HOMELAND SECURITY: SENATE TAKES UP FY10 DHS SPENDING; ADDS IMMIGRATION AMENDMENTS

The Senate began floor consideration of its FY10 funding bill for the Department of Homeland Security (S. 1298) the week of July 6, 2009. The $43 billion bill was approved by the Senate Appropriations Committee on June 18th by a vote of 30-0.

During floor consideration, the Senate approved some amendments dealing with immigration issues. One, offered by Sen. Jeff Sessions, will require federal contractors to use E-Verify to ensure that their employees are eligible to work in the United States. The amendment survived a motion to table by a vote of 44-53, and was then approved by voice vote. DHS has extended the deadline mandating use of E-Verify by federal contractors from January 15, 2009 to September of this year. DHS Secretary Janet Napolitano announced on July 8, 2009 that the Administration will stick to this timing, requiring about 170,000 federal contractors to begin verifying the employment of about 4 million workers using federal databases in September. The Sessions’ amendment also requires contractors to vet all employees through E-Verify, not just new hires. Opponents are concerned that the system cannot handle verifying all federal contractor employees and the current error rate will increase. The bill includes a three year extension of the E-Verify program, and continues it on a voluntary basis for all employers.

Another amendment, approved 54-44, requires DHS to finish the planned 700 miles of fencing along the southwest border by December 2010, and would require the Department to only count double-layered pedestrian-blocking barriers in its tally of border fencing coverage. Currently, the 661 miles of fencing that DHS has completed includes vehicle barriers and 330 miles of single-layer fence, as well as 34 miles of double-layer pedestrian fence. Opponents of the amendment argued that the type of fencing necessary should be left to DHS’s discretion.
Napolitano also announced on July 8th that the Administration will revoke a Bush Administration decision to send “no-match” letters to employers whose employees’ Social Security numbers are suspect. The proposed regulation has been tied up in the courts since it was announced by the Bush Administration in 2007. It would have required about 140,000 employers receiving no-match letters to resolve discrepancies in work documents within 90 days or fire those employees. Employers would have faced criminal penalties for failure to comply.

The Senate hopes to complete action on the bill by the end of the week. Further information on the Senate’s bill can be found at: http://appropriations.senate.gov or http://www.calinst.org.

AGRICULTURE: SENATE SUBCOMMITTEE MARKS UP FY 2010 FUNDING FOR AGRICULTURE

On July 7, 2009, the Senate Appropriations Subcommittee on Agriculture, Rural Development, Food and Drug Administration, and Related Agencies approved the FY 2010 Agriculture Appropriations bill. The bill includes $23.696 billion in discretionary budget authority, a $2.3 billion discretionary increase over the fiscal year 2009 enacted level, and $0.1 billion above the President’s request. The most significant increases in the bill are in the areas of nutrition, farm support reimbursements (mandatory spending), and international food assistance, all of which are reflective of the state of the economy, agricultural market conditions, and the world situation, the Committee indicated.

The bill includes:
- $86.092 billion, including mandatory funding, for domestic nutrition assistance
- $61.352 billion in mandatory budget authority Food Stamp Program
- $16.8 billion in mandatory budget authority for child nutrition
- $7.552 billion in discretionary budget authority for WIC, which is an increase of nearly $700 million above the fiscal year 2009 non-emergency enacted level, the largest single discretionary increase in the bill.
- $2.350 billion for the FDA, which is equal to the President's request, and $299 million above fiscal year 2009 enacted level.
- $2.787 billion for USDA research agencies, which is an increase of nearly $140 million above the fiscal year 2009 enacted level.
- $3.046 in discretionary budget authority for rural development programs, which is an increase of nearly $310 million above the fiscal year 2009 enacted level and $26 million above the President's request. Significant increases were included for several rural business and renewable energy programs.
- $980 million for rural rental assistance, which is an increase of $78 million above the fiscal year 2009 enacted level.
- $217 million in budget authority to support more than $13 billion in direct and guaranteed single family housing loans, which is an increase of nearly $6 billion above the fiscal year 2009 enacted level (not including ARRA funding).

More information and a full summary of the bill can be found at: http://appropriations.senate.gov/.
AGRICULTURE: HOUSE PASSES FY 2010 AGRICULTURE APPROPRIATIONS

On July 9, 2009 the House passed the FY 2010 Agriculture Appropriations bill by a vote of 266 to 160. As passed the bill appropriates $22.900 billion compared to the $20.602 billion enacted in 2009, and is less than the $22.979 billion requested in the President's budget.

This bill includes:
- $2.995 billion, the same as the President's request and $373 million over 2009 for the Food and Drug Administration
- $1.018 billion, the same as the President's request and $47 million over 2009 for the Food Safety and Inspection Service
- $7.541 billion, $236 million below the President's request and $681 million above 2009, for the Nutrition for Women, Infants, and Children (WIC) program
- $180 million, $17 million over the President's request and $19.6 million over 2009, for the Commodity Supplemental Food Program, and $61.352 billion, the same as the President's request and $7.383 billion over 2009 for the Supplemental Nutrition Assistance Program (SNAP)
- $2.825 billion, $191 million below the President's request and $92 million above 2009, for Rural Development
- $67.3 million, as requested, for the Farm Service Agency
- $980.3 million, $72.9 million above the President's request and $11.9 million above 2009, for the Conservation Programs at the Natural Resources Conservation Service
- $160.6 million, as requested, and $14.6 million above 2009, for the Commodity Futures Trading Commission
- The National Animal Identification program received no funding

The Institute will provide a more detailed analysis of the California implications of the bill in the near future. More information about the House floor vote and full text of the bill can be found at: http://clerk.house.gov.

RESOURCES: HOUSE APPROPRIATIONS REPORTS ENERGY & WATER FUNDING

The House Appropriations Committee reported its FY10 Energy and Water Appropriations bill on July 7, 2009. The bill provides $33.3 billion in funding, a bit more than the $33.2 billion FY09 level, but less than the President’s request of $34.4 billion.

The Army Corps of Engineers will receive $5.5 billion under the bill, $139 million above FY09 and $416 million above the request. Included is:
- Operations and Maintenance: $2.5 billion, $7 million above the request and $309 million above 2009;
- Construction: $2.1 billion, $405 million above the request and $19 million below 2009; and
- Investigations: $142 million, $42 million above the request and $26 million below 2009.

The bill continues management reforms instituted at the Corps of Engineers, including the requirement for five-year development plans to guide budget decisions and limitations on reprogramming and contracting methods.

The Department of Energy is provided $26.9 billion, $86 million above 2009 and $1.5 billion below the request, to fund its science, energy, environment, nuclear nonproliferation, and national security programs. Included in the funding is:
- Office of Science: $4.9 billion, $171 million above 2009, and about the same as the President’s request for scientific research to address long-term energy needs. Including the following:
  - Basic Energy Sciences: $1.7 billion for basic research primarily on materials sciences and on chemical sciences, energy biosciences and geosciences, including $409 million in the Advanced Scientific Computing Research program; and
  - Applied Research: $2.4 billion for Nuclear Physics, High Energy Physics, Biological and

- Electricity Delivery and Energy Reliability: $208 million, $71 million over 2009, including:
  - Smart Grid Technologies: $62.9 million, $30 million above 2009, for smart grid research and development;
  - Energy Storage: $15 million, more than triple 2009, for research and development of grid-connected energy storage technologies;
  - Cyber Security: $46.5 million for energy delivery cyber security, an increase of $34.5 million from 2009, to develop secure grid technologies as cyber attacks increase worldwide and the grid becomes increasingly network-connected; and
  - Clean Energy Transmission and Reliability: $42 million to increase the efficiency of the grid and enable the widespread deployment of clean, domestic renewable energy.

The Department of the Interior will receive $1.1 billion, $17 million above the request and $38 million below 2009, of which $1 billion is for the Bureau of Reclamation for dams, canals, water treatment and conservation, and rural water projects.

More information on the bill and a complete list of Presidential and Congressionally directed spending earmarks can be found at: http://appropriations.house.gov. The Institute will provide additional information on the California implications of the bill in the near future.

**RESOURCES: SENATE COMMITTEE APPROVES ENERGY & WATER FUNDING**

On July 9, 2009, the Senate Appropriations Committee approved its FY 2010 funding for Energy and Water by a vote of 30-0. The FY 2010 bill would provide a total of $34.271 billion for the Army Corps of Engineers, the Department of the Interior, and the Department of Energy (DOE). The bill is $643 million below the President budget request and almost $476 million above the FY 2009 enacted level. At the markup, Appropriations Chair Daniel Inouye (HI) stated that because of scorekeeping savings made in the bill, the overall funding level actually exceeds the President’s request.

The Department of Energy is funded at $27.398 billion, $1.109 billion below the President’s request. Included in that level is the following:

- Energy and Efficiency and Renewable Energy programs would receive $2.233 billion, which is $85 million below the request, but $304 million above the FY 2009 enacted level. The funding includes $190 million for continuation of the Hydrogen R&D program, a $10 million increase over the budget request for Wind technology, and $30 million above the request for the Water Power R&D program to expand marine and hydrokinetic research, development and deployment.
- Electricity and Energy Reliability would receive $179.6 million. The funding would provide increased investment to support renewable energy integration into the electric transmission grid.
- The Office of Science would receive $4.899 billion.

The Army Corps of Engineers is provided $5.4 billion, $280 million above the budget request. Within that funding:

- General Investigations would receive $170 million, which is $70 million above the budget request.
- Construction funding would receive $1.924 billion, which is $206 million over the budget request.
- Operations and Maintenance would receive $2.450 billion, which is $54 million under the request, but $248.1 million above the FY 2009 enacted level.

The Department of the Interior is funded at $1.173 billion, $110 million above the President's budget request. Within that funding:

- The Bureau of Reclamation (BOR) would receive $1.131 billion, which is $110 million above the request.
- The Water and Related Resources account would receive $993.1 million which is $100 million above the President's budget request and would be utilized to ensure that BOR can continue delivering water and power to the West.
- The Central Valley Project Restoration Fund account would receive $35.358 million, which is equal to the budget request.
- The California Bay-Delta Restoration account would receive $41 million, which is $10 million above the budget request.
- The Policy and Administration account would receive $61.2 million, which is equal to the President's request.

For more information on the bill, go to: http://appropriations.senate.gov. The Institute will provide additional information on the California implications of the bill in the near future.

**TRADE: FOREIGN AFFAIRS EXAMINES EXPORT ADMINISTRATION ACT**

The House Foreign Affairs Subcommittee on Terrorism, Nonproliferation and Trade, chaired by Rep. Brad Sherman (Sherman Oaks) held a hearing on July 9, 2009 entitled “The Export Administration Act: A Review of Outstanding Policy Considerations.” Witnesses included: John Engler, President and Chief Executive Officer, National Association of Manufacturers; and Owen Herrnstadt, Director of Trade and Globalization Policy, International Association of Machinists and Aerospace Workers.

Mr. Engler’s testimony focused on NAM’s call for modernizing the Commerce Department system for export licensing and the impact that deficiencies in the current system have on manufacturers’ ability to support a strong national defense and build jobs in the high technology industries. He testified that NAM believes the present export control system is “hampering the ability to innovate and to compete in world markets by maintaining too many policies and practices that are outmoded— and that contribute little to national security.” He noted that some reforms have been put into place since 2007, but the “degree of change needed is nothing short of a major revamping of the export control philosophy, policies, and implementation mechanisms. These changes cannot be made by the Administration within the present framework, and can only come from a new Export Administration Act (EAA).” He called for protecting national security through more effective and efficient control of sensitive exports, and argued that the list of controlled items should be narrowed to include only those items that are truly sensitive. He also called for instituting systematic and regular reviews to update the export control lists and clarify definitions, creating more efficient automated processes, and Revising program licensing by eliminating redundancies to facilitate technology-sharing with U.S. allies.

He urged that an EAA reauthorization should include a better assessment of foreign availability, which considers foreign availability from all countries—not just from member countries of the international export control regime. NAM also supports inclusion of a presumption not to control an item, if legal mass market status is found. Finally, he testified that publicly available encryption should not be controlled as it is now, which, he argued, creates administrative burdens and delays. Rather, he said, reforms are needed that: “remove product review requirements for mass market and other commodity products and components; treat components as mass market items if they are designed for mass market products or are otherwise widely available; eliminate reporting requirements; and end unilateral encryption controls in general on publicly available encryption.”

Mr. Herrnstadt called on Congress to ensure that U.S. export strategy supports the creation of jobs in the United States, and argued that the current system of export controls fails to incorporate detailed employment impact analysis into its decision making process. He cited the Validated End-User Program (VEU) as “a classic example of an export control program that neglects meaningful employment impact review.” He also testified that an employment impact analysis is needed in the area of offsets, which involve the transfer of technology and production from the U.S. to another country in return for a sale. Finally, he called on Congress to form a national commission to review export policy and its impact on U.S. employment.

Testimony of all the witnesses can be obtained at: http://foreignaffairs.house.gov.
ENERGY: SENATE COMMITTEE HOLDS HEARING ON CLEAN ENERGY ECONOMY

On July 7, 2009 the Senate Environment and Public Works Committee (Chaired by Sen. Barbara Boxer) held a hearing titled "Moving America toward a Clean Energy Economy and Reducing Global Warming Pollution: Legislative Tools." Witnesses included: Steven Chu - Secretary of Energy; Lisa Jackson - Administrator, EPA; Tom Vilsack - Secretary of Agriculture; Ken Salazar - Secretary of the Interior; Rich Wells, - Vice President of Energy, Dow Chemical Co.; David Hawkins - Director, Climate Center, Natural Resources Defense Council; John Fetterman - Mayor, Braddock, Pa.; and Gov. Haley Barbour (MS).

Secretary Chu stated: "America has the opportunity to lead a new industrial revolution of creating sustainable, clean energy. We can sit on the sidelines and deny the scientific facts, or we can get in the game and play to win...The Environmental Protection Agency and the Congressional Budget Office estimate that meeting the greenhouse gas targets in the House bill can be achieved at an annual cost between 22 to 48 cents per day per household in 2020. That's about the price of a postage stamp per day."

Witnesses and members discussed the role of energy efficiency, the cost of implementing climate change legislation and the impacts of those costs on American consumers, the importance of passing comprehensive energy and climate policy this year, the role of farmers and landowners in a carbon-offsets market, the strengths and weaknesses of the ACES bill passed by the House, and the extent to which an economy-wide cap and trade program should be part of any proposed legislation.

More information and witness testimony can be found at: http://epw.senate.gov.

TRANSPORTATION: PUBLIC TRANSIT AND CLIMATE CHANGE DISCUSSED IN HOUSING SUBCOMMITTEE HEARING

On July 7, 2009 the Housing, Transportation and Community Development Subcommittee of the Senate Banking, Housing and Urban Affairs Committee held a hearing titled "Public Transportation: A Core Climate Solution." Witnesses included: Michael A. Replogle - Global Policy Director, Institute for Transportation and Development Policy, and Policy and Strategy Consultant, Environmental Defense Fund; Clint Andrews - Professor and Director, Urban Planning and Policy Development Program, Bloustein School of Planning and Public Policy, Rutgers University; Christopher Cabaldon- Mayor, West Sacramento, and board member, Sacramento Area Council of Governments; Ernest Tollerson - Director, Policy and Media Relations, Metropolitan Transportation Authority; and Randal O'Toole - Senior Fellow, Cato Institute.

Witnesses discussed the role of public transportation in reducing carbon emissions and slowing the effects of climate change. According to Mr. Replogle, a single commuter can reduce their CO₂ emissions by an average of 20 pounds per day by commuting on public transportation instead of driving. If transit ridership were to double by 2020, transportation GHG emissions would fall by 83 million metric tons per year, he said.

Mayor Cabaldon highlighted the importance of coupling changes in transportation to changes in land-use, stating that "transportation investments must be tightly coupled with changes in land-use in order to make any sort of difference...When the two are married, the impact is powerful. The House bill on energy and climate change, HR 2454, is a good start in this regard." Section 222 of the American Clean Energy Security Act (ACES), as approved by the House, includes provisions that align infrastructure and transportation planning with greenhouse gas reduction goals and emphasizes public transportation.

More information and witness testimony can be found at: http://banking.senate.gov/public/.

JUSTICE/LAW ENFORCEMENT: JULY 13 RAND BRIEFING ON COST OF METH USE IN U.S.

On Monday, July 13, 2009, RAND, in conjunction with the Congressional Caucus to Fight and Control Methamphetamine, will hold a congressional briefing entitled the “Economic Cost of Methamphetamine Use in the United States.” The briefing will be held from 1:00 p.m. - 2:00 p.m. in Room
Meth has become a major drug of abuse in many states, as indicated by law enforcement priorities, substance abuse-related emergency room visits, and treatment admissions. Recent congressional action includes (1) adding provisions to curb meth use, trafficking, and production to the PATRIOT Improvement and Reauthorization Act of 2005 and (2) passing the Methamphetamine Remediation Research Act of 2007, which addresses how the illicit use and manufacturing of meth endangers children.

To further assess the scope of the meth problem in the United States, RAND conducted the first comprehensive national assessment of the annual economic burden posed by meth use. Study findings and recommendations include the following:

- Most of the expenses result from death of meth users and from crime and criminal justice costs.
- Many costs of meth use are intangible and cannot yet be adequately measured.
- More work is needed to identify areas in which intervention to reduce meth use could prove the most cost-effective.

Rosalie Liccardo Pacula, co-director of the RAND Drug Policy Research Center and a faculty research fellow at the National Bureau of Economic Research, will present the findings of her research. You may RSVP for this event online at www.rand.org/events, or by contacting Jennifer Warren at jennifer_warren@rand.org or 703-413-1100 ext. 5938.

**ENERGY: LOFGREN TO INTRODUCE FUSION SCIENCE LEGISLATION**

Rep. Zoe Lofgren (San Jose) is expected to introduce the “Fusion Engineering Sciences and Fusion Energy Planning Act of 2009” by July 10, 2009. Congressman Bob Inglis (SC) will be jointly sponsoring the bill with Lofgren. The purposes of the bill are:

- To strengthen existing fusion engineering sciences research within the U.S. fusion program in order to better position the U.S. to take advantage of domestic and international advances in fusion science and to enable the U.S. to be a leader in key areas of the development of fusion energy; and
- To require the Department of Energy to draft a plan that will identify the full range of research and development activity required to achieve practical fusion energy.

In their Dear Colleague letter inviting original co-sponsors Reps. Lofgren and Inglis state:

“Fusion energy has the potential as a limitless and environmentally safe energy source and a possible long-term solution to our growing energy needs. Fusion is the energy that powers the sun and the stars. It is the fusion of two small atoms into a larger atom. When these two atoms fuse, a tremendous amount of energy is released, and this energy may be harnessed to general electricity. Practical fusion would be an extremely safe, large scale, base-load source of energy that emits zero greenhouse gases.”

For more information on the bill, or for members wishing to co-sponsor, contact Eileen Trang, (202) 225-3072, or eileen.trang@mail.house.gov.

**RESOURCES: CALIFORNIA RECEIVES OVER $100 MILLION IN WATER RECLAMATION FUNDS**

The Department of the Interior announced on July 1, 2009 that the Bureau of Reclamation has identified 27 water reclamation and reuse projects that will share in a total of $134.3 million under the American Recovery and Reinvestment Act of 2009 (ARRA). Twenty-six of the 27 projects are in California. These “Title XVI” projects facilitate the reclamation and reuse of wastewater and naturally impaired ground and surface waters.

With this announcement, funding under ARRA for California water-related activities has reached $381 million. Interior in April 2009 announced an additional $260 million in ARRA funding to address California’s current drought conditions and to meet the state’s long-term water supply infrastructure needs.

The newly announced federal funding will be leveraged to construct a total of more than $675 million in Title XVI projects. Recipients of the funding will have to meet specific requirements such as
demonstrating complete compliance with the National Environmental Policy Act and other environmental laws; have an approved determination of financial capability; a feasibility study that meets the established requirements of Title XVI; an approved determination of financial capability; and an executed cooperative agreement for financial assistance.

Among the larger Title XVI projects announced are:
- the City of Oxnard Groundwater Recovery Enhancement and Treatment Phase 1, $20,000,000
- Wells 21 and 22, Irvine Ranch Water District, $11,691,871,
- Recycled Water System Pressurization and Expansion Project, Eastern Municipal Water District, $9,462,250, and
- South Bay Advanced Recycled Water Treatment Facility, Santa Clara Valley Water District, 8,250,000
For more information, go to: www.recovery.gov or www.interior.gov/recovery.

ECONOMY: MILKEN INSTITUTE AND CMTA HIGHLIGHT CHALLENGES FOR CALIFORNIA MANUFACTURING SECTOR

In a study of California's manufacturing sector, the Milken Institute found that California's regulatory framework, and its tax burden are putting California at a competitive disadvantage. According to the study, which was released in June and funded by the California Manufacturers and Technology Association, California consistently ranks among the most restrictive states in which to start a business. The study cites the amount of time required and the degree of difficulty in selecting a site, navigating regulations across jurisdictions, acquiring permits, conducting impact studies, identifying and preparing a work force, and making infrastructure improvements as contributing to the poor business climate. The study also indicates that:

- California is losing a larger share of manufacturing employment overall, in high-tech in particular, and at a faster rate compared to other states. The findings indicate that California has been progressively losing more of its manufacturing employment, particularly high value-added manufacturing, to seven other states including Oregon, Texas, Minnesota, and Washington. These states added more than 62,000 manufacturing jobs since 2003, while California lost 79,000 manufacturing jobs during the same period;
- California has a wide gap between its capacity for ingenuity and entrepreneurship and its ability to efficiently commercialize innovation in manufacturing and that gap continues to widen as a result of the regulatory climate and taxes;
- Peer states are using targeted incentives to keep and lure manufacturers away from California.

The study outlines and compares tax burdens, as of 2007, and results suggest that California's total taxes paid per capita were $4,993 -- the highest among the peer states (Arizona, Indiana, Kansas, Minnesota, Oregon, Texas, and Washington) with an average of $3,803 and much higher than the national average of $4,223; California also has the second highest corporate income tax rate among the peer states and the twelfth highest in the nation.

The full report can be found at: http://www.cmta.net.

RESOURCES: DOI AND OBAMA ADMINISTRATION TO WORK WITH CALIFORNIA TO ADDRESS WATER CHALLENGES

On June 28, 2009, at a town hall meeting in Fresno, Secretary of the Interior Ken Salazar, members of the California Congressional Delegation and others, announced the steps the Obama Administration is taking to alleviate the heavy toll on Californians resulting from the ongoing water shortage.

These actions include:
- The appointment of Deputy Secretary David J. Hayes as lead official for Interior and the Obama Administration in coordinating the federal response to California water supply and related environmental issues with the state and stakeholders.
- Renewed federal involvement and leadership in the Bay Delta Conservation Plan (BDCP)
- Continued efforts to distribute $220 million in Recovery Act funding for specific water and
environmental infrastructure projects in California. $160 million will be directed to the Central Valley Project.

The expedited review of infrastructure projects that could potentially add flexibility to water delivery systems, including the proposed "Two Gates" project and the canal intertie project.

In addition, the Bureau of Reclamation has already taken operational steps to stretch the scarce water supply, including:

The processing of more than 70 transfers that total approximately 245,000 acre-feet of water for the San Joaquin Valley,

The approval of rescheduling requests by Westside and Friant Division CVP contractors to allow them to preserve and use prior year allocations of approximately 250,000 acre-feet in San Luis Reservoir and 57,000 acre-feet in Millerton Lake, and

The approval of contracts to convey 170,000 acre-feet of non-CVP water through CVP facilities for irrigation in various areas affected by the drought.

Secretary Salazar stated that "the (Central Valley) community has my commitment, and the commitment of the Obama Administration, that we will work with state and local officials to address continuing conflicts associated with transporting water from northern California through the Bay Delta - that includes fisheries-related conflicts and other deteriorating environmental conditions in the Bay Delta."


**Resources:**

**Governor to Release Water to Central Valley Farms**

California is in its third year of drought and federal restrictions on Delta pumping have resulted in the Central Valley Project, which provides water to Central Valley farmers, having less water than expected to deliver to Central Valley farms. In February of 2009, the Governor declared a state of emergency as a result of the water shortages, and in June, he asked President Obama to declare a federal disaster for Fresno County which has been the hardest hit by the shortages.

On July 2, 2009, Governor Arnold Schwarzenegger announced that the Department of Water Resources will be releasing 100,000 acre-feet of water to aid Central Valley farmers. According to a statement, the 100,000 acre-feet are considered a "water loan" from State Water Project supplies to the Central Valley Project, and the water will be re-paid by November 30, 2009, after the summer's irrigation season. The emergency action will allow Central Valley farmers to continue receiving water supplies, and it should not result in a net reduction of supply for users of SWP water, the announcement stated.

More information can be found at: http://gov.ca.gov.