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California Capitol Hill Bulletin

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To expand communications between Washington and California, the California Institute provides periodic news bulletins regarding current activity on Capitol Hill that directly impacts the state. Bulletins are published weekly during sessions of Congress, and occasionally during other periods.

HOUSE PASSES SCHIP, EXPANDING COVERAGE

On August 1, 2007, the House passed H.R. 3162, Children's Health and Medicare Protection (CHAMP) Act of 2007 by 225 to 204. The bill would expand the State Children's Health Insurance Program (SCHIP) by \$47.4 billion over five years, adding five million uninsured to the current six million covered under the program. House Republicans forced a handful of roll call votes on procedural motions to slow the bill's progress before winning the concession of an extra hour of debate. The House bill was brought to the floor by Democrats under a closed rule that did not allow amendments and limited debate to two hours.

Before the vote on passage, Republicans offered a motion to recommit the bill that would have scrapped the Democratic provisions and replaced them with a one-year extension of the existing program. The House defeated the motion, 202 to 226.

Before bringing the bill to the floor, Democrats made several changes to comply with pay-as-you-go budget rules. The changes, which were implemented at an early morning Rules Committee markup, included the following:

- Bonus payments to states for enrolling more children in the program would be eliminated after five years, saving an estimated \$20.4 billion over 10 years

- Cuts in Medicare's physician payments in the out years will save an estimated \$35.7 billion over 10 years, if the cuts are made

- An increase in physician payments over the next two years

- Eliminates the current Medicare payment formula, which uses a single formula to determine national payment rates

- Establishes a new payment system that breaks payment calculations into six different medical areas, including preventive care, imaging procedures, and major medical procedures

- New age limits for the program are expected to save \$3.6 billion

- A provision that would bar SCHIP benefits for undocumented immigrants

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The Senate, meanwhile, filed for cloture on its Children's Health Insurance Program Reauthorization Act of 2007 (S 1893) that would expand SCHIP by \$35 billion over five years and the substitute amendment, which relies on a 61-cents-per-pack increase in the federal cigarette tax to offset its costs. The Senate continued to address amendments to the legislation including:

- An amendment that would have created a new budget point of order against increases in excise taxes (such as tobacco taxes), rejected 32 to 64
- An amendment that would have struck a provision of the bill allowing some states to cover children from families earning more than three times the poverty line, was tabled, 53 to 43
- An amendment that would expand SCHIP by about \$9.5 billion over the next five years, which would have allowed about 1.3 million more children to be added to the program, rejected 35 to 61
- An amendment that would have dedicated the bill's tobacco tax revenue to research at the National Institutes of Health, instead of to an expansion of SCHIP, rejected 26 to 58
- An amendment that would have ended coverage of adults under SCHIP immediately, except for pregnant women, defeated 42 to 53
- An amendment that would have increased the Finance Committee's expansion by an additional \$15 billion, to \$50 billion over five years, rejected 36 to 60

The Senate intends to complete its consideration of the bill before the August recess.

For more information, please visit: <http://www.house.gov> or <http://www.senate.gov>.

WATER RESOURCES BILL MOVES CLOSER TO PRESIDENT'S DESK; VETO THREATENED

The House, on Wednesday, August 1, 2007, adopted the conference report (H.Rpt. 110-280) to accompany H.R. 1495, the Water Resources Development Act (WRDA) by a vote of 381-40. The overwhelming vote bodes well for Congressional success in any showdown with the President, who has threatened to veto the bill. The Senate is also expected to adopt the conference report before the August recess begins next week. Sen. James M. Inhofe (OK), Ranking Member of the Environment and Public Works Committee has indicated that he also will fight to override a veto, if the President takes that step.

The \$21 billion bill authorizes thousands of flood control, navigation, and environmental projects overseen by the U.S. Army Corps of Engineers. That final figure is substantially more than either the initial House version of \$15 billion, or the Senate's \$14 billion measure. Proponents, however, argue that \$21 billion is the minimum necessary to make up for the backlog in projects caused by the lack of a WRDA reauthorization since 2000. H.R. 1495 also contains provisions creating a new peer review process for major Corps projects.

The bill contains hundreds of California projects. For instance, the flood control project on the American and Sacramento Rivers authorizes the

construction of the auxiliary spillway associated with the Folsom Dam at a total cost of \$683 million, with an estimated federal authorization of \$444 million and a non-Federal cost of \$239 million. The bill also authorizes the Secretary of the Interior to determine the feasibility of environmental pilot projects associated with the Salton Sea and authorizes \$30 million for projects, as long as not more than \$5 million goes to any one project and the non-federal cost share is 35 percent of the total project. The construction of a comprehensive flood protection project on the Napa River in St. Helena is authorized at \$30 million and \$25 million is authorized for LA River restoration.

For more information on the Conference Report and the specific California projects authorized in the bill, go to: <http://epw.senate.gov> or http://www.rules.house.gov/110/text/110_hr1495cr.pdf.

SENATE ENVIRONMENT AND PUBLIC WORKS COMMITTEE REPORTS CALIFORNIA EPA WAIVER LEGISLATION

The Senate Environment and Public Works Committee, chaired by Sen. Barbara Boxer, reported S. 1785 by a vote of 10-9 on July 31, 2007. The bill requires the Environmental Protection Agency to act on California's request for a waiver to allow it to implement its own regulations to reduce greenhouse gas emissions. Twelve states in addition to California are also seeking the right to regulate greenhouse gas emissions.

The Committee held a hearing on the waiver issue on July 26. See, [Bulletin, Vol. 14, No. 25 \(7/27/07\)](#).

HOUSE APPROVES CONFERENCE REPORT ON COMPETITIVENESS BILL

The House on August 2, 2007, passed the Conference Report to "competitiveness" legislation (HR 2272) that significantly increases federal funding for math and science research. The America Creating Opportunities to Meaningfully Promote Excellence in Technology, Education and Science (America COMPETES) Act is an amalgamation of several similar measures. The legislation was crafted as a response to President Bush's 2006 State of the Union address where he urged more funding for basic scientific research and for increasing the number of students majoring in math, science, engineering, and foreign languages. The vote on the Conference Report was 367-57.

The conference agreement reauthorizes the National Science Foundation at \$22 billion from 2008 to 2010, with additional funding to encourage math and science education in K-12, as well as grants for college and graduate student science research. The National Institute of Standards and Technology (NIST) is authorized at \$2.7 billion from 2008 to 2010, including funding for NIST's laboratories.

The legislation authorizes \$372 million from 2008 to 2010 to establish a Technology Innovation Program, to take the place of the Advanced Technology Program, and which is intended to help turn cutting-edge research into commercially viable products. The Energy Department Office of Science would receive \$17 billion for FY 2008 to FY 2010 including \$6 billion for basic energy research in FY 2010, and at least \$300 million for a new Advanced Research Projects Agency to coordinate research into new energy technologies.

The Conference Report also creates several new initiatives, including the establishment of a presidential summit to examine the size and direction of basic math and science research, and the creation of a new Presidential council on innovation and competitiveness.

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

HOUSE PASSES 2007 FARM BILL

On July 27, 2007, the House passed the 2007 Farm Bill (HR 2419) by a vote of 231 to 191. The five-year, \$286 billion overhaul of agriculture policy would impose modest new limits on farm subsidies, increase support for fruit and vegetable growers, bolster land conservation efforts and increase funding for nutrition programs.

The bill also includes a tax provision targeting foreign-owned companies to help offset costs. The package cumulatively would raise \$6.1 billion in revenue over 10 years, according to Congressional Budget Office figures released by the Rules Committee. The new farm bill language would establish a "conservation of resources fee" on oil companies that are not paying royalties under their current leases. The new revenue provisions are intended to pay for the farm bill's energy title, which would establish various incentives for biofuels research and development, energy efficiency programs and renewable-energy projects.

The tax provisions caused objections from the Republican side, but House Democrats defeated the Republican attempt to block consideration of the bill, and voted 222 to 202 to approve the rule for floor debate. Democrats argued that the tax language would pay for an increase in food stamp funding by closing a "loophole," while Republicans portrayed the plan as a tax increase that would cost U.S. manufacturing jobs.

Members adopted by voice vote an amendment that would create a demonstration project to prove sweet sorghum works just as well as corn to make ethanol.

Several amendments were defeated including:

- An amendment to slash farm subsidies, rejected 117 to 309
- An amendment to make it easier for Cuba to buy U.S. crops, rejected 182 to 245
- An amendment to prevent farmers from locking in artificially high loan-deficiency payments, rejected 153 to 271
- An amendment to allow farmers making more than \$1 million annually to get subsidies so long as 75 percent of their income came from farming, rejected 175 to 252
- An amendment to make cuts to the crop insurance programs to boost a conservation program that pays farmers to preserve grasslands on their farms, rejected 175 to 250

Other provisions include:

- A repeal of several portions of the 2005 energy law, eliminating certain incentives and royalty relief for oil and gas production in the Gulf

- Allowing the federal government to collect fees on drilling permits

- Authorization for the Interior Department to change oil and gas leases in the National Petroleum Reserve in Alaska

- A compromise barring payments to farmers making more than \$1 million a year

The Senate is expected to start debating its version of the legislation after the August recess. Current programs expire Sept. 30 and it is unlikely Congress will be able to complete action on a new five-year bill by then. Instead, a short-term extension of the law is likely to be necessary. The White House has threatened a veto of the House-passed bill, even though it found parts of the measure preferable to current law.

For more information, please visit: <http://agriculture.house.gov> or <http://house.gov> . Also see, *Bulletin*, Vol. 14, No. 25 (7/27/07) .

SACRAMENTO RIVER WINS IN THE FARM BILL

On July 27, 2007, the House passed HR 2419, The Farm Bill Extension Act of 2007. Included in the bill were provisions to boost conservation efforts on the Sacramento River and potentially open new areas that could be used to hold floodwaters to lessen the pressure on Sacramento-area levees. The bill includes the Sacramento River as one of five priority projects for funding under a new Regional Water Enhancement Program at the Agriculture Department. This farm legislation became law on July 27th when the House passed the Farm Bill 231 to 191. *See related story in this Bulletin.*

The program would receive \$300 million a year over five years, with no more than half available for the priority areas, which also consist of the Klamath River, the Everglades, the Chesapeake Bay and the upper Mississippi River. Inclusion of the Sacramento River could mean as much as \$30 million over the next

five years to begin work with farmers, ranchers and water districts in the river's watershed to improve the quality and quantity of water flow.

The regional water enhancement program was not among the controversial parts of the Farm Bill. The program was first suggested by the White House in its submission of farm legislation, although the House version names the priority projects and would spend nearly twice as much as the \$175 million the administration proposed.

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

HOUSE PASSES TRANSPORTATION CORRECTIONS UNDER SUSPENSION

On August 1, 2007, the House passed H.R. 3248 , the SAFETEA-LU Technical Corrections Act by a vote of 422 - 1. The bill makes numerous changes in existing transportation laws in order to carry out the original intent of the law, and makes some substantive changes to the current highway and transit law.

The 2005 law authorized \$286.5 billion for highway and transit programs through fiscal 2009. The corrections measure is intended to fix some drafting mistakes, but also includes numerous changes — including some additional funding — in project earmarks.

Included are provisions that:

- Increase funding for the National Surface Transportation Policy and Revenue Study Commission and extends the deadline for completion of a report on highway funding alternatives to the federal excise tax on gasoline until the end of December

- Change current ground rules for allocation of funds for magnetic levitation transportation projects

- Increase the required rescission of contract authority by \$117 million, to \$8.7 billion

- Change the minimum penalties that states would have to impose on repeat drunk drivers in order to avoid a loss of federal highway funding

- Allow a state to impose a 45-day suspension of all driving privileges followed by a period during which the offender could drive only to work, school or alcohol treatment programs

- Amend provisions of SAFETEA-LU relating to university research programs, increasing by \$25,000 the FY 2009 grant that would be awarded to institutions chosen for regional university transportation centers

The bill also provides Emergency Relief for California by allowing the use of funds under the emergency relief program to reimburse the California State Department of Transportation for costs of maintenance and operation and additional public transportation or information services following the collapse of an interchange in the San Francisco Bay Area. The bill also repeals language in the 1986 Transportation Appropriations Act which prevents the use of federal funds on construction of the Los Angeles to San Fernando Valley Metro Rail. The bill allows the Los Angeles County Transit Authority to use federal funds for projects that tunnel in methane areas after being prohibited by the 1986 law as a result of a fire and explosion.

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

WAYS AND MEANS TRADE SUBCOMMITTEE ADDRESSES US-CHINA TRADE RELATIONS; SENATE REPORTS BILL

On August 2, 2007, the House Ways and Means Trade Subcommittee held a hearing on trade issues and China. Three panels which included several members of the House and Senate, and representatives from various agencies and companies testified on the current dilemmas concerning trade between China and the United States.

In Chairman Sander Levin's (MI) opening statement, he brought up three major issues which many panelists echoed during the hearing: currency manipulation, U.S. antidumping laws, and China's safeguard mechanisms. He pointed out the many setbacks he believes the current Administration has created. On the issue of currency manipulation, Levin expressed concern that the Treasury Department refused to declare

that China is a manipulator, citing “technical requirements” as reasons, although he said evidence showing otherwise is clearly available.

Representative Duncan Hunter (Alpine), in his testimony before the Subcommittee, discussed the advantages of legislation such as his bill, co-sponsored with Rep. Tim Ryan (OH), H.R. 2942, the Currency Reform for Fair Trade Act. The bill would end the illegal practice of manipulating currency in order to gain a competitive advantage against U.S. products. Rep. Hunter discussed how the U.S. has compromised its own security by moving defense factories and businesses to China. He bluntly stated that China is cheating and the yuan is undervalued by at least 40 percent. The result is the U.S. economy’s inability to compete with China fairly, he argued. Mr. Hunter also believes that China is using trade dollars with the U.S. to finance the modernization of its military forces.

In his testimony, David N. Spooner, from the Department of Commerce, advised Congress to pay close attention to the language of pending bills to ensure that they are consistent with international trade laws. Likewise, while Rep. Hunter and others pushed for a legislation solution, Deputy Assistant Secretary Mark Sobel from the Treasury Department stated that legislation would not ensure faster Chinese economic reforms but could cause unintended adverse reactions, because in his experience, China does not respond favorably to pressure.

To view the testimonies of all witnesses, visit <http://waysandmeans.house.gov> .

On the Senate side, on August 1, 2007, the Senate Banking, Housing and Urban Affairs Committee reported a bill, S. 1677, that would restrict the Treasury Department’s discretion in choosing not to name a foreign country a currency “manipulator.” The bill was reported by a vote of 17-4. The Senate Finance Committee has also reported a bill, S. 1607, that would address China’s currency manipulation by establishing in the Treasury Department a stricter process for identifying “foreign currency manipulation.”

HEATED DEBATE ON FEMA PREPAREDNESS FOR FUTURE CATASTROPHES

On July 31, 2007 the House Oversight and Government Reform Committee held a hearing entitled “FEMA Preparedness in 2007 and Beyond.” Two panels, which included nine witnesses from various governmental organizations, testified about the current status of FEMA and recommended possible changes.

In his opening statement, Chairman Henry Waxman (Los Angeles) commented that the purpose of the hearing was to “spotlight deficiencies in government and restore public confidence in key governmental agencies.” His main concern was whether FEMA has restored its capacity to serve the public effectively in times of crisis.

Representative Tom Davis (VA) echoed the Chairman’s sentiments. Mr. Davis mentioned the fact that many people attributed FEMA’s failures regarding Hurricane Katrina with its merger into the Department of Homeland Security post-9/11. He brought up the Post Katrina Emergency Reform Act, which was supposed to allow for a “new FEMA – independent and autonomous enough within DHS to take charge when disaster strikes.”

During the Q&A session, Mr. R. Davis Paulison, from FEMA, remarked that the new FEMA is not where it needs to be in terms of logistics. There were discussions of whether FEMA is taking on too much responsibilities especially in areas related to housing where HUD seems to be a more logical choice. Mr. Paulison suggested that FEMA should step in when it comes to temporary emergency housing but that HUD should remain the expert and cooperation between the two organizations will always be needed.

Congressman Darrell Issa (Vista) particularly wanted to know if and when the National Guard Bureau would run out of equipment reserves, but Major General Terry Scherling refused to give an exact number thus eliciting some frustration from Mr. Issa.

In the discussion of leadership within FEMA, Mr. Paulison commented that FEMA is currently doing reconstruction in that particular area by bringing in more qualified personnel. FEMA is working to change its image, and this means having contracts in place ahead of time, speeding up the process of disaster

declaration, and ensuring that the evacuation of citizens and deployment of help and supplies are done more efficiently.

For the testimony of all of the witnesses, visit <http://oversight.house.gov> .

HOUSE EDUCATION AND LABOR HOLDS HEARING ON WORKFORCE INVESTMENT ACT AND THE WORKFORCE DEVELOPMENT SYSTEM

On Thursday, July 26, 2007, the House Education and Labor Subcommittee on Higher Education, Lifelong Learning, and Competitiveness held a hearing entitled “The Workforce Investment Act: Ideas to Improve the Workforce Development System.” The Subcommittee heard testimony from Beth Butler, Disability and Accommodations Consultant, Wachovia Corporation; John Twomey, Executive Director, New York Association of Training and Employment Professionals; Mason A. Petit, Washington State Employment Security, On behalf of the American Federation of State, County and Municipal Employees, AFL-CIO; Charles Ware, Chair, National Association of State Workforce Board Chairs, on behalf of the National Governors Association; Joe Carbone, Director, Workplace Inc., Bridgeport, Connecticut; and Kathleen Randolph, President, Partners for Workforce Solutions, Inc. The focus of the hearing was on improving the workforce development system in a way that positions both employers and employees for the future.

Mr. Twomey said the Workforce Investment Act has moved the nation toward the goal of having a single, comprehensive, and customer friendly system where all American workers and employers can receive the information and services they need to succeed in today’s rapidly changing labor market. He supported reauthorization of the bill in a way that builds on the success of WIA rather than on implementing radical changes.

Mr. Petit contended that WIA and the Wagner-Peyser state employment service law duplicate many functions and that it is counterproductive for those laws to compete with each other. He testified that the Wagner-Peyser employment service can match job-ready workers with employers seeking employees, whereas WIA can help unemployed workers who need additional services in order to compete in the labor market. In this way, the two systems could mutually support each other.

Mr. Ware, representing the NGA, recommended giving states the ability to design workforce systems that enhance program coordination and flexibility; and align workforce, education, and economic development needs and strength. WIA should enhance training services to workers while creating more transparent accountability systems and reduce administrative costs.

Mr. Carbone believes that regional economies focused on talent development can deliver better outcomes and better returns on investment than the many smaller local entities in place today.

For the testimony of the witnesses, go to: <http://edlabor.house.gov>

SENATE ENERGY HOLDS HEARING ON RENEWABLE FUELS INFRASTRUCTURE

On Tuesday, July 31, 2007, the Senate Energy and Natural Resources Subcommittee on Energy held a hearing on efforts to develop a renewable fuels infrastructure. The Subcommittee heard testimony from Senator Amy Klobuchar (MN); Alexander Karsner, Assistant Secretary for Energy Efficiency and Renewable Energy, U.S. Department of Energy; David Terry, Project Coordinator, Governors Ethanol Coalition; Charles Drevna, Executive Vice President, National Petrochemical and Refineries Association; Jonathan Lehman, Advisor, VeraSun Corporation; Deborah Morrisett, Vice President of Regulatory Affairs, Product Development, Chrysler Technology Center; and Phillip Lampret, Executive Director, National Ethanol Vehicle Coalition.

Issues raised at the hearing included:

- ensuring the infrastructure necessary to support a domestic clean fuels industry, as the United States continues to intensify the national effort to develop renewable energy options for transportation;

- while ethanol and other alternative fuels bring the benefit of a clean renewable alternative energy source, creating infrastructure for production, supply, transport, distribution, and utilization cycle of these fuels poses significant challenges. These challenges must be addressed to support successful achievement of the President's Advanced Energy Initiative which aims to reduce gasoline use by 20% in the next 10 years.

- making renewable fuels available to drivers poses a chicken-and-egg type of problem. The auto makers are reluctant to promote flex-fuel vehicles in areas where there are no E-85 (ethanol) pumps, and gas stations do not want to put in E-85 pumps where there are no flex fuel vehicles. One solution discussed was federal legislation that would require automakers to equip 50% of their new vehicles with alternative-fuel technology by the year 2015, as well as ensuring that U.S. drivers have access to renewable fuel pumps.

- whether gas stations should buy fuel directly from the ethanol producers, thus cutting out the oil companies as middlemen in order to sell the fuel at a price attractive to consumers.

- whether oil companies are unwilling to allow competition and are obstructing the availability of E-85 in the market.

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

HOUSE JUDICIARY EXAMINES COMPENSATION FOR RECORDING ARTISTS

The House Judiciary Subcommittee on Courts, the Internet, and Intellectual Property held a hearing on Tuesday, July 31, 2007, entitled *Ensuring Artists Fair Compensation: Updating the Performance Right and Platform Parity for the 21st Century*. Among other witnesses, the Subcommittee heard from: Marybeth Peters, Register of Copyrights, U.S. Copyright Office; Judy Collins, Recording Artist; and Charles A. Warfield Jr., President & Chief Operating Officer, ICBC Broadcast Holding, Incorporated.

Ms. Peters lauded Congress for enacting the Digital Performance Right in Sound Recordings Act of 1995, which gave copyright owners of sound recordings a limited public performance right. The question now is, according to Ms. Peters, given the growth in technological developments since 1995, what is the appropriate congressional response. She noted that the decline in record sales has adversely affected not only the recording artists, but the countless other individuals employed in some aspect of the recording industry, and quoted a recent Rolling Stone article that found "more than 5,000 record-company employees have been laid off since 2000" and that "about 2,700 record stores have closed across the country since 2003."

Although acknowledging that the time may not be right to grant a full performance right for sound recordings, Ms. Peter did urge Congress "to expand the scope of the performance right for sound recordings to cover all analog and digital [recordings] by broadcasters as a way to enable creators of the sound recordings to adapt to the precipitous decline in revenue due to falling record sales. Such an approach has multiple benefits. It would provide performers and record producers with an ongoing and growing source of revenue, and it would also level the playing field between, on the one hand, digital music services and webcasters who today pay a performance royalty on each digital transmission and, on the other hand, broadcasters who pay nothing for their use of sound recordings when transmitted over-the-air."

For the testimony of all the witnesses, go to: <http://judiciary.house.gov> .

PPIC LUNCHEON BRIEFING ON CALIFORNIANS AND THE ENVIRONMENT

On Wednesday, August 8, 2007, the Public Policy Institute of California (PPIC) and the California Institute for Federal Policy Research will host a PPIC Luncheon Briefing on *Californians and the Environment*.

The latest PPIC Statewide Survey finds increasing discomfort among Californians regarding state and federal efforts to protect the environment. About half of Californians think that state officials are not doing

enough to protect the environment, and the proportion rises to two-thirds when it comes to federal efforts. Notably, five out of six likely voters responded that candidates' positions on the environment will be very important (54%) or somewhat important (29%) in determining how they cast their votes in 2008. Voter interest in the environment has increased significantly since the 2004 presidential elections.

Mark Baldassare, President and CEO of PPIC, will present these and other new findings from the PPIC Statewide Survey at this briefing, which will be held on Wednesday, August 8, 2007, at noon in Room B-338 of the Rayburn House Office Building. Lunch will be served. Copies of the survey will be available at the briefing and at <http://www.ppic.org> .

To attend this luncheon briefing, please reply (acceptances only, thank you) to 202-974-6384, or send an email to emilyt@calinst.org .

CORRECTION: HOMELAND SECURITY FORMULA CHANGES

Last week's [Bulletin article](#) on formula changes for homeland security grants underestimated the benefits to California and other large states that were added to the 9/11 Commission Recommendations Bill sent to the President in late July. Our apologies for any misstatements or excess concern raised by the article.

A significant change not noted last week was effected by the conference report: Small states will now receive a traditional "minimum" rather than a "guarantee." What this means is that the formula for doling out homeland security grant money will be run through in its entirety -- based largely on risk and threat information that will benefit California and like states -- and THEN a minimum will be applied to that amount. This method will be a major change from the last several years, when small states have enjoyed an excess advantage caused by the running of the minimum FIRST -- thereby making it a "guarantee" rather than a minimum" -- and then having additional funds added on top of those initial amounts.

The change will significantly benefit California.