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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.

WATER: HOUSE RESOURCES PANEL ON WATER & POWER EXAMINES CALIFORNIA’S WATER FUTURE

The House Resources Subcommittee on Water and Power, chaired by Rep. Grace Napolitano (Norwalk) held a hearing on January 30, 2008 to assess "The Immediate Federal and State Role in Addressing Uncertain Water Deliveries for California and the Impacts on California Communities."

Witnesses were: Bob Johnson, Commissioner, Bureau of Reclamation, Department of the Interior, accompanied by Steve Thompson, Manager, U.S. Fish and Wildlife Service's California and Nevada Operations Office; Lester Snow, Director, California Department of Water Resources; Rick Frank, Member, Blue Ribbon Task Force, Delta Vision, Berkeley, CA; Wally Bishop, General Manager, Contra Costa Water District, Concord, CA; Jeff Kightlinger, General Manager, Metropolitan Water District of Southern California, Los Angeles, CA; Jean Sagouspe, Family Farmer, Los Banos, CA; Larry Starrh, Starrh & Starrh Cotton Growers, Shafter, CA, accompanied by Jim Beck, General Manager, Kern County Water District; Jose Ramirez, City Manager, City of Firebaugh, CA; Dan Nelson, Executive Director, San Luis and Delta-Mendota Water Authority, Los Banos, CA; and Rich Atwater, CEO and General Manager, Inland Empire Utilities Agency, Chino, CA.

In her opening remarks, Chair Napolitano said: "The Delta today- in every aspect- is not sustainable." Recognizing that one subcommittee hearing will not solve the Delta's problems, she said the intent was to address the uncertainty of water management in California by focusing the federal and state role of dealing with the short-term uncertainty, and examining alternate solutions for decreasing dependence on the Delta.

Commissioner Johnson concentrated his remarks on the Bureau's efforts to protect the delta smelt in the short term, as required by a federal court order, and at the same time take a "thorough, methodical, and well thought-out approach to develop the actions that will more assuredly address the needs of the species in a justifiable manner." He noted that the federal and state water projects have reduced Delta water exports by approximately 65 thousand acre-feet to date to manage flows in Old and Middle Rivers and that this action will continue until there are indications that delta smelt have begun to spawn—generally in late February.

Director Snow and Mr. Frank discussed Governor Schwarzenegger's Delta Vision Task Force. Snow also outlined the Governor's proposal of a total of \$11.9 billion in general obligation bonds to support investment in California's water future, which consists of :

CONTENTS:

Water: House Resources Panel on Water & Power Examines California's Water Future	1
Transportation: In Early Discussion of 2009 SAFETEA-LU Reauthorization, Senate Environment & Public Works Holds Hearing on Commission Report . . .	2
Health: Energy & Commerce's Health Subcommittee Addresses Failed SCHIP Reauthorization	3
Energy: Senate ENR Committee Holds Hearing on Carbon Capture and Sequestration Legislation & Alternatives	4
Economy: House Passes Stimulus Bill; Senate Finance Works On Its Version	4
Demographics: Public Policy Institute of California Hosts Briefing and Forum on California's Post-Partisan Future	5
Water: RAND Experts Explain Innovative Approaches for Reducing Climate-Change Vulnerabilities in Water Management Decisionmaking	6
Education: Aspen Institute Hosts Briefing on No Child Left Behind	6
State Issues: Governor's Health Care Bill Dies in State Senate Committee	7
BioTech: Biomedical Industry Report Assesses Impact on State's Economy	7
Demographics: Pew Hispanic Center Releases Statistical Reports	8
Federal Budget To Be Released Monday	8
Education: CSBA Briefing on Friday, February 1 To Discuss K-12 Learning	8

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- \$3.5 billion to develop additional storage;
- \$2.4 billion toward implementing a sustainable resource management plan for the Delta;
- \$1.1 billion for water resources stewardship, including funding for Klamath River restoration, Salton Sea restoration, restoration actions on the San Joaquin River, and money to supplement successful restoration projects on the Sacramento River and its tributaries, as well as in the Delta;
- \$3.1 billion to promote water conservation;
- \$1.1 billion for water quality improvement; and
- \$700 million for other critical water projects.

Mr. Bishop discussed the Los Vaqueros Reservoir and testified that Contra Costa Water District has successfully operated it for the past ten years to protect fish, and provide net environmental benefits to the Delta, while increasing yield for the Central Valley Project (CVP). He stressed that expansion of the Reservoir is critical to operational flexibility in the Delta. Mr. Kightlinger detailed the steps that MWD is taking to prepare for “significant” cutbacks in water supplies because of court ordered curtailments. Included in those efforts are purchases of additional supplies on the open market and funding a \$6 million dollar water use efficiency outreach campaign to encourage conservation. MWD has also approved spending over \$30 million to aggressively implement water conservation and recycled hook-ups for public agencies and the commercial and industrial sectors. For the federal government’s part, Kightlinger urged the U.S. Fish and Wildlife Service to develop a new biological opinion to guide the operations of the State Water Project and the Central Valley Project, and active participation of the federal wildlife agencies in coming up with a new Bay Delta Conservation Plan, which is exploring new and better ways to separate the movement of water supplies from the natural flows in the estuary.

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

TRANSPORTATION: IN EARLY DISCUSSION OF 2009 SAFETEA-LU REAUTHORIZATION, SENATE ENVIRONMENT & PUBLIC WORKS HOLDS HEARING ON COMMISSION REPORT

On Thursday, January 31, 2008, the Senate Committee on Environment and Public Works, chaired by Sen. Barbara Boxer, held, “A Hearing to Receive the Report of the National Surface Transportation Policy and Revenue Study Commission.” The report was prepared by a Congressionally-appointed blue-ribbon panel of top transportation experts, and it serves as a set of benchmark findings and recommendations for use by policymakers on the eve of discussions over the 2009 reauthorization of the nation’s surface transportation law known as SAFETEA-LU.

In opening the hearing, Sen. Boxer urged increased investment, commenting, “As we prepare for this new reauthorization, it is clear that continuing the current programs at their current funding levels is not sustainable, will not fix our nation’s crumbling infrastructure, will not meet the needs of our growing economy, and will not adequately address growing congestion. With increased investment, we can improve goods movement, reduce congestion, improve air quality and quality of life, and provide the necessary infrastructure to support our growing economy.” Sen. Boxer noted

that “there is no easy answer” to transportation’s challenges.” She cited statistics showing the cost from traffic congestion alone is as high as \$200 billion per year. She noted that “freight movement is expected to nearly double over the next 30 years, but traffic through West Coast ports could nearly triple over the same period.”

Sen. Boxer noted that the Commission determined that we need to invest at least \$225 billion annually from all levels of government and the private sector over the next 50 years to upgrade our surface transportation system and meet the needs of our economy. She suggested, “While the gas tax will continue to fund our surface program, we know that it is not a sustainable, long-term source of funding. Options could include private-sector investment, pricing through tolls and the like, and charges for vehicle miles traveled or VMT. Global warming and other important environmental considerations need to be integrated into our transportation planning.”

On behalf of the National Surface Transportation Policy and Revenue Study Commission, the Senate Committee heard testimony from Jack Schenendorf of Covington & Burling, who served as Vice Chair of the Commission. In his testimony, Schenendorf provided background regarding the problems facing the nation’s transportation infrastructure and the crossroads at which the system sits presently. He then listed the Commission’s four primary recommendations and provided supporting information regarding each of them. The recommendations are:

- 1.) A significant increase in investment in our nation’s surface transportation system;
- 2.) A continued significant role for the federal government in both leadership and fair financing;
- 3.) Fundamental and wide-ranging reform of the federal transportation program, including transforming the program into one that is performance-driven, outcome-based, generally mode-neutral, and refocused to pursue objectives of genuine national interest; and
- 4.) A wide range of revenue enhancements.

The commission is comprised of 12 members from across the country, including US Transportation Secretary and the sole Californian, Steve Heminger, Executive Director of the Metropolitan Transportation Commission in San Francisco.

For more information regarding the hearing, visit <http://epw.senate.gov> . To view the report, visit the Commission’s at <http://www.transportationfortomorrow.org/> .

HEALTH: ENERGY & COMMERCE’S HEALTH SUBCOMMITTEE ADDRESSES FAILED SCHIP REAUTHORIZATION

On Tuesday, January 29, 2008, the House Subcommittee on Health held a hearing regarding the failed reauthorization of the State Children’s Health Insurance Program (SCHIP). The hearing, entitled “Covering Uninsured Children: Missed Opportunities for Moving Forward,” was aimed at addressing the reasons that led to the failure, as well as highlighting the potential benefits of the program if it were to be re-authorized.

Subcommittee members from California expressed a shared sentiment that the failed re-authorization constituted a missed opportunity. Congresswoman Anna G. Eshoo (Menlo Park) said that it was “very sad to review the impacts of what’s not being done”, and that the SCHIP legislation was “one of the best offerings that’s been set up.” She commented that in seeking to address issues of public health, “the best place to start is with our children.”

Congresswoman Lois Capps (Santa Barbara) commented: “It is unfair that we must have a hearing to address missed opportunities. . . [Failed re-authorization] is an indefensible act of obstruction.” She further stated that children’s “lives don’t stand still” while Congress attempts to “overcome roadblocks posed by those that do not value the health and safety of our children above all else.”

The primary witness at the hearing representing the Bush Administration was Mr. Dennis Smith, Director of the Center for Medicaid and State Operations. Smith testified:

“The Administration strongly supports this important program and its full re- authorization. The full picture of our commitment to insuring low-income children includes Medicaid as well as SCHIP. Medicaid is approximately four times larger than SCHIP in terms of enrollment of children and just over six times larger

in terms of expenditures for children. There are important budgetary and programmatic interactions between SCHIP and Medicaid that are appropriate to consider in the context of reauthorization.”

He testified that the SCHIP bill did not sufficiently prioritize covering poor children. He commented: “We strongly believe, as the future of SCHIP as a program is considered, that states be required to put poor children first before they expand to higher income levels. The federal government has tied financial incentives to performance standards in other public benefits programs with good results.”

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

ENERGY: SENATE ENR COMMITTEE HOLDS HEARING ON CARBON CAPTURE AND SEQUESTRATION LEGISLATION & ALTERNATIVES

On Thursday, January 31, 2008, the Senate Environment and Natural Resources Committee heard testimony on Carbon Capture and Sequestration (CCS) and related legislation – S. 2144, the "Carbon Dioxide Pipeline Study Act of 2007", and S. 2323, the "Carbon Capture and Storage Technology Act of 2007".

S.2144 would direct the Secretary of Energy, in coordination with the Federal Energy Regulatory Commission (FERC), the Secretary of Transportation, the Administrator of the U.S. Environmental Protection Agency, and the Secretary of the Interior, to conduct a study to assess the feasibility of the construction and operation of pipelines to be used for the transportation of carbon dioxide for the purpose of sequestration or enhanced oil recovery and carbon dioxide sequestration facilities

S.2323 would address those questions directly, by funding carbon dioxide capture and storage research and development, and both carbon dioxide capture and sequestration demonstration projects.

The witnesses included Senator John Kerry (MA); Joseph T. Kelliher, Chairman of the Federal Energy Regulatory Commission; and Mr. Tracy Evans, Senior Vice President of Reservoir Engineering, Denbury Resources, Inc.

Senator Kerry testified that "it is critical that we run, not walk, to develop and implement CCS technology. This technology will enable us to capture the emissions from power plants and other industrial facilities, and permanently bury them in deep saline aquifers and other geological formations. In fact, two recent reports identified CCS as the most promising area for emission reductions in the electric power sector...By 2030, 9% of US electricity could come from coal plants equipped with CCS. These studies demonstrate the tremendous potential for the application of CCS. Our government should be making significant commitments to advancing this technology."

Chairman Kelliher testified that there are already options on how and where to sequester and transport carbon. He commented that there are three models that could be used: "the model that has governed the existing carbon dioxide pipeline network, namely continuing the current regulatory scheme for interstate carbon dioxide pipelines. Second, there is the oil pipeline model. The third model is the natural gas pipeline model. In my view, any of these three approaches could prove effective in overseeing a network of carbon dioxide pipelines."

Mr. Evans testified that there is a practical use for sequestered carbon that is already being employed. "The starting point for any type of CCS is to capture the CO₂. Certain existing and some evolving technologies allow CO₂ emitted from various manufacturing processes to be captured. The combustion or gasification of hydrocarbon-based fuels ...produces particularly large volumes of CO₂. As new capture-inclusive projects are constructed, [we] plan to acquire thousands of metric tons of CO₂ each day for use in enhanced oil recovery."

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

ECONOMY: HOUSE PASSES STIMULUS BILL; SENATE FINANCE WORKS ON ITS VERSION

The House on Tuesday, January 29, 2008 overwhelmingly passed by a vote of 385-35 an economic stimulus package brokered by the House leadership and the White House. See, *Bulletin, Vol. 15, No. 2*

(January 25, 2008). The House bill, among other things, would give rebates of up to \$600 for individuals and \$1,200 for couples, as well as a \$300 rebate per child. The bill also provides tax incentives and savings to businesses and provides assistance to those adversely impacted by the housing mortgage crisis.

In the Senate, meanwhile, the Finance Committee, led by Chair Max Baucus (MT) and Ranking Member Charles Grassley (IA), on January 30th reported its own economic stimulus bill. The Finance Committee bill would limit the tax rebate to \$500 (\$1,000/couple), but expand it to include many more Americans. An estimated 250,000 disabled veterans and about 20 million low-income seniors who would not be eligible under the House bill would get the rebate under the Baucus-Grassley plan. The bill retains the additional \$300/child rebate and also contains tax incentives and breaks for businesses. In order to prevent undocumented immigrants from receiving the rebates, the proposal also requires that adults must have a valid Social Security number.

Bowing to Senate Democrats, Baucus added income caps to the bill, and the rebates now would be phased out for individuals making more than \$150,000 (\$300,000 for couples). Baucus-Grassley also includes provisions extending unemployment compensation benefits by 13 weeks, and adds \$5.5 billion in tax credit extensions for alternative energy sources and home energy efficiency. Another provision also allows states to offer tax-free mortgage bonds to help the housing market.

The Senate hopes to take up the stimulus package this week, with the leadership offering the House-White House bill and Baucus offering his package as an amendment. Passage of the Baucus plan will probably require a 60-vote majority.

DEMOGRAPHICS: PUBLIC POLICY INSTITUTE OF CALIFORNIA HOSTS BRIEFING AND FORUM ON CALIFORNIA'S POST-PARTISAN FUTURE

On Wednesday, January 30, 2008, the Public Policy Institute of California, in conjunction with the California Institute, hosted a briefing on a new report; "*California's Post-Partisan Future*." The report's title comes from Governor Schwarzenegger's statement in his 2007 inaugural address: "I believe we have an opportunity to move past partisanship...to move past bi-partisanship...and to move to post-partisanship."

The briefing featured distinguished panelists Mark Baldassare, President and CEO of PPIC; Bruce Cain, Executive Director of the University of California Washington Center; Jon Cohen, Director of Polling at *The Washington Post*; and Claudia Deane, Associate Director of Public Opinion & Media Research at the Kaiser Family Foundation.

The report seeks to assess partisanship in California's electorate. It highlights trends in voter registration and behavior, as well as the levels of importance assigned to different issues by Independents, Democrats and Republicans. It finds that there is still significant partisanship among Californians, and that independent voters are gaining in number and will have a large impact on the future of California politics. In fact, at the pace at which the independent voter population is growing, independents will eventually out number either Democrats or Republicans by 2025. Currently, independents represent about 20% of the electorate, up from 9% in 1988.

The discussion among the panel covered numerous topics, from the impact of negative campaigning to the impact of shifting demographics. Most of the conversation centered around the rise of the independent voter, and whether or not independents tend to be more aligned with one of the two parties. There was data introduced that showed that independents' feelings in certain issues ebbed and flowed with the candidates and ballot measures. However, in certain elections it was highlighted that independents leaned strongly one way or the other.

Furthermore, California has long been seen as a solid Blue state, but registration trends are beginning to tell a different story. As more conservative white voters from the Bay Area migrate inland to the Central Valley, the Republican strongholds are expanding in reach. Furthermore, the impact of the increase in Latino population has yet to be quantified with voter registration numbers, but is likely to have an impact on the partisan breakdown of the Central Valley as well.

For more information visit www.ppic.org . To view video of the event, visit www.calinst.org/video.htm .

WATER: RAND EXPERTS EXPLAIN INNOVATIVE APPROACHES FOR REDUCING CLIMATE-CHANGE VULNERABILITIES IN WATER MANAGEMENT DECISIONMAKING

At a briefing sponsored by the California Institute and RAND on Thursday, January 31, 2008, experts from RAND presented findings from two new studies that seeks to improve the way water policy architects make major decisions -- an especially important goal if climate change continues to make water supply and reliability more uncertain. The briefing was entitled "Meeting the Challenges of Water Resource Planning: New Decision Support Methods for Water Managers Facing an Uncertain Future Climate."

The presentation described how a new approach to climate change decision support is being applied to actions by the 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, the new planning methods that RAND outlined can be applied to address a wide range of challenges facing today's water management agencies. The approaches have the potential for simplifying and elevating decision making in other areas as well.

The presenters, RAND Senior Scientist Robert Lempert and RAND Associate Policy Researcher David Groves, acknowledged that water management agencies face a difficult challenge of planning under uncertainty. Traditionally agencies have drafted their water management plans assuming that the future climate will be similar to past climate. Unfortunately, given widely-documented recent shifts in climate stability worldwide, 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. They have prepared two reports. One is entitled "*Presenting Uncertainty About Climate Change to Water Resource Managers: A Summary of Workshops with the Inland Empire Utilities Agency.*" The other RAND study that was just released and served as a focal point for the Thursday briefing was titled "*Preparing for an Uncertain Future Climate in the Inland Empire: Identifying Robust Water Management Strategies.*" Full reports shorter "research briefs" are available on the RAND website, at http://www.rand.org/pubs/research_briefs/RB9315/.

Following an overview and introduction by Dr. Debra Knopman, Vice President and Director of RAND Infrastructure, Safety and Environment, Drs. Lempert and Groves described the significant methodological shifts associated with the robust decision making techniques outlined. The result has been an opportunity to better and earlier address potential climate-related risks.

The briefing in its entirety was video recorded is now available (in windows media or .wma format) on the California Institute's video page, <http://www.calinst.org/video.htm>.

EDUCATION: ASPEN INSTITUTE HOSTS BRIEFING ON NO CHILD LEFT BEHIND

On Thursday, January 31, 2008, the Aspen Institute hosted a briefing on the progress and effectiveness of No Child Left Behind. The hearing was initiated by the Commission on No Child Left Behind of the Aspen Institute. The briefing, entitled "Improving No Child Left Behind: The Cost of Waiting," included a panel of consultants from the House and Senate Education Committees, as well as a representative from the U.S. Department of Education.

The Co-Commission chairs both spoke to the value of No Child Left behind for setting standards and giving guidelines for improving education. They urged it's re-authorization. Governor Roy E. Barnes, past governor of Georgia and Co-Chair of the commission, urged Congress to implement re-authorization this year, maintain accountability standards, and embrace the idea of "growth models" to assess progress.

Alice Johnson-Cain, consultant to the House Committee on Labor, said that her boss, Chairman George Miller (Martinez), prioritized the re-authorization in 2007, and would continue to do so in 2008. She added that his major concerns include keeping children the focus, addressing the drop-out crisis and graduation rates, building and elevating teaching professionals, and addressing the learning gap with English as Second Language students.

She went on to say that Chairman Miller sees this as “one of the most important things to get right.” He has a particular interest in creating standards that transcend state lines. She said that there are proficient states that have lower standards and states that are struggling to meet higher standards. Strong standards will ensure that students are “prepared for college or a real career upon graduation.” The essential question for Chairman Miller is “How do we help our kids get ahead of the curve and prepare them for jobs they can’t imagine?...[We] don’t want ‘No Child Left Behind’, but rather ‘every child ahead’.”

All parties agreed that changes are necessary in the models used for assessing student achievement and teacher effectiveness in the re-authorization legislation. The “growth model”, for example, would measure improvements in student performance over 3 years rather than a yearly assessment under adequate yearly progress. Also among the important topics discussed were the greater utilization of data as a resource, concerns with seemingly low standards for what constitutes a highly qualified teacher, and how to update accountability measures.

For more information, visit www.aspeninstitute.org .

STATE ISSUES: GOVERNOR’S HEALTH CARE BILL DIES IN STATE SENATE COMMITTEE

On Tuesday, January 29, 2008, by a vote of 1-7-3, the Senate Health Committee killed Governor Schwarzenegger’s health care reform bill, AB1X. The bill was co-authored by Speaker Fabian Nuñez (Los Angeles) and Senate President Pro Tempore Don Perata (Oakland). Governor Schwarzenegger and the Speaker spent much of 2007 putting the proposal together. The bill would have required people to hold private insurance and subsidized the premiums for those who could not afford them.

Pro Tem Perata, in a letter to Schwarzenegger and Nuñez, pointed to an array of concerns with the measure, but particularly the cost in light of a \$14.5 billion budget deficit in the state. He stated: “This bill – which is before the Senate, and the initiative, which is not – would create the third-largest program in state government, surpassed only by K-12 education and Medi-Cal. Under any circumstances, but especially in light of the state’s \$14.5 billion budget shortfall, we have the fiduciary responsibility to approve a health care coverage plan that is both self financing and fiscally sound and a moral responsibility to protect from harm those who already have health care coverage.”

“We are not going to give up,” Speaker Nuñez said during an afternoon news conference with the Governor. “We are going to take this roadmap and we’re going to continue to move forward until such a time when every one of those 800,000 children who don’t have health care have access to it. And I got to tell you, we’re going to be looking at other plans.” One of the other plans Nuñez is expected to examine is a single-payer plan.

BIO TECH: BIOMEDICAL INDUSTRY REPORT ASSESSES IMPACT ON STATE’S ECONOMY

The California Healthcare Institute and PricewaterhouseCoopers on January 24, 2008 released their 2008 Report on California’s Biomedical industry. Some of the highlights of the report are:

- The industry employs 267,700 people in high-wage, diverse careers in California. Industry employment grew an estimated 5.4 percent between 2001 and 2006, versus the 3.1 percent in the state’s overall employment during the same period
- The average industry salary of \$71,300 outpaced by 61.4 percent the average annual wage of \$44,180 for all other occupations in California
- California life sciences companies reported revenues of \$72.83 billion and continue to attract the lion’s share of life sciences venture capital investment in the U.S.
- California continues to produce significant numbers of new therapies and technologies for diseases ranging from cancer and cardiovascular disease to inflammatory disorders and infectious diseases; of 953 product candidates, 471 are in clinical trials.

For a copy of the report, go to: <http://www.chi.org> or <http://www.pwc.com/pharma> .

DEMOGRAPHICS: PEW HISPANIC CENTER RELEASES STATISTICAL REPORTS

On January 23, 2008, the Pew Hispanic Center released two fact sheets: *Statistical Portrait of Hispanics in the United States, 2006* and *Statistical Portrait of the Foreign-Born Population in the United States, 2006*. These fact sheets are based on the Center's tabulations of the Census Bureau's 2006 American Community Survey. The ACS is the largest household survey in the United States, with a sample of about 3 million addresses. The statistical portraits consist of 36 tables each on the social, economic and housing characteristics of the Hispanic and foreign-born populations. They also present estimates by state and, for the foreign born, by region of birth.

Tabulations in the fact sheets of specific interest to California include:

- the state's Hispanic population grew from 10,928,470 in 2000 to 13,087,981 in 2006 – a 19.8 percent increase;
- California in 2006 was home to 29.5 percent of the nation's Hispanics, down from 31 percent in 2000;
- the state's foreign-born population has risen 11.2 percent since 2000 with almost 9.9 million foreign-born state residents, representing 27.1 percent of the state's population.

For more information, go to: <http://pewhispanic.org/> .

FEDERAL BUDGET TO BE RELEASED MONDAY

Next Monday, February 4, 2008, President Bush will release his proposed federal budget for fiscal year 2009. As usual, the California Institute will examine it with an eye toward California perspectives, and we will forward and post information at various stages. As information becomes available throughout the day on Monday, it will be posted on the Institute's website, <http://www.calinst.org> .

EDUCATION: CSBA BRIEFING ON FRIDAY, FEBRUARY 1 TO DISCUSS K-12 LEARNING

At 2:00 pm on Friday, February 1, 2008, the California Institute for Federal Policy Research will hold a briefing regarding elementary and secondary education issues featuring representatives of the California School Boards Association. The briefing will be held in Room 2203 of the Rayburn House Office Building.

The speakers will present information regarding a variety of topics related to both state and federal participation in K-12 education. 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, feel free to visit the CSBA website at <http://www.csba.org> or contact Rick Pratt at 916-325-4020. To reach the California Institute, visit it on the web at <http://www.calinst.org> or call 202-974-6384.

No reply is necessary to attend the briefing.