NATURAL DISASTERS: HOUSE FINANCIAL SERVICES ADDRESSES NATURAL DISASTER INSURANCE LEGISLATION


Witnesses were: Mr. James Lee Witt, former Director of the Federal Emergency Management Agency on behalf of ProtectingAmerica.org; Mr. Glenn Pomeroy, Chief Executive Officer, California Earthquake Authority; Mr. Steve Ellis, Vice President, Taxpayers for Common Sense; and Mr. Charles McMillan, Coldwell Banker Residential Brokerage, Dallas-Fort Worth and Immediate Past President, National Association of REALTORS®. Rep. Loretta Sanchez (Anaheim) submitted testimony for the record.

In opening remarks Rep. Maxine Waters (Los Angeles) noted that only about 12 percent of California homeowners have earthquake insurance. She said she would be interested in learning how H.R. 2555 would increase the availability of earthquake insurance and allow the California Earthquake Authority to reduce claims, pay damage claims, and reclaim the investment of capital made. Rep. John Campbell (Newport Beach) spoke in strong support of the legislation, arguing that the current system where states and individuals petition the federal government for relief after a catastrophe is inefficient and wasteful and must be changed. Rep. Campbell also noted that the bill would encourage insurance not just for major disasters but smaller events that do not reach the national consciousness – like a local landslide – that can devastate a small number of homeowners because currently there is no insurance available to cover such events, but that could be covered under the bill.

In his testimony, Mr. Pomeroy strongly supported H.R. 2555, especially Title II, which would authorize, for qualified state catastrophe-insurance programs, such as CEA, a federal guarantee of private-market debt incurred to pay insured losses from natural catastrophes. Upon application by a qualifying state program, the Treasury Department would provide a three-year rolling commitment to guarantee private-market debt, re-affirmed each year, but in amounts limited by law: $5 Billion in guarantees
ECONOMY: TRACKING THE MONEY: ASSESSING THE RECOVERY ACT’S IMPACT ON THE STATE OF CALIFORNIA

On Friday, March 5, 2010, the House Committee on Oversight and Government Reform held a hearing titled: "Tracking the Money: Assessing the Recovery Act's Impact on the State of California." The hearing took place at the California Science Center in Los Angeles. This is the second in a series of field hearings by the Committee that examined the implementation of the American Recovery and Reinvestment Act of 2009 and its impact on states and localities. The hearing specifically examined Recovery Act funded transportation, education and energy projects, programs, and grants within California, with particular attention to evaluating measures taken to prevent waste, fraud, and abuse.

Witnesses included: The Honorable Antonio R. Villaraigosa, Mayor of the City of Los Angeles; The Honorable Patrick J. Morris, Mayor of the City of San Bernardino; The Honorable Chuck R. Reed, Mayor of
the City of San Jose; Mr. Herb K. Schultz Director, California Recovery Task Force Office of the Governor; Ms. Laura N. Chick, Recovery Act Inspector General, State of California; Ms. Linda Calbom, Western Regional Director, U.S. Government Accountability Office; The Honorable Elaine M. Howle, California State Auditor; Mr. Gavin Payne, Chief Deputy Superintendent of Public Instruction Office of the State Superintendent of Public Instruction.

Mayor Villaraigosa suggested that more of the Recovery funds should be sent directly to metropolitan areas and that the “silo-ing” of Recovery funds should be broken down, allowing greater flexibility on how the funds may be used in order to maximize job creation and address the greatest needs. He also called for an exemption to allow for the use of force account labor on Recovery Act funded-projects. Mayor Reed "encouraged the committee to promote private sector jobs as a solution to economic challenges. ARRA investment helped stabilize our national economy and opened the door to recovery but...it is not sustainable. The next wave of federal investment needs to focus on the creation of long term, permanent jobs that only come from the private sector."

Mayor Morris urged the Committee to target federal stimulus funding to infrastructure projects because it creates the greatest number of jobs. He also called for allocating federal stimulus funding directly to local and regional governments through flexible block grants to allow federal funds to be matched with “unique local opportunities, monies and economic development strategies that maximize results.” Finally, he and Mayor Villaraigosa both urged that municipalities be allowed to use Recovery funds for budget stabilization.

According to the GAO, despite the influx of Recovery Act funds, California continues to face severe budgetary pressures and estimates a current shortfall of as much as $21billion – roughly one-quarter of the state's annual budget expenditures. California's cities and counties are also struggling with budget problems. According to officials from the City of Los Angeles and County of Sacramento, Recovery Act funds are helping to preserve essential services and repair infrastructure but have generally not helped stabilize base budgets.

The GAO indicated that:
- 100 percent of California's $2.570 billion highway infrastructure Recovery Act apportionment has been obligated. The state has dedicated most of these funds for pavement improvements—including resurfacing and rehabilitating roadways;
- As of January 25, 2010, California had awarded about $66 million to 35 local service providers throughout the state for weatherization activities, but as of February 26, 2010, the state had weatherized only 849 homes – less than 2 percent of the 43,000 homes that are estimated to be weatherized with Recovery Act funds;
- As of February 19, 2010, California had distributed approximately $4.7 billion for three education programs, including the State Fiscal Stabilization Fund. Local education agencies plan to use more than half of these funds to retain jobs; however, a majority reported that they still expect job losses; and
- Recipients reported that 70,745 jobs were funded in California during the last quarter of 2009.

The complete testimony of the witnesses can be found at: http://oversight.house.gov/.

**ECONOMY: SENATE PASSES TAX EXTENDERS, INCLUDING R&D, & SAFETY-NET PROGRAMS**

On March 10, 2010, by a vote of 62-36, the Senate passed HR 4213. The bill contains numerous provisions to help the economy and the unemployed, as well as extensions of several major tax provisions. On Tuesday, March 9, the Senate had voted, 66-34, to limit debate on the bill, opening the way for final passage.

Among its many provisions, the bill extends for six months the increase in the FMAP payment the government pays to states for Medicaid services. California’s increased payment is estimated to bring in an additional $1.5 billion to the state. The bill also extends the moratorium on cutting Medicare reimbursement rates to physicians by 21 percent, and extends unemployment compensation benefits for a year, as well as the federal subsidy for unemployed workers paying for health insurance under COBRA.
Among the numerous tax credits that are extended for a year are:
- the research and experimentation tax credit, known as the R&D tax credit
- incentives for biodiesel and renewable diesel used as fuel
- the above-the-line deduction for qualified tuition and related expenses
- the enhanced charitable deduction for corporate contributions of computer inventory for educational purposes
- special expensing rules for certain film and television productions
- tax-free distributions from individual retirement plans for charitable purposes
- expensing of environmental remediation costs, and
- empowerment zone tax incentives.

In addition, The legislation prevents a reduction in the federal poverty level (FPL) from taking effect through 2010. The scheduled reduction is caused by a decrease in the average cost of goods resulting from the economic downturn. Preventing this reduction ensures that low-income families may continue to qualify for programs such as Supplemental Nutrition Assistance Program (SNAP) or food stamps, Medicaid and home heating assistance. Likewise, the legislation allows individuals living below the poverty level to continue to disregard refundable tax credits and refunds as part of their income for twelve months after receipt. This provision ensures that families living in poverty are not penalized for receiving tax cuts by losing their eligibility for important safety-net programs.

The estimated cost of the tax credit extensions is about $30 billion, and for the whole bill about $130 billion.

The House passed the bill on December 9, 2009, by a vote of 241-181.

ENERGY: FERC, END-USERS, UTILITIES URGE FERC REGULATION OF TRANSMISSION RIGHTS AND ELECTRICITY MARKETS

On March 9, 2010, the Senate Energy and Natural Resources Committee (Chairman Bingaman, NM) held a hearing on financial transmission rights and electricity market mechanisms. Witnesses included: Jon Wellinghoff, Chairman, Federal Energy Regulatory Commission; Gary Gensler, Chairman, Commodity Futures Trading Commission; Garry Brown, representing the New York Public Service Commission and the National Association of Regulatory Utility Commissioners; Vince Duane, Vice President and General Counsel, PJM Interconnection; Joseph Kelliher, representing Edison Electric Institute and the Electric Power Supply Association; and Michael Henderson, representing the Arkansas Rural Electric Cooperatives, Little Rock.

Witness testimony and discussion during the hearing focused primarily on legislation that the House of Representatives passed in December of last year, H.R. 4173, the Wall Street Reform and Consumer Protection Act of 2009. The bill, if enacted, would authorize further regulation of financial derivatives by the Commodities Futures Trading Commission (CFTC). Witnesses representing power market participants and end users argued that the legislation should include an exemption to allow their activities to remain under the jurisdiction of the Federal Energy Regulatory Commission (FERC). Witnesses and the committee discussed over the counter (OTC) derivatives, specifically FTRs, or financial transmission rights, and the impact that making OTC derivatives like FTRs exchange traded may have on utility and end-user costs.

FERC Chairman Jon Wellinghoff and witnesses representing end-users agreed that CFTC should not be given authority to regulate energy markets. "FERC and the CFTC have different missions," said Wellinghoff. "Shifting jurisdiction over energy markets from FERC to the CFTC could impair FERC's ability to protect consumers from excessive energy rates, an especially important consideration during a recession. Similarly, expanding the CFTC's authority in FERC-regulated markets could limit FERC's ability to police against market manipulation in energy markets."

Gary Gensler, Chairman, Commodity Futures Trading Commission argued against a wholesale statutory exemption to prevent CFTC regulation. He urged Congress to allow the CFTC to coexist with the FERC the way it does with other agencies with oversight of cash and forward markets. "Markets evolve rapidly," said Gensler. "What might seem like a carefully crafted exclusion today can become a significant
and problem-filled loophole tomorrow. When the Enron loophole was included in statute in 2000, electronic trading facilities were in their infancy. By the time Congress addressed the loophole as part of the Farm Bill in 2008, the unregulated electronic trading of natural gas swaps was on a par with the trading of natural gas futures on the regulated market."

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

**EDUCATION: SENATE COMMITTEE BEGINS HEARINGS ON ELEMENTARY AND SECONDARY EDUCATION ACT**

On March 9, 2010, the Senate Health, Education, Labor and Pensions Committee (Chairman Harkin, IA) held a hearing on the reauthorization of the Elementary and Secondary Education Act and the impact of education on the country's future economic success. Witnesses included: Andreas Schleicher, Head, Indicators and Analysis Division, Education Directorate, Organization for Economic Co-Operation and Development, Paris, France; Dennis Van Roekel, President, National Education Association; and John Castellani, President, Business Roundtable.

According to Chairman Harkin and witnesses, it is projected that, by 2014, 75 percent of new jobs will require some postsecondary education. U.S. college completion rates are flat; twenty years ago, the United States was first in the world in postsecondary attainment, but the U.S. is currently 12th. Recent studies rank American 15-year-olds 24th in the world in terms of math achievement, and as a consequence, since 1975, the U.S. has fallen from 3rd to 15th place in the world in turning out scientists and engineers. "Today, the average black or Latino student is roughly 2-3 years of learning behind the average white student. Averaging math and reading scores across fourth and eighth grade, 48 percent of blacks and 43 percent of Latino students are 'below basic,' while only 17 percent of whites are," said Harkin. "This gap (the achievement gap) exists in every state."

By mid century, over 60 percent of school children will be minorities, and a study by the Alliance for Excellent Education found that if the nation's high schools and colleges were to raise the graduation rates of Hispanic, African-American, and Native-American students to the levels of white students by 2020, the increase in personal income across the nation would add more than $310 billion to the U.S. economy.

Witnesses highlighted the major challenges facing students and the education system in the U.S., and encouraged the Committee to improve STEM education, invest in technology, measure and reward teacher success, and increase accountability.

This is the first in a series of hearings focusing on reauthorization of the Elementary and Secondary Education Act.

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

**EDUCATION/WORKFORCE: WITNESSES DISCUSS RESEARCH AND INNOVATION, ENCOURAGE INVESTMENT**

On March 10, 2010, the Senate Commerce, Science and Transportation Committee (Chairman Rockefeller, W.Va.) held a hearing titled "Advancing American Innovation and Competitiveness."

Witnesses included: The Honorable John P. Holdren, Director, Office of Science and Technology Policy; The Honorable Arden L. Bement, Jr., Director, National Science Foundation; The Honorable Patrick D. Gallagher, Director, National Institute of Standards and Technology; and Dr. Robert D. Braun, Chief Technologist, National Aeronautics and Space Administration.

Witnesses shared information about research and education programs, discussed FY2011 budget requests for research and programmatic activities, and highlighted challenges in securing and maintaining America's leadership in innovation and competitiveness.

"America has fallen from 1st in the world in broadband penetration to the middle of the pack among developed nations...In science education, one widely used international assessment shows American 15-year-olds ranked 25th in math and 21st in science among OECD countries," said John P. Holdren, Director, Office of Science and Technology Policy. "And, for the first time, in 2008, non-Americans were granted more U.S. patents than Americans."
Witnesses urged the committee to support research for next generation information and communications technology, to secure cyberspace, to encourage research and innovation through grants and education programs, to support STEM education, and to support the COMPETES Act. "Industry continues to rely upon government support for high-risk, high-reward basic research," said Bement. "It is no accident that our country's most productive and competitive industries are those that benefitted the most from sustained federal investments in R&D - including computers and communications, semiconductors, biotechnology, and aerospace."

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

SOCIAL SERVICES & WELFARE: WAYS AND MEANS SUBCOMMITTEE DISCUSSES IMPROVEMENTS TO TANF

On March 11, 2010, the Income Security and Family Support Subcommittee (Chairman McDermott, Wash.) of the House Ways and Means Committee held a hearing on the role of the Temporary Assistance for Needy Families (TANF) program in providing assistance to families with very low incomes.


The TANF block grant provides fixed-funding to the States to provide assistance to needy families so that children can be cared for in their own homes or in the homes of relatives. And, the American Recovery and Reinvestment Act provides up to $5 billion to help States respond to rising TANF caseloads and to establish and/or expand subsidized employment programs. Funding for this TANF emergency contingency fund currently expires on September 30th. In 2008 (the most recent data available) fewer than one out of every four poor children received cash assistance through the TANF program, a steep drop compared to the percentage receiving such aid in the mid 1990s. TANF caseloads (nationwide) climbed modestly last fiscal year in response to the worst recession in many decades, but this small rise significantly lagged the increased participation in other programs designed to respond to rising need, such as food stamps and unemployment benefits.

Witnesses and Committee members discussed a range of issues, including: the poverty measure used to set the standards for the TANF program, child support provisions and rules, ways to promote TANF to families and parents who may qualify for the program, participation rates, and the successes and failures of programmatic elements. Most witnesses were supportive of the TANF program and congressional efforts to expand and improve the program. Robert Rector, however, raised concerns that investing more money in the program is "unsupportable." "Government will spend around $475 billion on means-tested aid for families with children in FY2011. This amounts to over $30,000 for each low-income family with children. At the same time, the federal budget deficit in FY2011 will be $1.2 trillion, or 8.3 percent of gross domestic product. The nation simply cannot afford the current level of spending," he said.

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

REPORT: ITIF REPORT CALLS FOR AMERICA COMPETES CHANGES

The Information Technology & Innovation Foundation released a report in March 2010 on the America Competes Act. Enacted in 2007, the act authorized a number of new initiatives and funding for science and science education, among other programs. ITIF’s report, 8 Ideas for Improving the America COMPETES Act, is authored by Richard Atkinson.

The report provides eight ideas for the America COMPETES Act, which is up for reauthorization this year. The recommendations are based on two key principles: 1) when possible, leverage Act non-federal resources, and 2) spur collaboration between various players in the innovation system.

ITIF’s recommendations call for Congress to:
- Fund specialty math and science high schools.
- Fund joint government-industry STEM Ph.D. fellowships.
- Allow foreign students receiving STEM Ph.D.s from U.S. universities to automatically qualify for green cards.
- Create an SCNR program (Spurring Commercialization of Our Nation’s Research) modeled after the SBIR and STTR programs to support university, state and federal laboratory technology commercialization initiatives.
- Create a university-industry collaborative R&D tax credit.
- Fund industry-university-government manufacturing research and deployment centers.
- Establish an Office of Innovation Policy in OMB (i.e., an Office of Information and Regulatory Affairs for Innovation).
- Institute a National Innovation and Competitiveness Strategy modeled on the National Broadband Strategy.


**BRIEFING: INSTITUTE TO HOST AGRICULTURAL COMMISSIONERS LUNCH MARCH 15**

The California Institute will host a lunch briefing on Monday, March 15, 2010, entitled *California Agriculture: Unique Industry, Unique Regulatory System*. The lunch will be held from Noon to 1:30 P.M. in Room B-339 Rayburn House Office Building.

California's nearly $37 billion agriculture industry is as diverse and complex as it is valuable to the state's and nation's economy. Such a unique and vital industry requires a unique and multifaceted regulatory system. California's state departments of Food & Agriculture and Pesticide Regulation are complemented by a system of County Agricultural Commissioners appointed to represent each of the state's 58 counties. Most California Agricultural Commissioners also serve as the County Sealer of Weights and Measures, protecting California consumers in the marketplace.

The County Commissioners will discuss California’s regulatory system, pest and disease issues in California, and the federal government partnership. Participants will be: Scott Hudson, (San Joaquin County) President, California Agricultural Commissioners and Sealers Association; Bob Atkins, (San Diego County) President-elect, California Agricultural Commissioners and Sealers Association; David Whitmer, (Napa County), Vice Chairman, Legislation Committee, California Agricultural Commissioners and Sealers Association; Mary Pfeiffer, Shasta County Agricultural Commissioner and Sealer; Eric Lauritzen, Monterey County Agricultural Commissioner and Sealer; Louie Mendoza, Yuba County Agricultural Commissioner and Sealer; and Kurt Floren, Los Angeles County Agricultural Commissioner and Sealer.

Please join us for this luncheon briefing on Monday, March 15, 2010. To attend (acceptances only), please contact the California Institute 202-785-5456 or sullivan@calinst.org.