ECONOMY: WHITE HOUSE AND HOUSE LEADERS AGREE ON ECONOMIC STIMULUS PACT

On Thursday, January 24, 2008, the White House, represented by Treasury Secretary Henry M. Paulson Jr, and House leaders Speaker Nancy Pelosi (San Francisco) and John Boehner (IN) announced a $150 billion compromise package to stimulate the economy based on rebates to individual taxpayers and business incentives. The package also includes provisions to assist homeowners in refinancing adjustable rate mortgages.

Highlights of the agreement include:

- In 2008, taxes would be cut from 10 percent to zero percent on the first $6,000 dollars of taxable income for individual taxpayers and the first $12,000 of taxable income for couples. Taxpayers could receive rebates of up to $600 for individuals and $1,200 for couples. A minimum of $300 per person and $600 per couple would be available to those with at least $3,000 of earned income. This relief would be available to everyone with adjusted gross income less than $75,000 for singles and $150,000 for married couples filing jointly. It will be phased out for taxpayers above those income thresholds.

- Everyone eligible for this relief would also receive an additional $300 per child.

- The agreement would also save businesses approximately $50 billion in taxes through a temporary change to the tax code that will allow those that buy new equipment this year to deduct an additional 50 percent of the cost of their investment in 2008. It also increases expensing for small businesses.

The agreement, however, does not include extending unemployment compensation benefits beyond 26 weeks, or additional money for food stamps, provisions that the Senate may try to add when it takes up the package.

The House expects to move the bill directly to a floor vote the week of Feb. 4. The Senate expected is not expected to get to it until at least February 6. The leadership has said it wants to send the bill to the President by the beginning of the President's Day break, February 16th. Secretary Paulson said the IRS will need about 60 days after enactment before it will be able to send out rebate checks.

For further information, go to: http://www.whitehouse.gov.
HEALTH: HOUSE FAILS TO OVERRIDE SCHIP AGAIN

On Wednesday, January 23, 2008, the House again failed to override the President’s veto of the State Children’s Health Insurance Plan (SCHIP). The vote was 260-152, 15 votes shy of the two-thirds needed to succeed. The two times the House leadership brought up the legislation, H.R. 3963, for an override vote in October 2007, the tallies were seven and 13 votes short of that needed.

The bill would provide health care for an additional four million children at a cost of an additional $35 billion over five years. The additional cost would be paid for by increasing tobacco taxes. The President vetoed the legislation because it would have expanded SCHIP to higher income households while increasing taxes. Opponents on the Hill also argued that it would encourage middle-income families to drop out of private health insurance and allow illegal immigrants to enroll in the program. Proponents of the bill, on the other hand, argued that it is even more important to help the states provide children with health care during the current economic slowdown.

A law was enacted last year that reauthorizes SCHIP at its current enrollment level until March 31, 2009.

HOMELAND SECURITY: HOUSE TRANSPORTATION ASSESSES TWIC PROGRAM

On Wednesday, January 23, 2008, the House Transportation Subcommittee on Coast Guard and Maritime Transportation held a hearing on the status of the Transportation Workers Identification Credentials program. The witnesses were: Rear Admiral Brian Salerno, Assistant Commandant for Safety, Security, and Stewardship, U.S. Coast Guard; Maurine Fanguy, TWIC Program Manager, Transportation Security Administration; Judy F. Marks, President, Lockheed Martin, Transportation and Security Solutions; and, John Porcari, Secretary, Maryland Department of Transportation.

TWIC is a Department of Homeland Security (DHS) program with joint participation from TSA and the Coast Guard to provide a tamper-resistant biometric credential to maritime workers requiring unescorted access to secure areas of port facilities and vessels regulated under the Maritime Transportation Security Act. Ms. Fanguy brought the Subcommittee up to date on the implementation of the program. She noted that there are now fixed enrollment centers operating at 54 ports, including all 50 of the ports TSA originally designated, including Los Angeles/Long Beach. Currently, she said, almost 110,000 applicants have pre-enrolled for a TWIC, almost 50,000 have actually enrolled with slightly more than 25,000 cards printed and almost 12,000 cards activated. The average TWIC enrollment time for a port worker is less than 11 minutes, Fanguy noted. As TSA moves forward with TWIC implementation, it will apply the lessons it has already learned, including: looking for efficiencies by eliminating duplicative regulatory processes; addressing the impact on small businesses; preserving State regulatory flexibility whenever practical; and implementing technical innovation and adaptive contract management.

Ms. Marks noted that Lockheed Martin was awarded the TWIC Phase IV contract on January, 29, 2007 -- less than one year ago. The initial task order, Task Order 1, provides for initial enrollment of the maritime population, as well as support of the Information Technology (IT) system that collects
applicant information and manages the lifecycle of the TWIC Credentials. She told the Subcommittee that the TWIC fee, as of October 1st, 2007, is $132.50 for a new credential, for an applicant who does not possess a current qualifying background investigation. This fee breaks down as follows:

- $43.25 for Information Collection / Credential Issuance (Lockheed Martin)
- $72 for Complete Security Threat Assessment (STA) and Card Production (TSA)
- $17.25 FBI Criminal History Records Check (FBI).

She also testified that the most significant challenges facing the program are:

1. Rapid deployment of personnel and equipment to facilities that we must locate and secure on a very tight timeline,
2. Support, maintenance, and evolution of a complex information technology system involving advanced biometric identification systems and protection of sensitive personal information, and,
3. Higher than anticipated populations in the Gulf Coast specifically in Louisiana and Houston.

Nevertheless, she expressed confidence that the project participants would continue to work to minimize inconvenience to port workers while striving for the best in maritime security.

For the testimony of all the witnesses, go to: http://transportation.house.gov.

CLIMATE: CALIFORNIA SUES EPA OVER WAIVER DENIAL

As expected, on Wednesday, January 16, 2008, California sued the U.S. Environmental Protection Agency (EPA) for denying a waiver to allow California to limit greenhouse gas emissions from cars, trucks, and SUVs. The lawsuit was filed in the U.S. Court of Appeals for the Ninth Circuit in San Francisco. If the waiver had been granted by EPA Administrator Stephen L. Johnson, California would have been the first state in the nation to implement a limit on greenhouse gas emissions from vehicles. At least 16 other states had been expected to follow California’s lead and adopt the state’s tougher emission limits.

In a field hearing held on January 10, 2008, members of the California delegation as well as the Attorney General of California, Edmund G. Brown, expressed their frustration over the EPA’s decision. Senator Barbara Boxer commented: “There is no excuse for the Bush Administration’s decision to block California and eighteen other states from protecting our planet and our people. One way or another, this unjustified, unprecedented, and illegal decision must be overturned.” Congresswoman Hilda Solis (El Monte) showed a similar discontent with the EPA’s decision and the impact that it will have on Californians.

Attorney General Brown said “California met every criteria for the waiver on the merits. EPA should have granted the waiver a long time ago. EPA’s denial of the waiver is a parting gift by this Administration to the automobile industry. Even when EPA’s decision is reversed, it will have achieved the industry’s goal of delay. Delay means more money in the pockets of automobile industry executives at the expense of the public health and welfare. Make no mistake -- EPA’s decision will have long-term environmental consequences.”

In an e-mailed statement, EPA spokesman Jonathan Shradar said the federal Energy Independence and Security Act "is a more beneficial national approach to a national problem, which establishes an aggressive standard for all 50 states — as opposed to a lower standard in California and a patchwork of other states."

California officials contend its 2004 law is tougher than the new national standard. It would have required the auto industry to cut emissions by one-third in new vehicles by 2016 or reach an average of 36.8 mpg.

For more information visit http://ag.ca.gov/newsalerts/release.php?id=1514

CLIMATE: SENATE EPW CONTINUES INVESTIGATION INTO EPA’S DENIAL OF CALIFORNIA WAIVER REQUEST

On Thursday, January 24, the Senate Environment and Public Works Committee, chaired by Sen. Barbara Boxer, held another hearing on the Environmental Protection Agency’s decision to deny California’s waiver request to limit greenhouse gas emissions from cars, trucks, and SUVs. (See related article in this Bulletin regarding California’s lawsuit.)

Over the course of several hours, the Chairwoman and Majority Members of the Committee grilled EPA Administrator Stephen L. Johnson on the decision making process and the timing of the denial. Johnson
argued that California did not meet the “compelling and extraordinary conditions” standard required by the Clean Air Act. He also contended that the recently passed energy legislation, laying out national emissions standards for the future, was the correct course to avoid a “checkerboard” of state laws.

Despite Administrator Johnson’s staunch defense of the correctness of EPA’s decision and the way in which it was made, most of the Committee’s Senators expressed their outrage at the decision and accused EPA of “playing politics” with the country’s public health. In one response to Administrator Johnson, Senator Boxer said that the Administration’s refusal to say that global warming is a danger to public health is “at best embarrassing to the United States and, at worst, dangerous.” Boxer indicated that she would introduce a bill to require acceptance of California’s waiver request, and she listed a number of Senators who have agreed to sign on as cosponsors.

Douglas Haaland, Director of Member Services for the California Assembly Republican Caucus, and Special Advisor to the Assembly Republican Leader on Water, Environmental, and Natural Resources Issues, also testified before the Committee and strongly supported EPA’s decision. He stated that Administrator Johnson’s decision “is a reasoned response to a process that has been allowed to spin out of control in California.” He based that contention on both policy issues and the legislative and regulatory process. “On a policy basis,” he argued, “the regulations developed by the California Air Resources Board (CARB) represent an extraordinary expansion of regulatory authority that no state has previously undertaken.” Moreover, he said, the process by which the California legislature considered and passed AB1493, the statutory authorization on which the waiver request was based, was an “egregious abuse” of the state’s legislative process – with the Assembly and Senate voting the bill out in a mere three days after the language was amended into the bill. He concluded his testimony by stating: “In light of the current $14 billion budget deficit California faces, I don’t believe that we have the luxury of continuing to create regulatory schemes that ignore the economic realities of diminished inventories, reduced product sales, or the elimination of markets for the products produced within the state.”

Other witnesses at the hearing included Governors Martin O’Malley (MD), Jim Douglas (VT), Edward G. Rendell (PA), and Mike Cox (MI). Among them, only Governor Cox supported EPA’s decision.

For the testimony of all the witnesses, go to: http://epw.senate.gov.

WATER: KLAMATH BASIN SETTLEMENT GROUP GIVES CAPITOL HILL BRIEFING

On Thursday, January 24, 2008, key participants in the development and execution of the Klamath River Basin settlement agreement outlined details of the agreement at a congressional briefing hosted by the California Institute. On January 15th, the Klamath Settlement Group released the Proposed Klamath Basin Restoration Agreement for public review.

Participants in the briefing pointed out several key provisions, including:
- A comprehensive program to rebuild fish populations sufficient for sustainable tribal, recreational, and commercial fisheries. Elements include: Actions to restore fish populations and habitats, including a program to reintroduce anadromous species in currently-blocked parts of the Basin; actions to improve fish survival by enhancing the amount of water available for fish, particularly in drier years; and other efforts to support tribes in fishery reintroduction and restoration efforts.
- A reliable and certain allocation of water sufficient for a sustainable agricultural community and national wildlife refuges.
- A program to stabilize power costs for the Upper Basin’s family farms, ranches, and for the two national wildlife refuges.
- A program intended to insure mitigation for counties that may be impacted by the removal of the hydroelectric facilities.

The Klamath Settlement Group has developed the Proposed Agreement over the course of two years of negotiations, and it is still refining some details in the proposal.

The Klamath Settlement Group is also negotiating with PacifiCorp to reach agreement on the removal of the utility’s four lower dams in the Klamath Basin. Dam removal is a necessary part of the overall restoration
effort, the participants stated, and the Hydropower Agreement along with the proposed agreement will provide a comprehensive solution for the Basin.

The Klamath Basin is known for its array of National Wildlife reserves and its abundance of wildlife. It is located along the California-Oregon border (partially laying in Oregon) and is comprised of the Lower Klamath; Tule Lake; Clear Lake; Upper Klamath; Bear Valley and Klamath Marsh National Wildlife Reserves. It falls within parts of Humboldt and Siskiyou Counties.

For more information visit http://www.edsheets.com/Klamathdocs.html. To view streaming video (wmv format) from the briefing or to listen to it in MP3 audio format, visit the California Institute’s audio/video page at http://www.calinst.org/video.htm.

**BayBio Briefing and Report Highlight California Biotechnology Industry’s Research Successes and Policy Challenges**

At briefings held in Washington, Sacramento, and San Francisco, the northern California bioscience organization BayBio recently released its “Impact 2008” report. The Washington event, a Capitol Hill Briefing on January 23, 2008, featured experts from some of the California companies that have produced and are researching approaches for dealing with some of the health care community’s most vexing problems.

The BayBio:Impact2008 report outlines some of the successes and efforts underway -- as well as some of the public policy challenges and alternatives associated with them -- in such areas as cancer, infectious diseases, cardiovascular and circulatory, metabolic disorders, dermatology, central nervous system, ophthalmology and optometry, respiratory and pulmonary system, autoimmune and inflammation, blood and lymphatic system, women's health, genetic diseases, digestive system, substance abuse, musculoskeletal disorders, urinary tract system, dental, and medical devices and diagnostics.

The briefing featured Kim Popovits, President and Chief Operating Officer of Genomic Health, Paul Hastings, President and CEO of OncoMed Pharmaceuticals, and Matthew Gardner, BayBio’s President and CEO.

BayBio President Gardner discussed steps that policymakers could take to assist the biotechnology sector and help “ensure California realizes the full potential of an industry that in Northern California alone has created more than 400 innovative life-saving drugs and technologies.”

Mr. Hastings of OncoMed commented that the United States is the world’s center for biotechnology, and California is the nation’s center for biotech excellence. OncoMed Pharmaceuticals focuses on improving cancer treatment, by developing monoclonal antibodies that target the biologic pathways critical to tumor initiating cells, also known as “cancer stem cells”.

Ms. Popovits of Genomic Health focused on effort to turn the promise of genomics into medicine by understanding the biology of disease. She said that understanding that a genome is and does underscores findings that disease happens at the molecular level because “biology matters.”

In particular, Ms. Popovits outlined the benefits of better targeting medical treatments. She noted that most drugs prescribed in the US today are effective in fewer than 60% or treated patients. She cited examples that included cancer treatment (25% effective), hepatitis C (47%), osteoporosis (48%), migraine headaches (50%), diabetes (57%), card arrhythmia (57%), and depression (60%).

She pointed out that much of the traditionally successful biomedical industry has been built on the “blockbuster drugs” -- those with sales of $1 billion or more. She predicted that future drugs will be less likely to come through such approaches; they will be more targeted to individualized patients and smaller groups of patients.

She cited statistics showing that only 4 in 100 patients who get chemotherapy in early-stage breast cancer actually benefit from the treatment -- “the other 96% get the toxic effects and lifetime consequences” without concordant benefit. Her company, Genomic Health, spent $140 million bringing to market its “test”-type assessment called “Oncotype DX,” a diagnostic that costs $3,600. While seemingly expensive on its face, it is far cheaper than chemotherapy, which can cost $20,000 or $30,000. She said, however, that the issue is how to incent providers (physicians, payors, and insurance companies to accept the alternative approach. If
medicare, medicaid or private insurers won’t cover a diagnostic, many people will receive pricier, unnecessary, and ineffective treatments.

She suggested several goals, including changing regulatory requirements for diagnostic testing prior to prescribing drugs, learning more about drugs once in marketplace (including off-label uses), updating an outdated reimbursement system, incorporating genomics into medical curricula, and greater industry focus on innovation and regulation, as well as on developing more drugs with more limited markets.

BayBio’s Gardner noted that there are nearly 500 products already in phase II development and it is important to remember that NIH funding has been a primary catalyst for these innovations. He noted too that there are regulatory hurdles to overcome. For example, the U.S. Patent & Trademark Office (PTO) will not even see application for at least three years (so venture capital support is scarce until then), and then -- once through with a clinical trial -- FDA will take another two years to review applications. Thus, he noted, “that’s five years added to the process.”

He urged a three-point action plan
- 1. Increase the NIH and NSF budgets by 5 percent or more each year;
- 2. Hire 7000 new patent examiners for USPTO by 2015 and increase FDA appropriations by $175 million in FY 2009; and
- 3. Allow Medicare, Medicaid, and CMS to adopt innovations by reforming the budget neutrality requirement for cost-saving technologies.

For more information, visit http://www.baybio.org/wt/page/BayBioIMPACT.

UPCOMING: TUESDAY (1/29/08) PPIC Luncheon Briefing To Examine California’s Post-Partisan Future

A unique Capitol Hill luncheon forum on Tuesday, January 29, 2008, will consider a number of questions facing California’s political stakeholders: Is the partisan divide in California so deep that Democrats and Republicans cannot move past it and work together? Does the growing trend toward “decline-to-state” voter registration indicate a reshaping of the two-party system? The major parties’ vast differences in ideology and policy preferences on issues such as immigration, health care, the Iraq war, and environmental policy continue to polarize the two parties. With a decline in partisan voters, the independent vote will be critical in this growing nonpartisan electorate.

These and other topics will be addressed at a unique Capitol Hill luncheon forum on Tuesday, January 29, 2008, at 12:00 noon, in Room B-338 of the Rayburn House Office Building. We invite you to join us to hear from and interact with the following participants:
- Mark Baldassare, President and CEO, PPIC
- Bruce Cain, Executive Director, University of California Washington Center
- Jon Cohen, Director of Polling, The Washington Post
- Claudia Deane, Associate Director, Public Opinion & Media Research, Kaiser Family Foundation

Sparking Tuesday’s discussion is Mark Baldassare’s new report, California’s Post-Partisan Future. The report is available online at http://www.ppic.org, and copies will be available at the event. To attend this briefing (acceptances only), please contact the California Institute 202-974-6384 or rsvp@calinst.org.

Author of numerous publications, Mark Baldassare is an expert in public opinion, including political, social, economic, and environmental attitudes. He founded the PPIC Statewide Survey in 1998 and served as the Institute’s Director of Research until being appointed PPIC’s President and CEO in 2007. Previously, he was a department chair at the University of California, Irvine, where he conducted polls for the Los Angeles Times, Orange County Register, San Francisco Chronicle, and California Business Roundtable.

PPIC and the California Institute are both 501(c)(3) nonprofit organizations that do not employ lobbyists. PPIC is a private, nonprofit organization dedicated to improving public policy through objective, nonpartisan research on the economic, social, and political issues that affect Californians. It was established in 1994 with an endowment from William R. Hewlett.
UPCOMING: THURSDAY (1/31/08) RAND BRIEFING TO DISCUSS NEW APPROACHES FOR MANAGING WATER RESOURCES IN AN ERA OF CLIMATE CONCERNS

On Thursday, January 31, 2008, experts from RAND will present to Congressional staff and other interested parties a briefing entitled “Meeting the Challenges of Water Resource Planning: New Decision Support Methods for Water Managers Facing an Uncertain Future Climate.” The briefing will take place at 1:00 p.m. on Thursday, January 31, in 2203 Rayburn House Office Building.

The presentation will describe a new approach to climate change decision support and its application to Southern California's Inland Empire Utilities Agency (IEUA). Despite significant uncertainty about its future climate and other challenges, the studies helped IEUA identify robust and cost-effective responses. While other regions may have different management concerns and options available than IEUA, these new planning methods can be applied to address a wide range of challenges facing today's water management agencies.

Water management agencies face a difficult challenge of planning under uncertainty. Traditionally agencies draft their water management plans assuming that their regions' future climate and all its variability will be similar to that experienced historically. Unfortunately, this planning assumption seems increasingly unlikely to hold in the future.

As part of a multiyear project on improving decision making under uncertainty, RAND researchers have been helping water management agencies in California identify their vulnerabilities to future climate change and their best options for reducing those vulnerabilities.

In this briefing, Robert Lempert, RAND Senior Scientist, and David Groves, RAND Associate Policy Researcher, will present findings from two new RAND reports:
- Presenting Uncertainty About Climate Change to Water Resource Managers: A Summary of Workshops with the Inland Empire Utilities Agency and
- Preparing for an Uncertain Future Climate in the Inland Empire: Identifying Robust Water Management Strategies

Robert Lempert leads RAND's multiyear, NSF-funded effort on climate change decision making uncertainty Improving Decisions in a Complex and Changing World. A RAND senior scientist and professor of policy analysis in the Pardee RAND Graduate School, Dr. Lempert is a member of the National Academy's Climate Research Committee, a contributing author to the Intergovernmental Panel on Climate Change (IPCC), a Fellow of the American Physical Society, and an author of the book Shaping the Next One Hundred Years: New Methods for Quantitative, Long-Term Policy Analysis.

David Groves is a RAND associate policy researcher and professor of policy analysis in the Pardee RAND Graduate School. He specializes in the development and use of exploratory modeling and robust decision making methods for long-term policy analysis. For the past several years he has worked to apply these tools to water resource planning in a variety of contexts in California. He has a doctorate in Policy Analysis and masters degrees in Atmospheric Sciences and Earth Systems.

Introducing the presenters and offering overview remarks will be Debra Knopman, Vice President and Director of RAND Infrastructure, Safety, and Environment. Dr. Knopman's research background is in hydrology, environmental and natural resources policy, systems analysis, and public administration. From 1997 to 2003, she was a member of the Nuclear Waste Technical Review Board, which has oversight of the Yucca Mountain scientific and engineering program. She served as Deputy Assistant Secretary for Water and Science at the U.S. Department of the Interior, Chief of the Branch of Systems Analysis in the U.S. Geological Survey, professional staff member on the U.S. Senate Committee on Environment and Public Works, and legislative assistant for energy and environmental issues to Senator Daniel P. Moynihan.

For further information, visit http://www.calinst.org/events/2008-01-31-RAND.shtml. To attend the event, you may send email to the California Institute at rsvp@calinst.org or to Sirat Attapit at RAND, at sattapit@rand.org or call at 703-413-1100 ext. 5938.
UPCOMING: FRIDAY (2/1/08) BRIEFING BY CALIFORNIA SCHOOL BOARD LEADERS TO CONSIDER EDUCATION FUNDING AND NO CHILD LEFT BEHIND ACT RENEWAL

On Friday, February 1, 2008, at 2:00 p.m., a Capitol Hill briefing regarding K-12 education matters will be presented to Congressional staff and others in Room 2203 of the Rayburn House Office Building. The briefing will feature remarks by experts from the California School Boards Association (CSBA).

The briefing will feature comments by Rick Pratt, Assistant Executive Director of the California School Boards Association, who will present information regarding a variety of topics related to both state and federal participation in K-12 education, as well as CSBA Principal Legislative Advocate Erika Hoffman. CSBA is a collaborative group of nearly all of the state’s more than 1,000 school districts and county offices of education.

For further information, or to contact the presenters in advance, visit the CSBA website at www.csba.org or contact Rick Pratt at 916-325-4020. To contact the California Institute, visit www.calinst.org or call 202-974-6384. Please note that there is no reply necessary to attend the briefing.