



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.

TRANSPORTATION: CONGRESS SENDS PRESIDENT HIGHWAY TRUST FUND BILL

The Senate and House have passed and sent to the President for signature H.R. 6532, which will transfer \$8 billion from the general treasury to the Highway Trust Fund, which is on the brink of running out of money. An amendment added to the bill makes it effective immediately, rather than on September 30, as initially proposed.

The Senate passed the bill on September 10, 2008, after some Senators dropped their hold on it. The House followed suit on September 11th, approving the bill under suspension of the rules by a vote of 376-29. The House had initially passed H.R. 6532 in July, but had to readdress it after the Senate amended it.

Without the infusion of cash, thousands of construction projects were at risk of being delayed or eliminated, putting the jobs of construction workers at risk. The Department of Transportation announced last week that the trust fund would run out of money within the next few weeks. Because of higher gas prices, Americans are driving less and buying less gas, which has reduced contributions to the trust fund. DOT Secretary Mary Peters urged Congress to pass the bill and send it to the President.

HOUSING: HOUSE FINANCIAL SERVICES HOLDS HEARING ON FORECLOSURE CRISIS IN CALIFORNIA’S CENTRAL VALLEY

The House Financial Services Committee on September 6, 2008 held a field hearing on the foreclosure crisis confronting the Central Valley. Reps. Dennis Cardoza (Atwater) and Jerry McNerney (Tracy), joined Committee Chair Barney Frank (MA) in calling for the hearing, which was held in Stockton.

The Committee heard from the following witnesses: The Honorable Michael Machado, California State Senator, 5th District; The Honorable Ellie Wooten, Mayor of Merced; Ms. Heather Peters, Deputy Secretary for Business Regulation and Housing, Business, California Transportation and Housing Agency; The Honorable Steven Gutierrez, Supervisor, San Joaquin County Board of Supervisors; Mr.

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Joseph C. Bates, Director, Santa Ana Homeownership Center, U.S. Department of Housing and Urban Development; Ms. Patty Amador, President, Ambeck Mortgage Associates; Ms. Pam Canada, Chief Executive Officer, NeighborWorks Home Ownership Center Sacramento Region; Ms. Carol Ornelas, Chief Executive Officer, Visionary Home Builders of California; and Mr. George Duarte, CMC, Horizon Financial Associates on behalf of the California Association of Mortgage Brokers.

Senator Machado, chair of the California State Senate Banking, Finance & Insurance Committee, represents Stockton, Manteca, Tracy, and other Central Valley cities. He detailed the foreclosure crisis that plagues the region. “Foreclosure filings were reported on 72,285 California properties in July, the highest total nationwide, and a figure that converts to one in every 182 California properties. Foreclosure filings were highest in the Central Valley – one in every 73 households in Merced, and one in every 82 households in both Stockton and Modesto. The July foreclosure rates in Merced, Stockton, and Modesto were number 2, 3, and 4, among all cities nationally.” He stressed that “collaborative initiatives between California and the federal government are critical for ensuring that mortgage brokering and mortgage lending in California, going forward, are performed responsibly.”

He noted the legislation that he has authored to help reform lending practices in California, as well as reform mortgage brokering practices, provide mortgage forgiveness tax relief, and enact escrow reform. I called on the Committee to give the changes enacted by Congress and the California Legislature, as well as regulatory changes, a chance to work. He also urged the lending industry to show greater forbearance for problem loans.

Secretary Peters discussed several steps that the State has taken so far to help ease the crisis, including: developing an interdepartmental task force to ensure a comprehensive and coordinated approach to the issue; reaching an agreement with loan servicers to streamline the modification of loans to freeze interest rates for some at-risk borrowers; and establishing a bridge loan fund for homeowners facing foreclosure in Oakland. The State has also issued new regulations requiring lenders to consider a borrower’s ability to repay at the full interest rate and to closely scrutinize risk features. A new early disclosure form requires calculation of worst case scenario payments and loan balances under all available loan programs while consumers still have time to shop around, the Secretary said.

Although she would not predict when the State’s real estate market might experience a turnaround, Secretary Peters did say that she has been seeing some improvement in traditional measures of housing market performance driven largely by reduction in prices. In October of 2007, she said, the statewide median price of a single family residence dipped below \$500,000 for the first time in recent memory. It is now \$350,760 according to the California Association of Realtors (CAR). She explained, “The silver lining is that reduced prices have almost steadily resulted in increased sales recently, both month to month and year over year. According to a recent

survey by the California Building Industry Association, affordability in San Joaquin County has more than doubled since the last three months of 2007 with 35.5% of homes sold being affordable to families earning median incomes. This is a dramatic increase from just 9.7% in the first quarter of 2007. According to this study, the Sacramento area is now California's most affordable market at 49.7%. CAR also recently reported good news on affordability. Statewide CAR reports that 48% of households can now afford an entry-level home compared with only 24% last year."

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

TRADE: HOUSE BANS NAFTA MANDATED MEXICAN TRUCKING IN U.S.

By a vote of 395-18, the House on September 9, 2008 passed HR. 6630, despite a threatened veto by President Bush if the bill reaches his desk. The legislation prohibits the Administration from continuing to allow Mexican trucks from operating on U.S. roads beyond a 25 mile border zone.

The Administration established a program a year ago, in keeping with commitments given in the North American Free Trade Agreement (NAFTA), that allows Mexican trucks to operate on U.S. roads beyond the border zone, if they have complied with certain safety and insurance standards. Proponents of H.R. 6630, however, argue that the safety standards set for the trucks and drivers are not strict enough, or enforced sufficiently, to protect public safety in the U.S.

The Administration, in stating the President's opposition to the bill, argued that its "intensified enforcement activity" has alleviated any potential safety problems, and that the bill would hurt U.S. trucking companies, which will receive reciprocity from Mexico to operate in that country.

House Transportation and Infrastructure Committee Chair James Oberstar (MN) has indicated that he does not expect the bill to move forward as a stand alone measure. However, he hopes to attach it to an as yet unspecified piece of must pass legislation.

IMMIGRATION: DHS ASKS TO ALLOCATE MORE MONEY TO BUILD BORDER FENCE

The Department of Homeland Security has asked Congress to let it reprogram \$400 million from other FY08 Department funds to help build the border fence along the U.S.- Mexico border. The Secure Fence Act of 2006 authorized construction of the fence and DHS had initially said it would complete construction of 670 miles of fencing along the border by the end of this year. The reprogrammed money would come from funds allocated to developing and deploying border surveillance technology, known as "virtual" fencing.

Rising fuel and construction costs have contributed to the increase in the project. The GAO also found that staffing shortfalls and difficulties in obtaining land acquisition rights also contributed to delays. Even with the additional \$400 million, the Department admitted that it would still run into funding problems, if Congress merely passes a continuing resolution this year funding the Department and the fence at FY08 levels.

The Department's request was discussed at a hearing of the House Homeland Security Committee on September 10, 2008. For more information, go to: <http://homelandsecurity.house.gov> .

CLIMATE: CARB BRIEFS CA CONGRESSIONAL STAFF ON DETAILS OF AB 32 CLIMATE CHANGE DRAFT SCOPING PLAN

On July 29, 2008, the California Air Resources Board (CARB) hosted a workshop for California Congressional delegation staff on the recently released draft "Scoping Plan" for AB 32, the Global Warming Solutions Act of 2006. AB 32 commissioned CARB to implement policies to reduce the State's emissions of greenhouse gases to 1990 levels by 2020, and the Scoping Plan describes the strategy that CARB will pursue to achieve this goal. The Scoping Plan's vision is grounded in a

market-based cap-and-trade system, to be undertaken in partnership with the regional Western Climate Initiative, bolstered by a variety of complementary policies to dramatically increase the energy efficiency of California and accelerate deployment of advanced low-carbon technologies.

At the Workshop, CARB Science and Technology Advisor Anthony Eggert and Assistant Executive Officer for Federal Climate Policy Brian Turner presented 16 categories of action explored in the Scoping Plan:

1. The role of State Government in reducing carbon footprint and setting an example
2. Establishing California Light Duty Vehicle GHG (Clean Car) Standards
3. Energy efficiency by increasing combined heat and power production and solar water heating
4. Renewable Portfolio Standard requiring utility companies to provide a third of their energy from these sources

5. Low Carbon Fuel Standard requiring oil companies to make less polluting fuels
6. Vehicle Efficiency Measures
7. Goods Movement by shipping electrification at Ports
8. Heavy/Medium duty Vehicles requiring more aerodynamic and hybrid trucks
9. California Solar Program
10. Local Government Actions and Targets promoting more liveable, walkable cities
11. High Speed Rail
12. Additional Emission Reductions from capped sectors
13. Sustainable Forests
14. Water Related Energy Efficiency
15. Landfill Methane Capture at Large Dairies
16. High Global Warming Potential Gas Measures

The goals for California introduced by AB 32 are both short term and long term. Short term, the board believes by implementing these changes, many of which are on a state and federal level, but also many of which require California residents to follow the recommendations, the can reach its target of 15% below the 2005 emission rates in the next 12 years. Scientists and economists have both expressed the need for our country to reduce emissions by 15-20 percent by 2020, a goal that California has figured out how to achieve. Long term, the board hopes that these changes, along with many more to come in the next 20 years, will lead to a reduction of emissions by 80% by 2050.

For more information, please visit www.arb.ca.gov

AGRICULTURE: CALIFORNIA ALMOND PRODUCERS FILE SUIT TO STOP USDA PASTEURIZATION REQUIREMENT

On Wednesday, September 10, 2008, a group of 15 California almond growers and processors sued the U.S. Department of Agriculture (USDA) seeking to overturn a new rule that requires almonds to be pasteurized. California produces nearly all of the almonds sold in the U.S., as well as 90 percent of the world's almonds.

The California growers argue that the requirement that almonds be pasteurized makes the product less desirable for wholesalers, retailers, and consumers who prefer raw and unprocessed foods such as nuts. The USDA rule, imposed in September 2007, seeks to prevent disease outbreaks, but the growers who filed the suit claim it is not necessary. They also claim it has caused prices for organic almonds to decline by as much as 40 percent. At times, it has led to buyers rejecting them altogether.

California's almond crop yielded 1.3 billion pounds in 2007, which was valued at approximately \$1.4 billion.

IMMIGRATION: REPORT FINDS POSSIBLE DECLINE IN UNDOCUMENTED IMMIGRANT POPULATION

The Center for Immigration Studies released a report in July 2008 that finds that the “illegal immigrant population may have declined by over one million in the last year. There are strong indications immigration enforcement is responsible for at least part of the decline,” its authors state. The report, *Homeward Bound, Recent Immigration Enforcement and the Decline in the Illegal Alien Population*, was authored by Steven A. Camarota and Karen Jensenius. The report analyzed monthly data collected by the Census Bureau through May 2008.

Among its other finds are:

- the implied decline in the illegal immigrant population is at least seven-times larger than the number of undocumented immigrants removed by the federal government in the last 10 months, so most of the decline is attributable to illegal aliens leaving the country on their own.
- one indication that stepped up enforcement is responsible for the decline is that only the undocumented population is affected; the legal immigrant population continues to grow.
- another indication enforcement is causing the decline is that the undocumented population began to fall before there was a significant rise in their unemployment rate.
- while the decline began before unemployment rose, the evidence indicates that unemployment has increased among illegal immigrants, so the economic slow-down is likely to be at least partly responsible for the decline.

To obtain the report, go to: <http://www.cis.org> .

POLITICS: REPORT SAYS REDISTRICTING UNLIKELY TO END CALIFORNIA’S PARTISAN CHALLENGES

A report from the Public Policy Institute of California released on Tuesday, September 9, 2008, concludes that there is little evidence to show that altering the map of legislative districts would reduce partisanship in Sacramento. The analysis of legislative voting patterns finds that the 2001 redistricting – which has been blamed for gridlock over the budget and a polarized legislature – did not make legislators more partisan.

Creating new election districts is unlikely to make the legislature more moderate, PPIC concludes. Although focused on state legislative activity, the report’s findings may provide some insight into parallel issues regarding the distribution of Congressional seats in California.

Disillusion with the redistricting process has fueled moves to give redistricting authority to a more impartial body. The latest effort is Proposition 11, on the November 2008 ballot, which would give an independent commission of citizens the power to draw the legislative map. The PPIC report does not examine Proposition 11 nor assess other goals offered by proponents of redistricting reform. The report, *Redistricting and Legislative Partisanship*, focuses historically on whether the 2001 redistricting made legislators more partisan by protecting incumbents from serious election challenges.

Many advocates for redistricting reform argue that by creating “safe seats” immune from challenge by the other party, the legislature eliminated any incentive for lawmakers to support positions that would appeal to moderate voters in a competitive district. But the PPIC examination of the relationship between a legislator’s constituency and voting record contradicts the view that partisan districts made lawmakers more partisan. Among its key findings:

- Legislators are more likely to vote with their own party than to respond to the partisan makeup of their districts on most issues most of the time.

-- Moderate legislators are not consistently found in the districts that are more politically balanced. About half the legislators from evenly divided districts are not moderate on any issue examined by the report.

-- Legislators who served both before and after the 2001 redistricting did not change their voting patterns in response to changes in the partisanship of their districts.

-- Changing legislative districts to resemble those before 2001 would probably not change the outcomes of many specific votes on the state budget or contentious business regulation issues.

The PPIC report notes that political polarization has increased in governing bodies where redistricting is not a factor, such as the U.S. Senate, and suggests other reasons that might explain the rise of partisanship, including increased partisan polarization among voters, pressure from party leaders to toe the party line, and the growing influence of single-issue activists and interest groups that pour money into legislative races.

The report suggests that if voters want bipartisan compromise, there may be other ways to reach that goal than redrawing district lines, including:

-- Open primaries: Evidence from other states suggests that allowing any eligible registered voter to vote in a political party's primary may result in the election of more moderate legislators than if the primary is closed to such voters.

-- Campaign finance reform: Stricter caps on campaign contributions may lessen the influence of interest groups.

-- Mobilization of moderates: Bringing the voters who sit on the sidelines into the debate – through a third-party movement, interest group, or energizing candidate – would ensure that moderate voices are heard and give some legislators the freedom to act as swing votes.

The report is available on the PPIC website, at <http://www.ppic.org>.

RESOURCES: MONDAY LUNCH BRIEFING TO CONSIDER COMPETING FUTURES FOR THE SACRAMENTO-SAN JOAQUIN DELTA

On Monday, September 15, 2008, the Public Policy Institute of California and the California Institute for Federal Policy Research will jointly host a Capitol Hill luncheon briefing entitled "Comparing Futures for the Sacramento-San Joaquin Delta." The briefing will take place from 12:00 noon to 1:30 p.m. in Room 2261 of the Rayburn House Office Building in Washington DC.

For over 50 years, California has been pumping water through the Sacramento-San Joaquin Delta for extensive urban and agricultural uses around the state. Many believe that the Delta is now ailing badly and in urgent need of a new management strategy.

An important and thought-provoking new report from PPIC concludes that building a peripheral canal to carry water around the Delta is the most promising way to balance two critical policy goals: reviving a threatened ecosystem and ensuring a reliable, high-quality water supply for California. The authors note that although it would be best for fish populations if California stopped using the Delta as a water source altogether, this strategy would be extremely costly. If the less expensive option of a peripheral canal is coupled with investment in the Delta ecosystem, the report finds, both environmental sustainability and a reliable water supply can result.

On Monday, two authors of the report -- PPIC senior fellow and director of research Ellen Hanak and UC Davis professor and associate director of the UC Davis Center for Watershed Sciences Jay Lund -- will be in Washington to present their findings at a luncheon event jointly hosted by the Public Policy Institute of California and the California Institute for Federal Policy Research.

To attend the September 15 luncheon briefing, call the California Institute 202-974-6384 or rsvp@calinst.org. You may also use the PPIC event page at <http://www.ppic.org/>.