ELECTIONS: JUDY CHU ELECTED TO FILL SOLIS SEAT

Judy Chu, a San Gabriel Democrat, won the special election on July 15, 2009 to represent the 32nd District of California. She replaces Hilda Solis, who has become Secretary of Labor in the Obama Administration. Rep. Chu was sworn into the House of Representatives on July 16.

Chu won with about 62 percent of the vote over Betty Chu. Rep. Chu, 56, has served in public offices for over 20 years, including on the Garvey School Board and the Monterey Park City Council, as well as holding an Assembly district seat from 2001 until 2006. Most recently, she has been a member of the Board of Equalization since 2007, and has served as its chair since 2008.

Chu is the first Chinese American woman elected to the U.S. Congress.

HOMELAND SECURITY: SENATE COMMITTEE EXAMINES REAL ID ACT

The Senate Homeland Security and Governmental Affairs Committee on Wednesday, July 15, 2009 held a hearing, “Identification Security: Reevaluating the REAL ID Act,” which examined problems with implementation of the REAL ID Act and looked at proposed legislation, the Providing for Additional Security in States’ Identification (PASS ID) Act of 2009, S. 1261, to address those problems.

Witnesses were: Department of Homeland Security Secretary Janet A. Napolitano; Vermont Governor Jim Douglas; Former Assistant Secretary of Homeland Security Stewart A. Baker; Sheriff Leroy D. Baca, Los Angeles County, California; David Quam, National Governors Association, Director of Federal Relations; and Ari Schwartz, Vice President and Chief Operating Officer, Center for Democracy and Technology.

Sec. Napolitano spoke in support of the proposed legislation, Act, stating: "PASS ID is a critical piece of national security legislation that will fix the REAL ID Act of 2005 and institute strong security
Appropriations: FY10 Energy & Water Advances in House; CA Water Amendments Approved

The House considered H.R. 3183, the FY 2010 Appropriations for Energy and Water during the week of July 13, 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.

During floor consideration, the House adopted by voice vote two proposals offered by Reps. Jim Costa (Fresno) and Dennis Cardoza (Atwater). One provides $10 million for the so-called "Intertie" and "Two-Gates" projects. The former would connect state and federal canals, and the latter would permit greater water deliveries by keeping fish out of pumps.

Other amendments adopted included one to boost funding for natural gas vehicle research at the Energy Department. The $5 million increase would be offset by a reduction in the agency’s general expenses account. It was adopted by a vote of 429-4. The House also adopted, 431-1, an amendment to boost the Energy Department’s hydropower program by $10 billion, offset by cuts to general expenses.

The House was expected to finish work on the legislation before the end of the week. For more information on the bill, go to: http://appropriations.house.gov
HEALTH: HEALTH CARE REFORM BILLS MOVING IN SENATE AND HOUSE

The Senate Health, Education, Labor and Pensions Committee on July 15, 2009 reported a comprehensive health care reform bill on a party-line vote of 13-10. Among its many provisions, the massive bill would require businesses with over 25 employees to offer health insurance to its employees or pay a penalty, and individuals would be required to obtain health care coverage. The bill establishes an insurance exchange, which individuals and small businesses could use to purchase health insurance. Included in that exchange would be a public option, as well as private insurance options. The bill also contains provisions to boost preventive care and wellness. A detailed summary of the provisions in the bill can be found at: http://www.help senate.gov/Maj_press/2009_07_15_b.pdf. The bill will eventually be combined with one being prepared by the Senate finance Committee, which deals with the tax and revenues parts of the legislation.

The House Energy and Commerce Committee unveiled its bill, H.R. 3200, on Wednesday, and began marking it up on Thursday. The markup of the thousand-page-plus bill is expected to continue through July 22nd. The bill also includes an insurance exchange that includes a government-run plan, and would phase in a requirement that all individuals must purchase health insurance. Detailed information on the bill can be obtained at: http://energycommerce.house.gov.

The House Education and Labor Committee began marking up the provisions under its jurisdiction on Wednesday. Chair George Miller (Martinez) is expected to offer a manager's amendment. Included would be provisions establishing quality and plan standards of the insurance exchange, terms of the mandate requiring employers to provide health insurance for workers or contribute funds towards coverage on their behalf, and automatic enrollment of employees in health plans. For more information, go to: http://edlabor.house.gov.

Also, the House Ways and Means Committee started its markup on Thursday, July 16, 2009. Its provisions include levying a surtax on the wealthiest Americans to help pay for the bill. The Committee estimates that the tax would bring in about $544 billion. It would apply to individuals with adjusted gross income over $280,000 and married couples with over $350,000 in adjusted gross income. The rate begins at one percent and would increase to a maximum of 5.4 percent for individuals with over $800,000 in AGI and married couples with AGI over $1 million. The surtax would be levied only on the income in excess of those amounts. For more information, go to: http://www.waysandmeans.house.gov.

TRANSPORTATION: ENVIRONMENT & PUBLIC WORKS COMMITTEE APPROVES SAFETEA-LU EXTENSION

On July 15, 2009, the Senate Environment and Public Works Committee approved an 18-month extension of federal highway programs at their current funding levels, opting to wait to do a comprehensive overhaul of the programs. The committee, chaired by Sen. Barbara Boxer, approved a draft extension bill by a vote of 18 to 1. The extension would go into effect when the current programs expire on September 30, authorizing $41 billion in fiscal year 2010. The Federal Highway Trust Fund is expected to run out of money by August of this year.

A House Transportation and Infrastructure subcommittee has already approved a multi-year, $500 billion reauthorization bill.

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

INTELLECTUAL PROPERTY: JUDICIARY HOLDS HEARING ON BIOLOGICS & BIOSIMILARS; PROVISIONS IN HEALTH CARE BILL

The House Judiciary Subcommittee on Courts and Competition Policy held a hearing on “Biologics and Biosimilars: Balancing Incentives for Innovation,” Tuesday, July 14, 2009. Witnesses included: Rep. Anna Eshoo (Palo Alto); Bruce A. Leicher, Senior Vice President and General Counsel, Momenta Pharmaceuticals, Inc., Cambridge, MA; Jeffrey P. Kushan, on behalf of the Biotechnology Industry...
Organization (BIO), Woodrow Wilson School of Public and International Affairs, Princeton, NJ; Jack W. Laserson, General Partner, Vertical Group, on behalf of National Venture Capital Association (NVCA); Larry McNeely, Healthcare Reform Advocate, U.S. Public Interest Research Groups (USPIRG); and Teresa Stanek Rea, President, American Intellectual Property Law Association (AIPLA).

The focus of the hearing was to explore allowing regulatory approval for biosimilars that meet efficacy and patient safety standards, without harming innovation. Biosimilars are follow-on versions of biotechnology products, the biomed equivalent of generic drugs, if you will. However, whereas traditional chemical compound drugs can be fully replicated by generics, biologics are more complex and unique. As Rep. Eshoo explained in her testimony, the specific process used to produce a biologic, "and even slight differences in the manufacturing of a biologic can alter its nature. As a result, biologics are difficult, sometimes impossible to characterize, and laboratory analysis of the finished product is insufficient to ensure its safety and efficacy. " She went on to testify in support of her legislation, H.R. 1548, the Pathway to Biosimilars Act. The Congressional Budget Office, she said, has determined that 11.5 years is the average length of time that drugs are marketed under patent before facing competition. Currently, biotechnology companies are assured that the costly clinical trial results and data that they develop during their approval process cannot be used by competitors to secure approval and enter the market, even if their patents do not prevent entry. Eshoo's bill is aimed at allowing competitors access to this data and a shortcut into the market, but also preserving the existing incentives for innovators by maintaining a 12-year period of concurrent data protection as a ‘backstop’ to existing patent protections. The bill also establishes a streamlined patent resolution process to ensure that all patent disputes involving a biosimilar are resolved before the expiration of the data exclusivity period. Currently, Rep. Eshoo’s bill has over 130 co-sponsors, including several California members.

Rep. Henry Waxman (Los Angeles) also has a bill dealing with the issue, H.R. 1427, but it differs from Eshoo's in several respects, including providing only a five year period of exclusivity. That provision is also included in the comprehensive health care reform bill that the Energy and Commerce Committee began to mark up this week. Rep. Eshoo has indicated that she may offer an amendment to the health care bill to extend the term to 12 years. Her amendment would track that of the language now included in the Senate HELP Committee's health care reform bill.

Other witnesses were split on whether the Eshoo or Waxman approach was better, with Kushan of BIO coming down on Eshoo's side, while Leicher supported the Waxman approach.

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

**Appropriations: Subcommittee Marks Up FY10 Transportation, Housing and Urban Development Appropriations**

On July 13, 2009, the House Appropriations Transportation, Housing and Urban Development, and Related Agencies Subcommittee marked up its fiscal year 2010 appropriations.

The bill includes $123.1 billion in total budgetary resources, $53.2 million below the President's budget request. The bill includes:

- $18.0 billion for Section 8 tenant-based rental assistance, $1 billion above the 2009 allocation
- $1 billion for Housing for the Elderly, $235 million above FY 2009
- $350 million for Housing for the Disabled, $100 million above FY 2009
- $1.85 billion for Homeless Assistance Grants
- $250 million for HOPE VI, $130 million above last year
- $63.8 million for NeighborWorks America
- $50 million for the Energy Innovation Fund
- $150 million for the Sustainable Communities Initiative
- $25 million for Brownfields Redevelopment, $15 million above FY 2009
- $41.1 billion for the Federal Highway Administration, which is a one percent increase from 2009
- $10.5 billion for public transportation programs
- $1.48 billion, $20.1 million above FY 2009
$4 billion for High Speed and Intercity Passenger Rail, $3 billion above the President's request; $2 billion may be transferred to a national infrastructure bank if it is authorized
$1.5 billion for Amtrak to continue and expand intercity and long distance passenger rail service
$40 million for the Rail Line Relocation and Improvement program, $15 million above FY 200
$16 billion for the Federal Aviation Administration's operations, capital, research and airport grant programs; $17 million for 180 additional safety inspectors and $13 million to accelerate the FAA's research on alternative fuels
$175 million for the Essential Air Service program, $53 million above FY 2009
$607 million for Rural Transit formula grants, $68.9 million above last year for capital and operating assistance to rural communities
$600 million for Rural Highways for projects in communities with populations of less than 5,000 and $90 million for improvements to high risk rural roads
The full committee is expected to markup the bill on July 21.
More information can be found at: http://appropriations.house.gov/.

RESOURCES: HEARING HELD ON CLEAN WATER TRUST FUND

On July 15, 2009, the House Transportation and Infrastructure Subcommittee on Water Resources and Environment held a hearing entitled: Opportunities and Challenges in the Creation of a Clean Water Trust Fund. Witnesses included: Ms. Anu Mittal, Director, Natural Resources and Environment, U.S. Government Accountability Office; and Mr. Thomas Walsh, Engineer-Director/Treasurer, Upper Blackstone Water Pollution Abatement District, testifying on behalf of the National Association for Clean Water Agencies.

Ms. Mittal explained that many of the wastewater systems that Americans rely on to protect public health and the environment are reaching the end of their useful lives. The Environmental Protection Agency (EPA) has estimated that a potential gap between future needs and current spending for wastewater infrastructure of $150 billion to $400 billion could occur over the next decade. Various approaches have been proposed to bridge this potential gap, she noted. One is to establish a clean water trust fund. GAO was asked to examine stakeholders' views on the issues that would need to be addressed in designing and establishing a clean water trust fund and (2) potential options that could generate about $10 billion annually in revenue to support a clean water trust fund. Her testimony focused on a May 2009 report (GAO-09-657) that identified a number of funding options for policymakers to consider. GAO, she stressed, did not endorse any option and does not have a position on whether or not a trust fund should be established.

Stakeholders, she testified, identified three main issues that would need to be addressed in designing and establishing a clean water trust fund: how a trust fund should be administered and used; what type of financial assistance should be provided; and what activities should be eligible to receive funding from a trust fund. Funding options included levying excise taxes on such things as beverages, pesticides, pharmaceuticals, and the like. Congress could also levy a tax on corporate income. An additional 0.1 percent corporate income tax could raise about $1.4 billion annually, Mittal said. Likewise, Congress could levy a water use tax. A tax of 0.01 cent per gallon could raise about $1.3 billion annually. She concluded, however, that "regardless of the options selected, certain implementation obstacles will have to be overcome. These obstacles include defining the products or activities to be taxed, establishing a collection and enforcement framework, and obtaining stakeholder support for a particular option or mix of options."

Mr. Walsh testified that GAO's report outlined "important steps toward establishing a long-term, sustainable revenue source to address the serious water and wastewater infrastructure funding gap. We believe a clean water trust fund is critical to ensuring communities can continue to meet their CWA obligations, which are so vital to the protection of public health and the environment as well as for economic prosperity."

The testimony of all the witnesses can be found at: http://transportation.house.gov.
HOUSING : SENATE BANKING COMMITTEE ASSESSES HOMEOWNERSHIP AND FORECLOSURES
On July 16, 2009, the Senate Banking, Housing and Urban Affairs Committee held a hearing titled "Preserving Homeownership: Progress Needed to Prevent Foreclosures."
Witnesses included: Herbert M. Allison Jr. - Assistant Secretary of the Treasury for Financial Stability; William Apgar - Senior Adviser to the Secretary of Housing and Urban Development for Mortgage Finance; Joan Carty - President and CEO, Housing Development Fund, Bridgeport, Conn.; Mary Coffin - Executive Vice President, Wells Fargo Home Mortgage Servicing; Allen Jones - Default Management Policy Executive, Bank of America Home Loans; and Diane E. Thompson Attorney, National Consumer Law Center.
Chairman Chris Dodd (CT) reiterated the importance of stabilizing the housing market and criticized regulators and industry. Witnesses discussed a range of issues including: the Administration's efforts to curb rising foreclosure rates; efforts to increase servicer transparency and accountability; efforts to reach out to borrowers; principal reduction programs versus loan modification programs; the challenges of second mortgages; the role of job loss and health problems in causing homeowners to enter foreclosure; and more.
More information can be found at: http://banking.senate.gov.

ENERGY: SUBCOMMITTEE DISCUSSES WIND AND SOLAR ENERGY R&D
On July 14, 2009, the Energy and Environment Subcommittee of the House Science and Technology Committee held a hearing on wind and solar energy research and development.
Witnesses included: Steve Lockard - CEO, TPI Composites and Co-Chairman, Research and Development Committee, American Wind Energy Association; Ken Zweibel- Director, George Washington University Solar Institute; Nancy Bacon - Senior Adviser, United Photonics Ovonic and Energy Conversion Devices; Andy Swift - Director, Wind Science and Engineering Research Center, Texas Tech University; and John Saintcross - Program Manager, Energy and Environmental Markets, New York State Energy Research and Development Authority.
Witnesses examined the status of wind and solar energy research and development programs and discussed the need for a comprehensive plan to guide future activities. Specifically, members received testimony on H.R. 3165, the Wind Energy Research and Development Act of 2009.
H.R. 3165 would authorize a comprehensive research, development, and demonstration program to advance wind energy technologies.
According to the Department of Energy's (DOE) 2008 report, 20% Wind Energy by 2030, North Dakota, Texas, Kansas, South Dakota, and Montana have the greatest potential for wind energy production, with the capacity to produce over a billion megawatt-hours of energy resources per year. Estimates indicate that the proportion of U.S. electric generation of power from wind is less than 2 percent, but it has the potential to be 20 percent or more. The increase in wind capacity would require improvements in wind turbine technology, forecasting capability, energy storage, and the expansion of transmission and distribution systems. Solar energy makes up the largest global energy resource. Currently, the Bureau of Land Management (BLM) has 158 active solar applications which, if they are approved, have enough projected capacity to provide almost a third of the nation's household electricity alone. Although solar energy is widely used, witnesses suggested that the industry faces a number of challenges to achieving a significant, stable domestic energy supply for U.S. consumers while also meeting greenhouse gas emission reduction targets. Overall witnesses suggested that the performance of wind and solar energy systems has the potential to be substantially more efficient, cost-effective, and reliable.
For more information, visit: http://science.house.gov.
CLIMATE: ENVIRONMENT & PUBLIC WORKS COMMITTEE HOLDS THREE HEARINGS ON GLOBAL WARMING, GREENHOUSE GAS EMISSIONS

Chairman Barbara Boxer and the Environment & Public Works Committee convened three hearings the week of July 13, 2009 to address a series of issues relating to climate and energy legislation. On July 14, 2009, the Committee held two hearings to explore the relationship between economic opportunity and climate change, and greenhouse gas emissions and transportation. On July 16, 2009, the Committee held another hearing on American competitiveness in the new green economy.

The first hearing, "Economic Opportunities for Agriculture, Forestry Communities, and Others in Reducing Global Warming Pollution," focused on addressing economic opportunities presented by green technology innovations for businesses in sectors like agriculture and forestry. Chairman Boxer highlighted her belief in the importance of providing regulated industries with a low-cost way to meet some of their pollution reduction requirements, stating that "lower costs for industry mean lower costs for families as we transition to a clean energy economy." Witnesses included Bill Hohenstein, Director of the Global Climate Change Program for the United States Department of Agriculture; Bob Stallman, President of the American Farm Bureau Federation and others.

Mr. Stallman raised a series of concerns about efforts to reduce global warming pollution in the agriculture sector. He testified that the climate change legislation passed by the House will have virtually no impact on the earth's temperature in the year 2050. Second, he highlighted the "enormous economic consequences for our country and the agricultural sector." And he raised concerns that "unless other countries, such as China and India, adopt similar emissions restrictions, the United States, if it adopts this legislation, will be embarking on a fool's errand at great cost to our economy and our children and grandchildren."

The second hearing, "Transportation's Role in Climate Change and Reducing Greenhouse Gases," focused on the role of transportation in reducing greenhouse gas emissions. Witnesses included U.S. Department of Transportation Secretary, Ray LaHood; Steve Winkelman of the Center for Clean Air Policy; and Watkins and Shepard Trucking CEO Ray Kuntz, among others. They discussed opportunities to provide more transportation choices to communities across the country, including walking, cycling, light-rail and buses and the importance of promoting development of housing in close proximity to transit, as well as supporting mixed-use development.

In the third hearing, "Ensuring and Enhancing U.S. Competitiveness while Moving toward a Clean Energy Economy," witnesses testified about incentives for investment in well-crafted clean-energy legislation. Witnesses included: John Doerr - partner, Kleiner Perkins Caufield and Byers; John Krenicki - vice chairman, General Electric, and president and CEO, GE Energy Infrastructure; Julian L. Wong - senior policy analyst, Center for American Progress Action Fund; and Harry C. Alford - president and CEO, National Black Chamber of Commerce.

GE President John Krenicki indicated that in order for the U.S. to lead in energy technology, it would need: "1) A big domestic marketplace - a pull for technology that will spur investment and job creation; 2) A scalable, competitive supply chain that can deliver the lowest unit costs to the end customers over time; 3) Best-in-class technologies; 4) Strong intellectual property protection; and 5) Free and open markets." Mr. Alford raised concerns about the impact that any proposed legislation may have on small business-owners and consumers, citing studies that suggest that the costs of proposed climate legislation will cost households money and result in a net loss of jobs nationally.

More information about each of these hearings can be found at: http://epw.senate.gov.

TRANSPORTATION: R&D SUBCOMMITTEE MARKS UP SURFACE TRANSPORTATION BILL

On July 15, 2009, the Technology and Innovation Subcommittee of the House Science and Technology Committee marked up H.R. 2569, a bill to reauthorize surface transportation research, development and technology transfer activities. The bill is expected to become the research and
development title of a surface transportation reauthorization measure.

As amended and referred to the full committee by the subcommittee, HR 2569 would:
- require the Department of Transportation to annually develop a comprehensive strategic plan to
guide surface transportation research, development and technology transfer activities. The strategic plan will
include a range of focus areas including community livability, sustainability and other performance
measures;
- establish a visiting committee on surface transportation research to review and make
recommendations regarding the quality of surface transportation research, development and technology
transfer activities being carried out by DOT;
- establish the Administration of Intelligent Transportation Systems Programs Office;
- focus research efforts on reducing vehicle miles traveled, congesting, construction and maintenance
related emissions and energy consumption; and
- establish regional green transportation research centers.
More information can be found at: http://science.house.gov

TRANSPORTATION: SUBCOMMITTEE DISCUSSES LONG-TERM SURFACE TRANSPORTATION AUTHORIZATION

On July 16, 2009, the Highways and Transit Subcommittee of the House Transportation and
Infrastructure Committee held a hearing titled "The Importance of a Long-Term Surface Transportation
Authorization in Sustaining Economic Recovery." Witnesses included: Mr. Raymond Poupore, Executive
Vice President of the National Construction Alliance; The Honorable Roy Kienitz, Under Secretary for
Policy of the U.S. Department of Transportation; and others.

Issues discussed included the impact of past delays of authorizations on project planning;
commission recommendations and the investment gap; the growing needs of the surface transportation
system; the current status of the highway trust fund; and the impacts of the economy on investment in
surface transportation.

The full committee and the subcommittee also explored these issues earlier this month. On January
17, 2008 and February 13, 2008, the Committee on Transportation and Infrastructure met to hear testimony
on the Policy Commission's Report, Transportation for Tomorrow, which focuses in part on the need to
reform the current transportation planning processes. On June 24, 2009, the Subcommittee on Highways and
Transit met to mark up a Committee Print of the Surface Transportation Act Authorization.

More information can be found at: http://transportation.house.gov

BRIEFING: LUNCH BRIEFING ON CLEAN DIESEL TECHNOLOGY IN CA

The California Institute and the Diesel Technology Forum are hosting a Capitol Hill Lunch Briefing
on "Developments in Clean Diesel Technology in California." The briefing will take place on Monday, July
27, 2009 from noon to 1:30 pm in B338 Rayburn House Office Building.

California's influence on environmental and energy policy is taking shape. In the last 10 years, more
areas are meeting clean air standards than ever before. A key part of this progress is the transformation of
diesel fuel and engines, which are the predominant source of power for key sectors of California's economy
such as agriculture, construction and transportation. During this time, the state has been at the forefront of
efforts to promote lower emissions and cleaner fuels for all diesel engines, vehicles and equipment. As a
result of these efforts, today's new diesel cars meet California's stricter light-duty vehicle emissions
standards, and heavy-duty diesel trucks and buses will meet the same emissions standards as those powered
by natural gas (beginning in 2010).

Congress is facing important decisions on energy, climate and transportation legislation that will set
the policies and determine the vehicle and fuel technologies needed to meet our future goals. Clean diesel
technology, like other alternative energy solutions, has a role to play in saving energy, reducing greenhouse gas emissions, and building a strong transportation infrastructure.

The following speakers will provide an overview of the environmental performance of new and existing diesel fuel and engines, and outline how this new generation of diesel technology will play a role in reducing greenhouse gas emissions, and increasing renewable and low-carbon fuels.

Douglas P. Wheeler, Esq., Hogan and Hartson (Former Secretary of Natural Resources, State of California, 1991-1999); Allen Schaeffer, Executive Director, Diesel Technology Forum; and Eric J. Prince, Director, Government Relations, Cummins Inc.

This briefing is open to the public. To attend (acceptances only), please contact the California Institute 202-785-5456 or rsvp@calinst.org. For assessing compliance with Congressional gift ban rules, note that the California Institute is a 501(c)(3) charitable nonprofit organization that employs no lobbyists. We anticipate this will be a widely-attended event.

**EDUCATION: PPIC FINDS THAT NO CHILD LEFT BEHIND INCREASES ACCOUNTABILITY OF SCHOOL BOARDS, PRINCIPALS IN CALIFORNIA**

On July 15, 2009, the Public Policy Institute of California (PPIC) released a study that found that the federal No Child Left Behind Act has made local school board members and principals more accountable for improving students' academic progress. The study indicates that California voters are more likely to re-elect their local school board members, if schools meet goals for student achievement mandated by the law, and districts in California are more likely to demote principals whose schools repeatedly fail to meet the targets, though there is no evidence that the law has succeeded in making district superintendents more accountable for student achievement. The study also found:

- In districts that meet NCLB's "adequate yearly progress" targets for student achievement, incumbent school board members are more likely to be re-elected than would have been the case before NCLB.
- In schools that have been sanctioned for repeatedly failing to make adequate yearly progress, principals are more likely to be demoted than would have been the case before NCLB.
- Neither the salaries nor retention rates of superintendents are related to student achievement in their districts.

The study's recommendations include:

- Refocusing NCLB sanctions on school boards rather than schools and districts.
- Helping school boards determine the best way to improve student achievement.

More information can be found by visiting: [http://www.ppic.org](http://www.ppic.org).