



THE CALIFORNIA INSTITUTE FOR FEDERAL POLICY RESEARCH

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California Capitol Hill Bulletin

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

HOUSE PASSES FIRE BILL AS WILDFIRES RAGE ACROSS CALIFORNIA

As several fires rage through wide areas of California, the House by voice vote on Wednesday, July 9, 2008 passed H.R. 5541 to create a separate budget account for emergency fire suppression to avoid draining funds away from federal land management agencies.

Under the bill a new FLAME account – for Federal Land Assistance, Management and Enhancement Act – would be created for emergency funding of wildfire suppression by the Interior Department and the Agriculture Department’s U.S. Forest Service. The account would be funded through annual appropriations based on the average cost of wildfire suppression over the previous five years.

Speaker Nancy Pelosi (San Francisco) said the bill would prevent fires from “soaking up all the other dollars that should be used for prevention.”

SENATE TRANSPORTATION-HUD APPROPRIATIONS SUBCOMMITTEE PASSES FY 2009 APPROPRIATION

On Wednesday, July 9, 2008, the Senate Appropriations Subcommittee on Transportation-HUD passed its FY 2009 appropriations bill. Following are some highlights from the legislation:

Department of Transportation: \$66.8 billion, \$2.1 billion above the FY 2008 enacted level and \$3.3 billion above the President’s request.

- *Federal-Aid Highway Program:* \$41.2 billion, \$1.8 billion more than the President’s request and the same as the FY2008 level. (Funding for FAHP programs is set during the reauthorization process -- most recently the 2005 SAFTEA-LU bill -- rather than during appropriations.)
- The bill transfers \$8 billion from the General Fund to the Highway Trust Fund in an effort to shore up resources for highway infrastructure spending in 2009 at the levels assumed in SAFETEA-LU.
- *Federal Aviation Administration:* \$15.5 billion, \$590 million above FY 2008, and \$862 million over the President’s request.
 - Safety oversight -- The bill includes an additional \$32 million to pay for improvements to FAA oversight of aviation safety in the wake of the Southwest Airlines incidents. Funding

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will provide for additional safety inspectors and improvements to the FAA's safety reporting system.

- *Federal Railroad Administration*: \$1.816 billion, \$254 million over FY 2008, and \$725 million over the President's request.
- Amtrak -- \$1.55 Billion, \$225 million above FY 2008, and \$750 million above the President's request.
- Capital Grants for Passenger Rail -- The bill also provides \$100 million for capital assistance to States to help spawn state-supported passenger rails services and eliminate hindrances to improved or expanded passenger rail, including Amtrak.

Department of Housing and Urban Development: \$42.4 billion, \$4.73 over the FY 2008 level and \$3.3 over the President's request.

- Community Development Block Grants: \$3.889 billion, \$23 million above FY 2008, and \$889 million over the President's request. Investments made in the CDBG program are essential to community development and housing infrastructure in States and communities across the nation.
- Section 8 Tenant-Based Housing -- Increased by \$500 million above the President's request in order to cover rent increases and ensure that all needy tenants currently receiving assistance can stay within their homes.
- Native American Housing Block Grant (NAHASDA) is increased by \$20 million to \$650 million.
- Homeless Veterans -- \$10 million is provided for a demonstration project to examine ways to prevent veterans from becoming homeless. The program will be administered by HUD, but will be coordinated with the VA and the Department of Labor. The HUD-VASH program is funded at \$75 million, which will provide new housing vouchers for 10,000 homeless veterans.

For more information visit www.appropriations.senate.gov .

APPROPRIATIONS: SENATE PANEL APPROVES FY 2009 LABOR-HHS-EDUCATION BILL

On Thursday, June 26, 2008, the Senate Appropriations Committee approved the Fiscal Year 2009 Labor, Health and Human Services, Education and Related Agencies appropriations bill. Following are some highlights from the legislation.

Department of Labor:

- Job Training – Provides more than \$2.9 billion for state grants for job training, an increase of \$25 million over last year and \$499 million over the budget request. In addition, the bill includes more than \$1.6 billion for the Office of Job Corps, an increase of \$40 million over the fiscal year 2008 level and \$85 million more than the President's budget request.
- Worker Protection – The Committee legislation provides more than \$851 million to ensure the health and safety of workers, including \$504 million for the Occupational Safety and Health Administration (OSHA) and \$346 million for the Mine Safety and Health Administration (MSHA). This total is an increase of \$33.7 million above the fiscal year 2008 level.

Department of Health and Human Services:

- National Institutes of Health (NIH) – More than \$30.2 billion is included to fund biomedical research at the 27 Institutes and Centers that comprise the NIH. This is a \$1.025 billion increase over the fiscal year 2008 level and the budget request.

- Health Centers – The bill includes more than \$2.2 billion for health centers, a \$150 million increase over the fiscal 2008 level.

- Nursing Education – The bill includes more than \$167 million for nursing education, which would represent an increase of more than \$11.6 million over the fiscal year 2008 level.

- Substance Abuse and Mental Health – The bill provides more than \$3.3 billion for substance abuse and mental health programs. Included in this amount is more than \$2.1 billion for substance abuse treatment, more than \$191 million for substance abuse prevention and more than \$930 million for mental health programs.

- Head Start – The bill includes \$7.1 billion for the Head Start Program. This represents an increase of more than \$223 million over the fiscal year 2008 level.

Department of Education:

- Student Financial Aid – The bill includes more than \$18 billion for student financial assistance and the maximum discretionary Pell Grant Program award level is increased to \$4,310. This funding, combined with mandatory funding provided in the College Cost Reduction and Access Act, would increase the maximum award to \$4,800 for the 2009/2010 school year. The Committee bill includes \$70 million for Federal Perkins loan cancellations, an increase of more than \$5.6 million over fiscal year 2008.

- Higher Education Initiatives – The bill provides more than \$1.8 billion for initiatives to provide greater opportunities for higher education, including: more than \$838 million for Federal TRIO programs, and more than \$308 million for GEAR UP. The bill also provides more than \$47 million for Teacher Quality Enhancement Grants, an increase of \$13.9 million over the fiscal year 2008 level.

For more information visit www.appropriations.senate.gov .

HOUSE EDUCATION COMMITTEE ADDRESSES THE IMPACT OF RISING FOOD PRICES ON SCHOOL NUTRITION

On Wednesday, July 9, 2008, the House Education and Labor Committee held a hearing to investigate the impact of rising food costs on school nutrition programs. The hearing, entitled “The Rising Cost of Food and Its Impact on Federal Child Nutrition Programs”, was called by Committee Chairman George Miller (Martinez) in order to address the role these programs can play in providing children “heathy and nutritious food” amidst an economic climate that is causing hardships to many American families.

Chairman Miller spoke about the impact of these nutrition programs and the difficulties they are facing. He commented: “Altogether, nearly fifty million children each year are served by the National School Lunch Program, the School Breakfast Program, the Child and Adult Care Food Program, and summer food service programs, which provide free meals and snacks to children in low-income communities over summer vacation...But with food prices continuing to rise drastically – with no signs of slowing down anytime soon – it is becoming tremendously hard for these programs to continue providing healthy, low-cost meals that children will want to eat.”

He went on to give examples of how some programs, in order to stay within budget, are substituting less nutritious, processed foods; and, in some cases forgoing fresh vegetables because of the associated preparation costs. In his district in California, “one school nutrition director reported that [the cost of] produce is up nearly 10 percent, frozen and dry foods are up nearly 20 percent, and dairy products are up more than 20 percent. Other districts report having to scale back the number of meals they provide, and cut down on staff to reduce labor costs. For many summer food programs currently struggling to meet these higher costs, increasing food prices has led to serving fewer kids”, he remarked. As a result of these dire conditions, supporting these programs should be a “top national priority”, he concluded.

The hearings' witnesses represented a wide range of expertise and experience in school nutrition, food and economic policy, including Paula James, Director of Child Health and Nutrition Program for the Contra Costa Child Care Council in Contra Costa, California. James spoke directly to the challenges faced by the Child and Adult Care Food Program (CACFP). She commented: "The Child and Adult Care Food Program (CACFP) provides high quality nutrition and learning experiences for three million children each working day: 2.3 million children in child care centers and 850,000 children in child care homes. Rising food costs have increased the need for the Child and Adult Care Food Program, decreased access to the program and threaten to reduce meal quality."

She cited the connection between good nutrition and a child's mental and physical development, as well as their academic achievement. As a result of rising costs, development and achievement are also being threatened. "These hungry children are experiencing food access problems at a crucial period of growth, when healthy bones and muscles are formed and the brain is learning to make important connections. In this era of rising food prices CACFP is an absolutely essential support for child care centers and providers working to provide plenty of healthy nutritious food to the young children in their care", she said.

In order to help remedy these problems, James offered the following recommendations for the 2009 Child Nutrition Programs Reauthorization:

- Streamline access for eligible low-income children by reducing the area eligibility threshold in family child care from 50 percent to 40 percent and establish area eligibility for child care centers
- Enhance Meal Reimbursements
- Improve the nutritional value of the meals and snacks served
- Strengthen the support system for institutions using the programs

For more information visit www.edlabor.house.gov.

SENATE FINANCE COMMITTEE LOOKS AT TRANSPORTATION INFRASTRUCTURE FUNDING AND FINANCING

On Thursday, July 10, 2008, the Senate Finance Committee held a hearing to delve further into the issues surrounding transportation infrastructure funding. The hearing, entitled "Transportation Infrastructure: Issues and Options", sought to continue the dialogue on how to continue to fund the Highway Trust Fund, and what the transportation infrastructure spending priorities should be moving forward.

Peter R. Orszag, Director of the Congressional Budget Office (CBO), and JayEtta Z. Hecker, Director of Physical Infrastructure Issues at the Government Accountability Office (GAO), delivered testimony. Orszag spoke about the challenges faced by Congress in attempting to enhance the nation's infrastructure. Among the challenges, he said, are "determining what kinds of projects the nation requires; how those projects should be funded and by whom; and how to provide an environment that fosters private development, where that is an appropriate approach."

He made the following key points in his testimony:

- Estimates from the Federal Highway Administration (FHWA) and other sources indicate that additional spending of up to tens of billions of dollars each year on transportation infrastructure projects could be justified.
- Although the rationale for some additional spending is probably strong, the economic returns on specific projects vary widely.
- Some of the demand for additional spending on infrastructure could be met by providing incentives to use existing infrastructure more efficiently and by devoting current budgetary resources to their highest valued uses.
- A special-purpose entity, such as a federally chartered infrastructure bank, could provide funding for infrastructure outside of the annual appropriations process but would not be a source of "free money."

Hecker also commented on the challenges faced by Congress, the shortcomings of the current system, and the drastic changes that need to be made to improve infrastructure. She remarked: “The current federal approach to addressing the nation’s surface transportation problems is not working well. Despite large increases in expenditures in real terms for transportation, the investment has not commensurately improved the performance of the nation’s surface transportation system, as congestion continues to grow and looming problems from the anticipated growth in travel demand are not being adequately addressed.

“Since federal funding for the interstate system was established in 1956, the federal role in surface transportation has expanded to include broader goals, more programs, and a variety of program structures. However, many of these programs do not effectively address key transportation challenges, such as increasing congestion and freight demand, because the federal goals and roles of the programs are unclear, the programs are generally not need or performance-based, and the programs often do not employ the best tools or approaches. In addition, the continued relevance of some of these programs in the 21st century is unclear. For example, the Highway Trust Fund was created in 1956 to distribute funds for the construction of the interstate highway system. That system is now complete. However, the federal highway program’s funding and delivery mechanisms have not substantially changed.

“Moreover.. the federal budget is on an unsustainable path—heightening concern about the solvency of the Highway Trust Fund because other federal revenue sources may not be available to help solve the nation’s current transportation challenges. Addressing these challenges requires strategic and intermodal approaches, effective tools and programs, and coordinated solutions involving all levels of government and the private sector.”

For more information visit www.finance.senate.gov .

HOUSE ENERGY AND AIR QUALITY SUBCOMMITTEE HEARS TESTIMONY ON CARBON CAPTURE AND STORAGE EARLY DEPLOYMENT ACT

On Thursday, July 10, 2008, the House Energy and Commerce Subcommittee on Energy and Air Quality heard testimony on H.R. 6258, the “Carbon Capture and Storage Early Deployment Act.” This Act seeks to accelerate the development and early deployment of systems for the capture and storage of carbon dioxide emissions from coal fired generation facilities.

The Act would create the “Carbon Storage Research Corporation,” which would “issue grants and contracts to private, academic, and governmental entities with the purpose of accelerating the commercial demonstration or availability of carbon dioxide capture and storage technologies and methods, including technologies which capture and store, or capture and convert, carbon dioxide”, according to the bill’s language.

Dr. Steven R. Specker, President and Chief Executive Officer of the Electric Power Research Institute (EPRI) in Palo Alto, California; and, Mr. Michael Goo, Climate Legislative Director Natural Resources Defense Council, delivered primary witness testimony.

Specker spoke about EPRI’s ability to handle the responsibility assigned to it in the legislation, and outlined their research supporting the idea. He emphasized, though, that EPRI stresses “that no single advanced coal generation technology has clear-cut economic advantages across the range of U.S. and global applications. HR 6258 properly recognizes this.” He continued: “EPRI is designated in HR 6258 as the institutional foundation for the Carbon Storage Research Corporation. Our 35 years of experience as a collaborative public interest research, development, and demonstration (RD&D) organization makes EPRI well suited to successfully fulfill this role.”

Specker outlined the research that led to EPRI’s support of – and participation in– the legislation. He also justified the legislation’s funding levels. He commented: “Recent EPRI work has illustrated the necessity and the urgency to develop carbon capture and storage (CCS) technologies as part of the solution to satisfying our future energy needs in an environmentally responsible manner. Our analysis suggests that with aggressive research, development, demonstration, and deployment of advanced electricity technologies,

it is technically feasible to slow down and stop the increase in U.S. electric sector CO₂ emissions, and then eventually reduce them over the next 25 years while simultaneously meeting the expected increased demand for electricity and minimizing the economic impact of reducing emissions.

“Of the seven options we analyzed, our work showed that the greatest reductions in future U.S. electric sector CO₂ emissions are likely to come from applying CCS technologies to nearly all new coal-based power plants coming on-line after 2020.

“The proposed funding of \$1.0 billion per year for 10 years envisioned in HR 6258 is consistent with RD&D funding needs estimated by a number of independent organizations, including EPRI, the Coal Utilization Research Council, the National Coal Council and MIT.”

Goo said the NRDC supports H.R. 6258, but sees it as only part of the solution. He commented: “H.R. 6258, ‘The Carbon Capture and Storage Early Deployment Act’ represents a bi-partisan attempt to begin to address one of the most important issues in the global warming legislative debate: the role of coal and the pressing need for deployment of technologies that can capture and dispose of CO₂ generated from the combustion and use of coal. Without widespread deployment of such technology, the task of fighting global warming will be more difficult.” However, he continued, “NRDC believes such legislation should only be enacted as part of cap and trade legislation.”

Goo acknowledged that “it is likely that coal will continue to play a role in our energy future.” “Accordingly”, he said “we need to establish ways in which to encourage and require the widespread capture and disposal of the global warming pollution from these plants as soon as possible. H.R. 6258 provides a useful proposal that could help us achieve that result, but only in part.” He reiterated: “By itself, H.R. 6258 is not sufficient to ensure early deployment of CCD and is only a small part of the legislative work we need to complete in order to effectively combat the threat of global warming. In order to ensure that our climate is protected, we must enact mandatory limits on global warming pollution. And the best way to do that, while also incentivizing technology and lowering costs, is through a cap and trade system.”

For more information visit www.energycommerce.house.gov .

INFORMATION TECHNOLOGY AND INNOVATION FOUNDATION REPORT RELEASED ON U.S. INNOVATION SYSTEM

On July 9, 2008, the Information Technology and Innovation Foundation (ITIF) released a new report that finds that the nature of the U.S. innovation system has changed dramatically over the course of the last 40 years.

The report, “Where Do Innovations Come From? Transformations in the U.S. National Innovation System, 1970-2006”, is authored by UC Davis scholars Fred Block and Mathew Keller, who used an innovative research method to analyze a sample of innovations recognized by R&D Magazine as being among the top 100 innovations of the year over the last four decades. The report finds that while in the 1970s almost all winners came from corporations acting on their own, more recently over two-thirds of the winners have come from partnerships involving business and government, including federal labs and federally-funded university research. Moreover, in 2006, 77 of the 88 U.S. entities that produced award-winning innovations were beneficiaries of federal funding.

These findings suggest that to succeed in the future, U.S. innovation policy must help support and reinforce our natural national advantage in collaboration. Thus, funding for the U.S. government’s technology initiatives should be expanded and made more secure, and the coordination of these technology initiatives across the federal government, particularly those that support partnerships between firms, universities, and federal laboratories, must be improved, the authors conclude.

For more information visit <http://www.itif.org/index.php?id=158> .

REPORT LINKS POOR ENGLISH LEARNER SCORES WITH POOR SCHOOLS

A Pew Hispanic Center report released on June 26, 2008 finds that lagging scores of English language learners is partly explained by their concentration in low-performing schools. The report, *The Role of Schools in the English Language Learner Achievement Gap*, examines the role of schools in the achievement gap of the nation's four million English language learner public school students. Analyzing newly available standardized test data, the report finds that students designated as English language learners (ELL) tend to go to public schools with low standardized test scores.

However, these low levels of assessed proficiency are not solely attributable to poor achievement by ELL students, the report finds. These same schools report poor achievement by other major student groups as well, and have a set of characteristics associated generally with poor standardized test performance – such as high student-teacher ratios, high student enrollments and high levels of students who live in poverty or near poverty. When ELL students are not isolated in these low-achieving schools, their gap in test score results is considerably narrower, according to the report.

The report is available at the Pew Hispanic Center's website, www.pewhispanic.org.

CALIFORNIA BUDGET PROJECT EXAMINES SPENDING PATTERNS FOR STATE'S SCHOOL DISTRICTS

On May 29, 2008, the California Budget Project (CBP) released a report showing how California's school districts spend their funds. The report, "School Finance Facts", also analyzes how proposed spending reductions may affect schools.

According to the report, "K-12 education accounted for the largest share of California's budget – 39.5 percent of General Fund expenditures – in 2006-07. More than six out of every 10 dollars (62.1 percent) that California's schools receive come from the state and are spent by local school districts on everything from textbooks to teachers' salaries. Spending patterns vary significantly among districts, and California differs from national trends in some key respects."

There are, however, general statistics that illustrate the grim state of affairs surrounding California public schools. For example, more than four-fifths (82.9 percent) of statewide spending on K-12 education goes to salaries and benefits for teachers and other staff. After other expenses are taken into account only 5.5% of spending goes to books, computers, and other supplies that support a healthy learning environment.

The analysis also finds that as spending patterns vary widely between districts, so do the impacts of the budget cuts. For more information visit www.cbp.org.

FRIDAY A.M. RAND BRIEFING RE THE IMPACT OF INCREASED RENEWABLES USAGE ON ENERGY EXPENDITURES AND GREENHOUSE GAS EMISSIONS

On Friday morning, July 11, 2008, a RAND expert will present findings from a recent report entitled "Impacts on U.S. Energy Expenditures and Greenhouse Gas Emissions of Increasing Renewable Energy Use." The briefing will take place from 10:30 am to 11:30 am in Room 2325 of the Rayburn House Office Building in Washington DC.

The context for the briefing is that record energy prices, concerns about energy security, and growing worries about global warming have increased interest in expanding renewable energy in the United States. The briefing will present findings of a study that assessed the potential impacts on U.S. consumer energy expenditures and CO2 emissions of producing 25 percent of U.S. electric power and motor-vehicle transportation fuels from renewable resources by the year 2025. The RAND report concluded:

- * Increasing renewables use can reduce CO2 emissions and enhance energy security by lowering the cost of imported petroleum; however, renewable energy technologies will have to improve at a very significant pace in order to have low impacts on energy expenditures.

- * A large, inexpensive, easily converted biomass supply is necessary for significantly increased renewable-energy use to have a relatively low impact on consumer energy expenditures. Significant advances in the use of less-productive wind power locations also will be required.

* The policies used to bring higher-cost renewable motor fuels to market will significantly affect fuel demand and society's total energy expenditures.

* More moderate renewable energy targets – such as 15 or 20 percent – reduce expenditure impacts more than proportionately, though carbon dioxide reductions also are less significant.

* For greatest cost-effectiveness in CO2 reduction, renewable fuels should be only part of a broader set of measures including increases in energy efficiency.

Michael Toman is a Senior Economist and Director of the RAND Corporation's Environment, Energy, and Economic Development Program, part of RAND's Infrastructure, Safety, and Environment Unit. Prior to joining RAND, Toman worked on sustainable energy, energy security and climate change at the Inter-American Development Bank and at Resources for the Future. From 1994-1996 he served as a Senior Staff Economist for the Council of Economic Advisers, Executive Office of the President, handling energy and environmental issues for the Council. Mr. Toman is the author of numerous articles, journals, and other scholarly works. He is an adjunct faculty member at the Nitze School of International Studies, Johns Hopkins University and at the Bren School of the Environment, University of California Santa Barbara.

Persons wishing to attend are asked to register online at <http://www.rand.org/congress/activities/2008/07/11/registration.html> or alternatively to contact Sirat Attapit at sirat_attapit@rand.org or 703-413-1100 ext. 5938.

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CALIFORNIA INSTITUTE ANALYSIS OF SENATE CJS APPROPRIATIONS AVAILABLE

The California Institute's analysis of the FY09 Senate Commerce, Justice, Science Appropriations bill (S. 3182/S.Rpt. 110-397) is now available on the Institute's website at: <http://www.calinst.org>. The report provides a quick analysis of the appropriations from a California perspective.