



THE CALIFORNIA INSTITUTE FOR FEDERAL POLICY RESEARCH  
 1608 Rhode Island Avenue, NW, Suite 213, Washington, D.C. 20036  
 202-974-6384 fax:202-223-2330 e-mail: [randsell@calinst.org](mailto:randsell@calinst.org) web: <http://www.calinst.org>

## California Capitol Hill Bulletin

### Volume 14, Bulletin 34 – October 19, 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.*

#### SCHIP VETO OVERRIDE FAILS IN HOUSE

On Thursday, October 18, 2007, the House’s attempt to override President Bush’s veto of HR 976, the State Children’s Health Insurance Program (SCHIP) expansion, failed by a vote of 273-156, just 13 votes shy of the two-thirds majority needed. The measure would have expanded the SCHIP program by \$35 billion over five years, to \$60 billion, with the costs offset by increased tobacco taxes.

House Speaker Nancy Pelosi (San Francisco) said that House Democrats would begin working to send a new SCHIP bill to President Bush that would still expand coverage to more children, but possibly tap into alternative funding sources.

California uses SCHIP funding to support its Healthy Families Program, which provides low-cost health insurance to children whose families have an income too high to qualify for MediCal but too low to afford private insurance. California ranks 46<sup>th</sup> out of 50 states and the District of Columbia in its percentage of uninsured children.

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

#### HOUSE PASSES INTERNET ACCESS TAX MORATORIUM, BUT WITHOUT PERMANENCE

On October 16, 2007, the House, by an overwhelming vote of 405-2, passed H.R. 3678, extending the moratorium on Internet access taxes for an additional four years. The current moratorium is set to expire on November 1<sup>st</sup>.

The only disagreement concerning the bill was that it merely extended the moratorium rather than permanently banning access taxes. Because the bill was considered under suspension of the rules, an amendment to make the ban permanent was precluded.

Supporters argued that the Senate, which has not taken any action on the issue, would not be able to pass a permanent ban, especially within the deadline. Some Senate supporters, however, have said a permanent ban has significant support in the Senate. Rep. Zoe Lofgren (San Jose) noting the looming expiration date said “Given the state of affairs, it’s time to act now. The hour is late and the time for dithering has long since passed.” Rep. Mel Watt (NC) also argued that the four year extension is practical,

#### CONTENTS:

SCHIP Veto Override Fails in House. . . . .	1
House Passes Internet Access Tax Moratorium, But Without Permanence. . . . .	1
Senate Passes Commerce, Justice Approps; \$400 Million For SCAAP. . . . .	2
California Water Bills Marked Up In House Resources Subcommittee. . . . .	3
Senate Homeland Security Assesses SAFE Port Act, One Year Later. . . . .	3
Intellectual Property Subcommittee Assesses International Piracy. . . . .	4
Senate Banking Committee Passes National Flood Insurance Program. . . . .	4
House Agriculture Committee Evaluates Economic Changes. . . . .	5
Housing Panel Considers Alternatives for Renewing McKinney-Vento Law to Combat Homelessness. . . . .	5
House Small Business Committee Marks Up Reauthorization Bill. . . . .	7
Semiconductor Cos. And Engineers Ask For Skilled Immigrant Reform. . . . .	7
Electric Power Operators Host Policy Briefing. . . . .	7
CBP Report Shows Discrepancies in Poverty Calculation for Californians. . . . .	8
PPIC President Briefs Staff on Latest PPIC Statewide Survey: <i>Californians and Their Government</i> . . . . .	8
Recent Study Finds Ethanol Does Not Need Federal Support. . . . .	9
California Budget Project Report Profiles Widening Inequality. . . . .	9
Wednesday (Oct 24) Briefing to Feature MWD on State’s Persistent Drought, Troubling Water Supply and Quality Issues. . . . .	10

ADVISORY BOARD SUPPORTERS  
OF THE  
CALIFORNIA INSTITUTE

The California Institute wishes to express its heartfelt thanks to the following donors for their generous support, without which none of our work would be possible.

**BENEFACTORS**

Public Policy Institute of California  
California State Legislature  
The California State University  
Sempra Energy  
Southern California Edison  
PG&E Corporation

**PATRONS**

AT&T  
The Boeing Company  
General Atomics  
Safeway Inc.  
University of California  
Verizon Foundation  
  
Hewlett-Packard

**SPONSORS**

Applied Materials  
California Business Roundtable  
California Chamber of Commerce  
California Federation of Teachers  
California Institute of Technology  
Center for California Studies, CSUS  
Century Housing  
Chevron  
League of California Cities  
Lockheed Martin  
Pacific Life  
Rockwell Collins  
SAIC  
University of Southern California  
Wine Institute

**CONTRIBUTORS**

Association of California Water Agencies  
California Bankers Association  
California School Boards Association  
California State Association of Counties  
City of Los Angeles  
International Brotherhood of Teamsters  
  
Bay Area Economic Forum  
California Association of Realtors  
California Farm Bureau Federation  
California Space Authority  
Fleishman-Hillard Government Relations  
Metropolitan Water District of So. Calif.  
Trimble Navigation  
Wyle Laboratories  
Xilinx

California Institute for Federal Policy Research  
1608 Rhode Island Ave, NW, Suite 213  
Washington, DC 20036 www.calinst.org

because of the fast moving changes in technology. He noted that each time the moratorium has been extended since first enacted in 1998 the scope and details of the ban have had to be amended to reflect new circumstances.

Rep. Anna Eshoo (Menlo Park), however, strongly objected to not making the prohibition permanent, and cast one of the two votes against the bill. Eshoo authored H.R. 743, which would have granted permanence if enacted.

The bill prevents state and local jurisdictions from levying taxes on cable modem, digital subscriber, Wi-Fi, and other types of Internet access. About ten states that had instituted taxes before the original moratorium took effect in 1998 will remain grand-fathered in under H.R. 3678.

The Senate may take up the House-passed bill on the floor rather than wait for Senate Committee action.

## SENATE PASSES COMMERCE, JUSTICE APPROPRIATIONS; \$400 MILLION FOR SCAAP

On October 16, 2007, by a vote of 75-19, the Senate overwhelmingly approved its FY 2008 Appropriations for the Departments of Commerce, Justice, Science and related agencies. The bill, H.R. 3093, provides \$56 billion to fund Commerce and Justice, as well as independent agencies, including NASA and the National Science Foundation. The total is almost \$5 billion more than the President's budget request of \$51.2 billion.

The bill provides \$400 million in funding for the State Criminal Alien Assistance Program, which partially reimburses state and local governments for the costs of incarcerating undocumented criminal aliens. During floor consideration, the Senate tabled an amendment offered by Sen. John Ensign (NV) that would have boosted SCAAP funding by an additional \$150 million. The money, however, would have come out of NASA's space funding. The vote was 68-25 to defeat the amendment. The \$400 million contained in the bill is substantially higher than the Senate has approved in past years for SCAAP, and only about \$5 million less than the final FY07 appropriations. (Historically, support for higher program funding has been concentrated in the House, and advocates have to contend with low or no funding in a Senate bill.) The House's FY08 CJS bill (also H.R. 3093) provides a total of \$460 million for SCAAP.

California historically receives the lion's share of the nation's SCAAP funding. For FY 2006, the most recent year for which SCAAP payments have been made, the State received almost \$91.8 million. Los Angeles received the most among California's local jurisdictions with a payment of \$10.5 million, and Orange County was second highest with \$7.3 million.

The Senate approved an amendment to increase funding for the Community Oriented Policing Services (COPS) program by \$110 million, to a total of \$660 million – \$112 million more than FY07 funding and \$628 million more than the President's budget. The House funds COPS at \$725 million. An amendment was defeated on the floor, 52-42, that would have banned state and local jurisdictions from receiving COPS funding if they

prohibit their officials from cooperating with federal officials on immigration enforcement.

### **CALIFORNIA WATER BILLS MARKED UP IN HOUSE RESOURCES SUBCOMMITTEE**

The House Resources Subcommittee on Water and Power, led by Chairwoman Grace F. Napolitano (Norwalk), marked up three California-related water project bills on October 16, 2007.

H.R. 123, introduced by Rep. David Dreier (San Dimas) and co-sponsored by Reps. Hilda Solis (El Monte), Gary G. Miller (Diamond Bar), Adam Schiff (Burbank), and Napolitano, authorizes \$135 million in appropriations for the San Gabriel Basin Restoration Fund, to help clean up perchlorate contamination and provide safe drinking water to Southern California. The bill was reported by unanimous consent.

H.R. 236, introduced by Reps. Mike Thompson (St. Helena) and Lynn Woolsey (Petaluma), authorizes the Secretary of the Interior to create a Bureau of Reclamation partnership with the North Bay Water Reuse Authority and other regional partners to achieve objectives relating to water supply, water quality, and environmental restoration in Marin County, Napa County, Solano County, and Sonoma County. It was also reported by unanimous consent after an amendment in the nature of a substitute offered by Chair Napolitano was adopted unanimously.

H.R. 2498 was introduced by Reps. Jim Costa (Fresno) Devin Nunes (Tulare), Dennis Cardoza (Atwater), George Radanovich (Mariposa), and Kevin McCarthy (Bakersfield). It provides for a study regarding development of a comprehensive integrated regional water management plan that would address four general areas of regional water planning in both the San Joaquin River Hydrologic Region and the Tulare Lake Hydrologic Region, inclusive of Kern, Tulare, Kings, Fresno, Madera, Merced, Stanislaus, and San Joaquin Counties. It also provides that this plan be the guide those counties use to address and solve long-term water needs in a sustainable and equitable manner. Again, after unanimously adopting a Napolitano substitute, the Subcommittee reported the bill by unanimous consent to the full Committee.

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

### **SENATE HOMELAND SECURITY ASSESSES SAFE PORT ACT, ONE YEAR LATER**

On Tuesday, October 16, 2007, the Senate recognized the one year anniversary of the enactment of the Security and Accountability For Every Port Act (SAFE Port Act) by holding an informational hearing on the progress of implementing the mandates required by the Act. The SAFE Port Act, enacted in October 2006, enhances several provisions of the Maritime Transportation Security Act (MTSA) in addition to creating new programs within the existing framework.

The chief programs of concern to Chairman Joseph Lieberman (CT) and Ranking Member Susan Collins (ME) were the implementation of 1) the Container Security Initiative (CSI), 2) the Customs-Trade Partnership Against Terrorism (C-TPAT), 3) the Domestic Nuclear Protection Office (DNPO), and 4) the Transportation Worker Identification Credential (TWIC).

The key witnesses testifying were Stewart Baker, Assistant Secretary of Homeland Security for Policy and Stephen Caldwell, Director of Homeland Security and Justice Issues for the Government Accountability Office (GAO).

Assistant Secretary Baker said that overall the Department of Homeland Security (DHS) has done relatively well in implementing the act, but plenty of challenges remain. He stated that about 50 of the 100 mandates required by the Act are completed. Though he admitted that there are complications in implementing the Act, especially the TWIC program, he expressed confidence that all mandates will be met by the September 2008 deadline. When asked if the efforts have been worth it, Baker replied affirmatively, stating that as a result of the current efforts “no terrorist organization can have confidence that they can use our (port) supply chain against us now.” He drew a contrast to the largely unregulated state of the ports prior to September 11, 2001.

Director Caldwell expressed the view that the Department made progress in the areas of “improving strategic planning and better utilization of human capital.” He also said that the developing partnerships with the private sector and international regulatory authorities show promise in the move to coordinate the port security efforts in the U.S. and abroad. Despite his recognition of this progress, he highlighted concerns about the maintenance of efforts in this area; particularly the complications in implementing TWIC, the potential consequences of seeking a 100% scan of all containers at all ports, and the potential backlash if the U.S. were not to reciprocate the requests it is making of its international partners.

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

### **INTELLECTUAL PROPERTY SUBCOMMITTEE ASSESSES INTERNATIONAL PIRACY**

The House Judiciary Subcommittee on Courts, the Internet, and Intellectual Property, chaired by Rep. Howard Berman (North Hollywood) held a hearing on October 18, 2007 entitled “International Piracy: The Challenges of Protecting Intellectual Property in the 21st Century.” The Subcommittee received testimony from: Victoria A. Espinel, Assistant U.S. Representative for Intellectual Property & Innovation, Office of the U.S. Trade Representative; Eric H. Smith, President, International Intellectual Property Alliance (IIPA); Loren Yager, Director of International Affairs and Trade, U.S. Government Accountability Office (GAO); and Mark MacCarthy, Senior Vice President for Global Public Policy, Visa Incorporated.

Ms. Espinel cited three primary reasons for violation of U.S. intellectual property rights (IPR) overseas – weak laws, lack of priority by the foreign government, and increasingly sophisticated technologies and counterfeiters. In that context, her testimony focused on recent activities in China and Russia. She noted that although China has taken some steps to improve IPR protection and enforcement, U.S. Customs and Border Protection’s 2007 statistics still show that China was the source of 81 percent of infringing goods seized at U.S. borders. The Administration, therefore, continues to use the full range of tools in its arsenal, such as the Priority Watch List and WTO dispute settlement cases, to push China to improve its laws and enforcement. Russia, also, Espinel said, has made “clear progress” in some areas, but the Administration will continue to pressure the government to shut down and prosecute the operators of illegal websites operating there.

In his testimony, Mr. Smith detailed the cost of international piracy to the U.S. economy, and also focused on the problems in Russia and China. In addition, however, he also mentioned that among developed nations, IIPA is disappointed with Canada. He stated that it is a “major problem with an antiquated copyright law unsuited to the Internet world and an ineffective enforcement system.”

GAO’s Yager briefed the Subcommittee on GAO’s recent reports on coordinating mechanisms for federal IP protection. He noted that the U.S. faces serious challenges domestically in coordinating the activities of eight federal agencies with roles in protecting IPR, and two mechanisms to coordinate protection efforts – the National Intellectual Property Law Enforcement Coordination Council (NIPLECC) and the Strategy for Targeting Organized Piracy (STOP). GAO’s report on these coordinating mechanisms found that “the effectiveness and long-term viability of the coordinating structure is uncertain.”

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

### **SENATE BANKING COMMITTEE PASSES NATIONAL FLOOD INSURANCE PROGRAM**

On October 17, 2007, the Senate Committee on Banking, Housing, and Urban Affairs approved the overhaul of the National Flood Insurance Program (NFIP). The NFIP was established in 1968 to make affordable flood insurance available in communities that would adopt and enforce measures to make future construction safer from flooding. From 1968 through 2004, a total of \$15 billion had been paid out to cover more than 1.3 million claims. During that same time period, the NFIP took in \$20.5 billion in earned

premiums. The draft measure would reauthorize the program through FY 2013. The panel approved the bill 21-0.

The draft measure did not include the optional wind-damage protection language which prompted a veto-threat from the White House in a House-passed version (HR 3121).

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

## **HOUSE AGRICULTURE COMMITTEE EVALUATES ECONOMIC CHANGES**

On October 18, 2007, the House Agriculture Committee held a hearing entitled "Structural Changes That are Taking Place in the Agricultural Economy and Their Impacts," which focused on recent developments in the farm economy. Witnesses also examined both short- and long-term trends in prices and farm output. The discussion evolved into an examination of rising input costs from energy prices, rising land and labor costs, and the effects of new product development like biofuels. The hearing featured testimony from the U.S. Department of Agriculture, and the U.S. Department of Energy.

A few key points from the hearing include:

- USDA's forecast for U.S. agricultural exports for FY 2008 is a record high \$83.5 billion, up from \$79 billion in FY 2007
- Cash production expenses are forecast to be a record \$222 billion in 2007, up \$17 billion from 2006 and \$45 billion from 2003
- Producers responded to higher prices and returns for corn in late 2006 increasing corn planted acreage by 15.3 million acres in 2007 to 93.6 million acres, the largest area planted in corn in over 60 years
- U.S. ethanol production capacity is now estimated at 6.9 billion gallons, up 2 billion gallons from a year ago. Production capacity is expected to increase sharply over the coming 18-24 months, if the 76 plants currently under construction are completed
- The components of farm energy consumption are as follows: diesel accounts for 51 % of total use, motor gasoline accounts for 16 %, natural gas accounts for 9 %, liquefied petroleum gas (LPG or propane) accounts for 9 %, electricity accounts for 13 %, and other fuels account for 2 %
- Ethanol use in motor fuels has grown from 1.7 billion gallons per year (bgy) in 2001 to an estimated 6.9 bgy in 2007
- In July 2007, the ethanol industry produced an average of 421,000 barrels per day, providing about 4.5 % of 2007 average daily gasoline consumption volume, or about 3 % of the energy consumed by gasoline-fueled vehicles

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

## **HOUSING PANEL CONSIDERS ALTERNATIVES FOR RENEWING MCKINNEY-VENTO LAW TO COMBAT HOMELESSNESS**

On Tuesday, October 16, 2007, Rep. Maxine Waters (Los Angeles), Chairwoman of the Financial Services Subcommittee on Housing and Community Opportunity, held a day-long hearing of the panel to examine the Reauthorization of the McKinney-Vento Homeless Assistance Act. In addition to reviewing the Act itself, the hearing also considered alternatives for changing it, including those proposed in H.R. 840, the Homeless Emergency Assistance and Rapid Transition to Housing Act of 2007 and S. 1518, the Community Partnership to End Homelessness Act of 2007.

The panel's long list of witnesses included two Administration witnesses -- Mark Johnston, Deputy Assistant Secretary for Special Needs at the U.S. Department of Housing and Urban Development (HUD) and Philip Mangano, Executive Director of the United States Interagency Council on Homelessness. Among the other witnesses were several from California, including Los Angeles County Board of Supervisors Member Zev Yaroslavsky; Mercedes Marquez, General Manager of the Los Angeles of the

City of Los Angeles Housing Department; Elizabeth Gomez, Executive Director of the Los Angeles Youth Network; Dora Gallo with the Los Angeles-based organization called "A Community of Friends"; and Nancy Carter with the National Alliance for the Mentally Ill in Urban Los Angeles.

Supervisor Yaroslavsky told the Subcommittee that the overall homeless population of Los Angeles County is approximately 73,000. He said the three overarching factors leading to homelessness in the county are "(1) a lack of permanent, affordable housing; (2) insufficient resources and funding to help clients achieve and sustain self-sufficiency; and (3) severe psycho-emotional impairment of clients related to, and exacerbated by, substance abuse and/or mental illness." Of those 73,000-plus homeless people, he estimated that approximately 22,000 should be considered "chronically homeless" and helping them is hampered by a lack of supportive housing (which links permanent housing with such supportive services as case management, substance abuse treatment, mental health care, etc.) He urged the inclusion of resources for permanent supportive housing in any reauthorization of McKinney-Vento. He also urged expanded use of grants to fund homeless assistance and prevention services. Responding to questioning from Rep. Christopher Shays (CT), Yaroslavsky commented that a very small proportion of homeless in L.A. County are illegal immigrants, whereas more than one in four are veterans.

Some Subcommittee members expressed concern about Administration plans to consolidate homeless assistance programs; program proponents argued that the plans run the risk of just turning problems solely over to municipalities and making it their problem, whereas Administration officials argued it would the changes would eliminate the multiple and complex matching requirements that today must be met.

Asked by Rep. Kevin McCarthy (Bakersfield) what forms of assistance have proven most effective, Johnson replied that prevention (mediation in the courts, helping with rent or utilities, etc.) is very effective at combating homelessness.

Other witnesses commented that it is difficult to win the fight against homelessness, especially with housing so expensive (units are being raised to market rates when possible) that evictions are on the rise and with the revolving door problem (as hundreds leave homelessness, nearly as large numbers enter it).

There were differing opinions regarding whether or not to focus resources on long-term housing. Dr. Dennis Culhane of the University of Pennsylvania commented that a relatively small proportion of the homeless (perhaps less than 20%) use fully 50% of program resources by staying in homeless housing for more than a year. Culhane suggested that people should be allowed to stay in shelters for no more than 30 or 60 days without special permission. Other witnesses disagreed or urged a more flexible approach. Ms. Gomez, for example, suggested that youth, who may not have similar options and cannot move as easily, should be exempted; another witness suggested a similar break for victims of domestic abuse.

Noting that 13,000 homeless children currently attend L.A. City Schools, Ms. Marquez, the General Manager of the City of Los Angeles Housing Department, urged permanent supportive housing programs supported by federal, state, local and private funding. Half of the LA housing trust fund is currently being used for long term or the chronically homeless, half for "situationally homeless" families. Several witnesses urged that there should be a clear distinction between actual homelessness (on the streets) and people who are at risk of becoming homeless - avoiding foreclosing mortgages, anti-poverty programs, affordable housing (section 8 program and otherwise), unemployment assistance, etc. She urged that Congress maintain the 30% set-aside for permanent supportive housing for all homeless people with disabilities, and sustain this housing inventory with adequate program funding.

Ms. Marquez noted that more than 50% of the homeless are African American, 24% are Latino, and 19% are white. She stated that 22,376 or 33% of the homeless population in the County should be considered "chronically homeless". They often have crippling disabilities including mental illness and substance addictions. She estimated that about 27,000 homeless veterans live in Los Angeles; and that an estimated 13,000 homeless children are currently enrolled in the Los Angeles Unified School District.

For additional information or to download prepared testimony, visit the Committee website at [http://financialservices.house.gov/hearings\\_all.shtml](http://financialservices.house.gov/hearings_all.shtml) .

## **HOUSE SMALL BUSINESS COMMITTEE MARKS UP REAUTHORIZATION BILL**

On October 18, 2007, the House Small Business Committee marked up two bills which addressed funding and policies for the Small Business Administration (SBA). The two measures will reauthorize contracting and lending programs at the SBA. H.R. 3866, the Small Business Programs Act of 2007, was passed by voice vote with no amendments. The bill would authorize \$20 billion annually in fiscal 2008 and fiscal 2009 for the SBA's primary loan program, also known as 7(a) loans. Under the 7(a) program, SBA partially guarantees private-sector loans to small businesses. Commercial lenders are responsible for meeting the SBA's loan requirements to qualify for a guarantee and private lenders administer the loans.

H.R.3867, the Small Business Contracting Program Improvements Act, was passed by a vote of 21-4 with no amendments. The bill would update SBA's contracting programs, while making changes to the program to reduce waste and fraud. Among its provisions, the bill would allow any small business to challenge an individual program award. It also would take additional steps to require on-site reviews to verify eligibility for certain SBA programs. The measure would further standardize SBA contracting programs. Each SBA program that includes non-competitive contracts as a benefit would have the same threshold above which competition would be required. The bill also would improve contracting opportunities for businesses owned by service-disabled veterans and for women entrepreneurs.

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

## **SEMICONDUCTOR COS. AND ENGINEERS ASK FOR SKILLED IMMIGRANT REFORM**

The Semiconductor Industry Association (SIA) and the Institute of Electrical and Electronics Engineers – United States of America (IEEE-USA) joined together in an October 11, 2007 letter to urge Congress to reform federal policies regarding skilled immigrant workers. The letter was sent to the Chairs and Ranking Members of the House Judiciary Committee and its Immigration Subcommittee.

Noting that the organizations' different positions on the H-1B program are often what is highlighted in the media, the two groups wanted to share with Congress the issue on which they have common ground – “the retention of highly educated immigrants as part of a broader competitiveness and innovation initiative that includes a doubling of Federal investment in research in the physical sciences, improvements in science, technology, engineering and math (STEM) education at the K-12 and undergraduate levels and enactment of a permanent and strengthened R&D tax credit.”

The letter goes on to state that “the SIA and IEEE-USA agree that these highly-talented individuals should be able to get permanent resident status (green cards) in an expedited manner, rather than having to wait from 5-10 years as many do under the current system. SIA and IEEE-USA support legislation to attract and retain foreign professionals with advanced degrees in STEM fields as legal permanent residents.”

To accomplish this, the groups support several initiatives, including: raising the employment-based immigrant visa cap, including an exemption for foreign professionals with advanced degrees in STEM fields from U.S. universities; creating a new foreign student visa category to allow U.S. STEM bachelor's or higher degree holders who have a job offer to transition directly from student visas to green cards; extending post curricular optional practical training for foreign students from 12 months to 24 months to allow them to go more easily from temporary to permanent resident status; and exempting the spouse and children of certain employment-based professionals from the employment-based immigrant visa cap.

## **ELECTRIC POWER OPERATORS HOST POLICY BRIEFING**

On October 16, 2007, the Independent Systems Operators (ISOs) /Regional Transmission Organizations (RTOs) Council (IRC) hosted a briefing to inform staff on how ISOs and RTOs are helping to meet important policy objectives.

ISOs and RTOs are responsible for operating bulk power systems, managing wholesale electricity markets, and overseeing comprehensive planning processes in various regions of the U.S. They serve two-thirds of electricity consumers in the U.S.

The briefing illustrated IRCs efforts to increase demand response and renewable energy resources. According to the IRC, the renewable sources with the most potential are wind energy and hydro-electricity. A challenge in maximizing the benefit of these sources is that they are intermittent in nature, and thus they can not be depended upon to produce energy in a predictable manner. Furthermore, the remote location of these resources does not ensure that the energy they produce can be used in the place with the greatest demand. Another challenge discussed was the difficulty in storing energy, a goal that, according to the IRC panel, can most efficiently be reached with the storage of water and controlled flow of that water through a hydro-electricity generator. These challenges have implications on future energy policy.

California ISO (CAISO), which serves 30 million consumers, set the ambitious goal of having 20% of its energy portfolio come from renewable sources by 2010.

For more information visit <http://www.isorto.org> .

## **CBP REPORT SHOWS DISCREPANCIES IN POVERTY CALCULATION FOR CALIFORNIANS**

This week the California Budget Project (CBP) released a report, entitled *Making Ends Meet: How Much Does It Cost to Raise a Family in California?*, which highlights discrepancies in the poverty measure relative to the above average cost of living for Californians. The report estimates costs of basic living necessities across 10 regions in California.

The study finds that families need to earn incomes that are much higher than the federal poverty line to afford to make ends meet. Among the most glaring statistics identified is that a single-parent family needs an annual income of \$59,732, equivalent to an hourly wage of \$28.72 to meet basic living expenses. In contrast, the state's minimum wage provides a full-time worker with an annual income of \$15,600, and the federal poverty line for a family of four was \$20,444 in 2006.

For more information visit <http://www.cbp.org> .

## **PPIC PRESIDENT BRIEFS STAFF ON LATEST PPIC STATEWIDE SURVEY: CALIFORNIANS AND THEIR GOVERNMENT**

On Thursday, October 18, 2007, Public Policy Institute of California (PPIC) President and CEO Mark Baldassare briefed congressional staff on the PPIC's recent survey, *Californians and their Government*.

The survey sought to gauge Californians' satisfaction with their elected officials, trust in their government, feelings about current California ballot measures, policy priorities, and likely choices of candidates for the Presidential primary, among other things.

The survey found that California's congressional delegation enjoyed broad support as 54% of those surveyed said they are satisfied with the job their congressperson is doing. In contrast, only 39% were satisfied with their elected official(s) serving in the California legislature. The Governor continued to receive high approval ratings, continuing the trend of being better-liked than his legislative counterparts. He currently holds a 50% approval rating.

Despite the Governor's high approval ratings, Californians continue to show a lack of trust for the State government as a whole. Sixty-nine percent (69%) of likely voters think that they can trust the government in Sacramento "only some of the time." Furthermore, 73% of likely voters said that "the state government is pretty much run by a few big interests."

The disdain for government being apparent, the survey also sought to reveal what types of changes to the current legislative system are favored by Californians. Fifty-five percent (55%) of likely voters

avored the “Limits on Legislatures...” term limits initiative (now Proposition 93) that reduces the total number of years a member of the legislature can serve from 14 to 12 years, with the possibility of serving the entire term in one house. The so-called companion measure that “requires an independent commission of citizens...to adopt a new redistricting plan” enjoyed support of 66% of likely voters. Californians were not so keen, however, on the idea of changing the two-thirds vote requirement to pass the state budget to a 55% majority; the idea only garnered 39% support from likely voters despite the two-month budget impasse this summer.

Along with key legislative reforms, Californians also overwhelmingly favor reforms to California’s health care system. Seventy-two percent (72%) of likely voters favor “major changes” in California’s health care system, and 63% of likely voters favor “requiring all Californians to have health insurance, with costs shared by employers, health care providers, and individuals.”

Beating out health care on the priority list, however, was immigration, which 18% of Californians see as the most important issue facing the state, compared to 14% for health care.

With an early February primary looming, the survey also sought to gauge Californian’s opinions of the presidential candidates. Senator Hillary Clinton remains the clear front runner among Democrats with 41% support to Senator Barack Obama’s 23%. Former Mayor Rudy Giuliani enjoys a lead among Republican candidates with 22% support, followed by former Governor Mitt Romney and former Senator Fred Thompson, who both received the support of 16% of likely Republican voters.

For more information, visit <http://www.ppic.org> .

## **RECENT STUDY FINDS ETHANOL DOES NOT NEED FEDERAL SUPPORT**

On September 27, 2007, FarmEcon.com released the results of its new study *Fuel Ethanol Subsidies: An Economic Perspective*. The study was sponsored by the National Turkey Federation, the National Chicken Council and the American Meat Institute. According to the report, ethanol production, spurred on by federal subsidies, is increasing corn demand and causing sharply higher feed costs for producers of meat, poultry and dairy products. The stated intentions of the ethanol subsidy program were to diversify our sources of energy and to reduce motor vehicle emissions. For a number of years the ethanol program produced relatively small amounts of fuel, and did not have a major impact on crop economics or fuel prices. The report claims that the root cause of the changing influence of fuel ethanol is the fixed nature of the Federal subsidy program in the face of a very dynamic energy market.

A few key facts from the study include:

- Federal ethanol subsidies have caused significant increases in corn and soybean prices
- Feed costs have increased 30-40% for U.S. and world livestock and poultry producers
- Resulting wholesale and retail food price pressures will cause increased food production costs of \$460 for a family of four
- The U.S. ethanol program itself is contributing very little to net energy supplies
- If the entire world's 2007 supply of grain were to be converted to ethanol it would only displace the U.S. gasoline supply

To view the study, please visit: <http://farmecon.com> .

## **CALIFORNIA BUDGET PROJECT REPORT PROFILES WIDENING INEQUALITY**

A recent study by the California Budget Project (CBP), entitled *A Generation of Widening Inequality*, profiles the causes of disparate income in California from 1979-2006.

The report states that job growth in this generation is concentrated in low-wage and high-wage jobs, and shows that the gap between those income brackets is widening. It takes issue with the lack of job growth in the middle-income bracket and its effect on the middle class.

According to the study, “the hourly wage of the typical worker – the worker exactly at the middle of the earnings distribution– has barely kept pace with inflation.” The gap widening is exacerbated in California because low wage workers have made fewer gains than their U.S. counterparts while high-wage workers have fared significantly better. Furthermore, the gains of high-income workers have far surpassed those of lower-income workers in recent years.

The study also finds that many Californians have not benefitted from the recovery of the economy as gains have not trickled down to the most needy Californians. In fact, over the first four years of U.S. economic expansion (2001-2005) in this century, the number of Californians living under the poverty line increased by 0.6%.

For more information visit <http://www.cbp.org> .

### **WEDNESDAY (OCT 24) BRIEFING TO FEATURE MWD ON STATE’S PERSISTENT DROUGHT, TROUBLING WATER SUPPLY AND QUALITY ISSUES**

The current record-setting drought conditions, a recent court decision that may severely curtail the amount of water available to southern California, and the state’s continuing need for water storage and quality improvements are combining to profoundly affect California’s water supply.

Water districts across the state face many challenges as they ensure that adequate clean drinking water remains readily available to customers. Visiting Washington next week will be officials from the Metropolitan Water District of Southern California (MWD) -- a consortium of 26 cities and water districts that provides drinking water to nearly 18 million people across large parts of Los Angeles, Orange, San Diego, Riverside, San Bernardino, and Ventura counties.

On Wednesday, Jeff Kightlinger, General Manager & CEO of MWD, will brief Congressional staff and other interested parties regarding MWD’s actions to address the serious water issues confronting water users throughout California. The briefing will take place at 10:00 a.m. on Wednesday, October 24, 2007, in Room S-120 of the U.S. Capitol Building (the Hugh Scott Room).

Refreshments will be served. For your information, the California Institute is a 501(c)(3) nonprofit organization that does not employ lobbyists, and the event will be widely-attended. Because the briefing takes place in the Capitol Building, attendees are urged to arrive early to ensure adequate time to clear security. (Enter from the north side of the Capitol Building, accessed via Constitution Avenue, NE.)

To attend, send email to [rsvp@calinst.org](mailto:rsvp@calinst.org) or call 202-974-6384. For additional information, contact Brad Hiltcher at 202-393-4251 or [bhiltcher@mwdh2o.com](mailto:bhiltcher@mwdh2o.com) .