Jr. (NJ); Representative Brian P. Bilbray (San Diego); Benjamin Grumbles, Assistant Administrator for Water, EPA; Anu K. Mittal, Government Accountability Office; Cindy Zimpf, director, Clean Oceans Act; Carlton Dufrechou, Director, Lake Pontchartrain Basin Foundation; and Mara Dias, Water Quality Coordinator, Surfrider Foundation. This hearing was conducted in hindsight of the substantial progress made in the 2000 Beaches Environmental Assessment and Coastal Health Act, or Beach Act. There was a widespread concern among the members and witnesses for quality of the water at beaches throughout the country. The main problems stem from the high levels of pathogens and bacteria that can cause harmful rashes, flu-like symptoms, and respiratory diseases.

The Beach Act provided grants to states for more consistent and improved water testing methods. It also provided the EPA with funding to develop better methods of water testing. Since the bill was passed in 2000, the number of beaches monitoring their water and using the quality testing methods has increased from 1000 beaches to 3500 beaches. The apparent success of the first bill sparked optimism among the panelists and paved the way for introduction of a new bill that will double the dollar of amount of the grants. The bill would increase funding from \$30 million to \$60 million. The witnesses focused on the need to put pressure on the EPA to develop water testing methods with more rapid results. The current method takes 36-48 hours for results. The new testing method would take as little as 2 hours allowing for quicker notification if a beach is contaminated and must be shut down. The third area of focus was pollution source tracking. Determining exactly where the beach pollution comes from and preventing it from happening is a safer and more efficient method than testing and cleaning after it happens.

For the testimony of witnesses, go to: <http://www.epw.senate.gov> .

## **COMMITTEE ADDRESSES CONCERNS WITH THE AMT**

On June 27, 2007, the Senate Finance Committee held a hearing to address growing concerns regarding the individual Alternative Minimum Tax. Leonard Burman, director of the Tax Policy Center discussed how the AMT is currently harming middle class taxpayers. Calling the AMT a horrible and problematic system, he estimated that the tax will increase to at least 35% of the income of some taxpayers. "The real base line should be no AMT", Burman said. He proposed the repeal of the AMT and as replacement, a surtax of 4% of the incomes of those who are most able to pay.

The witnesses were unable to agree on a realistic solution to the AMT problem. Because the AMT generates revenue, an unforeseen end-result, a complete repeal of the AMT leaves the revenue loss issue open for debate. Burman wants the simplification of the tax system, but he is reluctant to abandon the revenue increases.

To view the testimonies of all witnesses present at the hearing, go to <http://finance.senate.gov/> .

## **ASSEMBLYWOMAN LAURA RICHARDSON WINS SPECIAL PRIMARY ELECTION FOR 37<sup>TH</sup> CONGRESSIONAL DISTRICT**

California's 37th Congressional District, which includes much of Long Beach, Signal Hill, Carson and Compton, has elected a Democratic nominee, Laura Richardson. The current California State Assemblymember and former Long Beach City Councilwoman pulled 37.8% of the vote in a crowded 17-candidate field where only 11.1% of the registered voters went to the polls. She edged out fellow state legislator Jenny Oropeza, who polled 31.3% of the ballots cast. Richardson will enter an August 6 runoff as the Democratic nominee; she will face off against Republican John Kanaley, Green Party candidate Daniel Brezenoff and Libertarian Herb Peters. The seat became open when Rep. Juanita Millender-McDonald passed away in April.

## **DOE BIOENERGY CENTER TO BE HOUSED IN THE BAY AREA**

Secretary of Energy Samuel W. Bodman announced the week of June 25, 2007 that a partnership of laboratories and research universities in the San Francisco Bay Area has been chosen to host a bioenergy research center, funded by the U.S. Department of Energy (DOE). The bioenergy research center is funded through the DOE's Biological and Environmental Research Genomics research program in the Office of Science. This new center will be known as the DOE Joint BioEnergy Institute (JBEI) and is expected to receive \$125 million in DOE funding over five years.

The DOE JBEI's six partners are the Lawrence Berkeley National Laboratory, Sandia National Laboratories, the Lawrence Livermore National Laboratory, the University of California campuses of Berkeley and Davis, and Stanford University. Plans call for the DOE JBEI to be headquartered in a leased building in the East Bay, central to all partners though the initial work will take place at the West Berkeley Biocenter in Berkeley.

The other two DOE Bioenergy Research Centers are the DOE BioEnergy Research Center, led by the Oak Ridge National Laboratory in Oak Ridge, Tennessee, and the DOE Great Lakes Bioenergy Research Center, led by the University of Wisconsin in Madison, Wisconsin, in collaboration with Michigan State University in East Lansing, Michigan.

For more information, please visit: <http://www.lbl.gov/> .

## **CFR RELEASES REPORT ON WTO DISPUTE MECHANISM**

The Council on Foreign Relations, which is the sister organization of the Pacific Council on International Policy, based at the University of Southern California, has released a report "making a case for the effectiveness of the World Trade Organization (WTO), particularly its dispute settlement system, and the benefits that would accrue to the United States and others from improving its effectiveness." The

report, entitled *The United States and the WTO Dispute Settlement System* was authored by Robert Z. Lawrence, Williams Professor of International Trade and Investment, John F. Kennedy School of Government, Harvard University.

Prof. Lawrence argues that improving the WTO's dispute settlement system would expand world trade and increase support for the "often beleaguered" organization that is central to the conduct of world trade. While pointing out several successes of the WTO, Lawrence, nevertheless, suggests several areas for reform, from steps that require multilateral negotiations, such as improving opportunities for nonstate actor participation in and enhancing transparency of the process, to changes the United States could make in its own behavior.

To view the report, go to: <http://www.cfr.org/publication/12871/> .

### **AEI EXAMINES BIPARTISAN TRADE BARGAIN**

On Wednesday, June 27, 2007, the American Enterprise Institute held a forum on the bipartisan trade bargain struck between Congressional Democrats and the White House. The moderator of the discussion was Claude Barfield of AEI, and included panelists: Ambassador John K. Veroneau, the deputy US Trade Representative, Kimberly Ann Elliot and Peter G. Peterson from the Institute for International Economics, Philip I. Levy from AEI, Warren H. Maruyama, from the Office of the US Trade Representative, and Arvind Panagariya from Columbia University.

They discussed the pros and cons of the new template for the Trade Bargain that would make countries that are interested in entering into Free Trade Agreements with the U.S. abide by certain environmental and labor mandates. Some of the key points from the forum were:

Ambassador John K. Veroneau defended the deal. He believes it will promote economic efficiency and disperse the benefits of globalization in a more balanced manner. Although he accepts that at some point labor laws can pose a larger burden than a benefit, he believes by their nature they benefit society as a whole. While this agreement may not improve globalization by a substantial amount, he said, it is a step in the right direction and can open the door for future trade agreements. Trade agreements are an important deregulatory tool and will demonstrate that trade liberalization benefits both developing and developed nations. Veroneau concluded that only time will tell if the deal is worth it.

Most of the other panelists opposed the trade bargain, arguing that the new template was overly extensive and needed to be narrowed. Since there is much disagreement on trade policy, the US might lose good relations with important trade partners. They argued there are better and more efficient ways of making progress in global trade than regulating labor and environmental laws. Moreover, they said, the Trade Bargain is being proposed at the end of a lame duck administration, which means that these policies might never be implemented or may be substantially amended after 2008.

More information from AEI regarding the briefing, including archived audio and video, is available at [http://www.aei.org/events/eventID.1541,filter.all/event\\_detail.asp](http://www.aei.org/events/eventID.1541,filter.all/event_detail.asp) .

### **CALLS FOR REPEAL OF ALTERNATIVE MINIMUM TAX**

A report recently released by the Tax Policy Center calls for the repeal of the individual Alternative Minimum Tax (AMT). As replacement, the Tax Policy Center supports an add-on tax of four percent of the adjusted gross income (AGI) of taxpayers, above \$100,000 for singles and \$200,000 for couples. The call for the add-on tax came due to projections that by 2010, more middle-class households with incomes less than \$200,000 would pay more than 40% of the AMT.

Looking at a ten-year window, the new option is revenue neutral for the federal treasury. There would be a decline at first in revenue followed by an increase of the same amount. The new option would make sure that the very high income taxpayers pay the minimum amount of tax and allow the middle income taxpayers with children who would suffer under the current law to pay less. Everyone, regardless of his or her income, would still benefit from the Bush tax cuts, according to the report.

The House and Senate are both considering repealing the AMT but have not reached a consensus on the best approach, placing consideration of legislation this year in doubt. Another short-term “adjustment” to limit the tax’s reach will probably be enacted, however.

For the Tax Policy Center report, see <http://www.taxpolicycenter.org/newsevents/simpletax.cfm> .

## **STATE SCORECARD SHOWS CALIFORNIA’S HEALTH SYSTEM PERFORMANCE IN BOTTOM QUARTILE**

On June 15, the Commonwealth Fund co-sponsored a briefing to discuss the results of the scorecards of the health care system on a state level and commenting on areas where improvements can be made. The data shows that California is in the bottom quartile in terms of overall health system performance. Breaking up the health system into 5 dimensions: access, quality, avoidable hospital use and costs, equity and healthy lives, California scores in the bottom quartile for three of the five categories (access, quality, and equity).

The percentage of uninsured adults ages 18-64 in California as increased to 23% or more since 2000. However, the percentage of uninsured children ages 0-17 has decreased since 2000. Of the two remaining dimensions, California scores in the 2<sup>nd</sup> quartile for avoidable hospital use and costs and in the top quartile for healthy lives.

For detailed results of the state scorecard, go to [http://allhealth.org/briefing\\_detail.asp?bi=108](http://allhealth.org/briefing_detail.asp?bi=108) .

## **PARTNERSHIP TO EXPLORE TIDAL POWER IN THE BAY**

On June 19, 2007, the Pacific Gas and Electric Company (PG&E) signed an agreement with the City and County of San Francisco (CCSF) and the Golden Gate Energy Company on June 19<sup>th</sup>, 2007 to form a partnership in a comprehensive study to access the possibilities for harnessing the tides in San Francisco Bay for energy. In a 2006 study, the Electric Power Research Institute identified San Francisco Bay as one of the world’s most abundant potential resources for electricity generation using tidal power technology. This study will bring together the combined resources and expertise of PG&E, CCSF, and the Golden Gate Energy Company to access the viability of the Bay as a potential new source of zero-emissions, renewable electric power for California energy needs. PG&E is committing up to \$1.5 million to fund the research, with up to \$346,000 contributed by CCSF for feasibility studies and stakeholder outreach.

For more information, see [http://www.pge.com/news/news\\_releases/q2\\_2007/070619a.html](http://www.pge.com/news/news_releases/q2_2007/070619a.html) .

## **FORUM ADDRESSES PROS AND CONS OF PATENT REFORMS**

On June 27, 2007, the Congressional Internet Caucus Advisory Committee held a forum to discuss how the Patent Reform Act may affect information technology.

The forum focused on the two major bills (H.R. 1908 and S. 1145) introduced in the House and Senate to reform U.S. patent law. Guest speakers for the forum included Matt Tanielian from Cisco Systems and Christopher Gallagher from AmberWave. Tanielian advocated for section 10 (a) of the House bill which restricts the venues where lawsuits can be filed. He, along with the other speakers, wanted the lawsuits to be filed where the corporation has its witnesses and evidence. He commented that the system for reviewing litigation concerning bad patents takes too long, and advocated for the ability to challenge a bad patent at any time.

The moderator, Morgan Reed from the Association for Competitive Technology favored the First Inventor to File and 18-Month Publication proposals. He also commented on the advantages of enhancing the rule-making power of USPTO. Differences in opinions among the panelists centered on the issues of post-grant review and changes made to the “second window” issue.

Research universities and the biotech industry are also highly involved in the patent reform debate on the best way to reform the system and are opposed to some of the positions advocated by the information technology industry.

The forum sponsors’ website is <http://www.netcaucus.org/> .