HEALTH: PRESIDENT ENACTS COMPREHENSIVE HEALTH CARE REFORM; CONGRESS SENDS RECONCILIATION PACKAGE FOR SIGNATURE

On March 21, 2010, after 14 months of struggle, the House passed H.R. 3590, the Patient Protection and Affordable Care Act. The vote was 219-212, with no Republicans supporting the measure. The Senate passed identical legislation in December, by a vote of 60-39, after breaking a Republican filibuster. Immediately after passing H.R. 3590, and sending it to the President for signature, the House voted 220-211 to pass H.R. 4872, the Reconciliation Act of 2010, which made changes to the House and Senate passed health care legislation. After defeating more than 30 Republican amendments, the Senate passed the reconciliation bill by a vote of 56-43 on March 25, 2010. Because of a few changes to the bill required by the Senate’s parliamentary procedures, the House again had to vote and pass the bill on March 25, 2010.

The President signed the health care reform bill on March 22, 2010, and will sign the reconciliation bill in the near future.

Some of the major provisions in the bill, and the potential impact on California as estimated by the House Energy & Commerce Committee Majority Staff and other organizations, include:

**Coverage.** The legislation would extend coverage to 94% of all Americans. If this level of coverage is reached in California, 3,845,000 residents who currently do not have health insurance will receive coverage. Approximately 21,246,000 California residents receive health care coverage through an employer or through policies purchased on the individual market. Those who do not receive health care coverage through their employer will be eligible to purchase coverage at group rates through the new health insurance exchange.

**Tax Changes.** A middle-class tax cut for health care will provide middle class families with incomes up to $88,000 for a family of four with tax credits to help pay for coverage in the exchange. For a family of four making $50,000, the average tax credit will be approximately $5,800. There are 7,201,000 households in the state that could qualify for these credits if they purchase health insurance...
through the exchange or, in the case of households with incomes below 133% of poverty, receive coverage through Medicaid.

Under the legislation, small businesses with 100 employees or less will be able to join the health insurance exchange, benefitting from group rates and a greater choice of insurers. There are an estimated 775,800 small businesses in the state that could benefit from this provision. Small businesses with 25 employees or less and average wages of less than $50,000 will qualify for tax credits of up to 50% of the costs of providing health insurance.

The law will impose a tax on individuals without qualifying coverage of the greater of $695 per year up to a maximum of three times that amount or 2.5% of household income to be phased-in beginning in 2014.

Effective January 1, 2013, the law increases the Medicare Part A (hospital insurance) tax rate on wages by 0.9% (from 1.45% to 2.35%) on earnings over $200,000 for individual taxpayers and $250,000 for married couples filing jointly and imposes a 3.8% tax on unearned income for higher-income taxpayers (thresholds are not indexed).

Pre-existing Conditions. There are 791,600 uninsured individuals in the state who have pre-existing medical conditions like cancer, heart disease, and diabetes. Under the bill's insurance reforms, they cannot be denied coverage.

Costs. The bill caps annual out-of-pocket costs at $6,200 for individuals and $12,400 for families who purchase insurance through the exchange or who are insured by small businesses. It also eliminates annual and lifetime limits on all insurance coverage.

In 2008, health care providers in the state provided uncompensated care to individuals who lacked insurance coverage and were unable to pay their bills. Under the legislation, the costs of uncompensated care may be reduced by as much as $2.5 billion annually.

Medicare. There are approximately 4,527,000 Medicare beneficiaries in the state. The legislation provides these individuals free preventive and wellness care, improves primary and coordinated care, and enhances nursing home care. The bill also extends the solvency of the Medicare Trust Fund from 2017 to 2026. Additionally, under the legislation, Medicare beneficiaries affected by the donut hole will receive a $250 rebate in 2010, 50% discounts on brand name drugs beginning in 2011, and complete closure of the donut hole within a decade. A typical beneficiary who enters the donut hole will see savings of over $700 in 2011 and over $3,000 by 2020.

Community Health Centers. There are approximately 1,081 community health centers in the state that will receive funding through the legislation. Nationwide, the legislation would provide $11 billion in new funding for these centers

Young Adults. The legislation will allow young adults to remain on their parents' policies until they turn 26. There are 3,187,000 young adults in the state who could benefit from this option. For individuals under age 30, the bill creates new, less expensive policies that allow them to obtain protection from catastrophic health care costs.
Other significant reforms include: a prohibition of annual and lifetime limits; elimination of rescissions for individuals who become ill while insured; and limits on the amount insurance companies can spend on administrative expenses, profits, and other overhead. The Congressional Budget Office estimates that the legislation will reduce the deficit by $130 billion over the next ten years, and by about $1.2 trillion over the second decade.

The California Institute has prepared a spreadsheet, using the estimates compiled by the House Energy and Commerce Committee Majority Staff, on potential impacts on California and its congressional districts. The spreadsheet can be found at: http://www.calinst.org/pubs/healthcareimpactCA.

The following links also provide further information on the bill:
http://edlabor.house.gov/
http://finance.senate.gov/sitepages/Health_Care_Reform.html
http://republicanleader.house.gov/
http://www.health-access.org/
http://www.bcbs.com
http://www.kff.org/

**EDUCATION: PELL GRANT REFORM INCLUDED IN HEALTH CARE REFORM RECONCILIATION BILL**

Included in the reconciliation bill passed as part of the health care reform package was wide-sweeping changes to the Pell Grant higher education federal loan program. The reconciliation bill, H.R. 4872, passed the House on March 21, 2010 by a vote of 220-211, and the Senate on March 25, 2010 by a vote of 56-43. Because of a few changes to the bill required by the Senate’s parliamentary procedures, the House again had to vote and pass the bill on March 25, 2010.

The Student Aid and Fiscal Responsibility Act (SAFRA) comprehensively changes federal student lending by eliminating the use of private companies to write student loans and providing, instead, for direct federal loans. Beginning July 1, 2010, all new federal student loans will be originated through the Direct Loan program, instead of through the federally-guaranteed student loan program. The Direct Loans will be serviced by private lenders in the United States.

SAFRA increases the maximum annual Pell Grant scholarship to $5,550 in 2010 and to $5,975 by 2017. Starting in 2013, the scholarship amount will also be indexed to the cost-of-living. The $36 billion over ten years provided by this change includes $13.5 billion to fund a shortfall in the Pell Grant scholarship program due to increased demand for the scholarship.

The bill also includes $750 million to increase funding for the College Access Challenge Grant program, and to fund innovative programs at states and institutions that focus on increasing financial literacy and helping retain and graduate students.

The monthly repayment cap on loan payments under the Income-Based Repayment program is lowered to 10 percent from 15 percent of a borrower’s discretionary income for new borrowers after 2014.

The Congressional Budget Office estimates that the new provisions will save $61 billion over 10 years.


**ECONOMY: HOUSE PASSES INFRASTRUCTURE AND JOBS BILL**

By a vote of 246 – 178, the House on March 24, 2010, passed H.R. 4849, the Small Business and Infrastructure Jobs Tax Act of 2010. The bill provides numerous tax credits and incentives aimed at assisting small businesses and financing infrastructure projects.
The bill provides for an extension of the TANF Emergency Contingency Fund. The American Recovery and Reinvestment Act (ARRA) created an Emergency Contingency Fund (ECF) to help States with increasing expenditures on: basic assistance for families in the Temporary Assistance for Needy Families (TANF) program; short-term, one-time aid for needy families; and subsidized employment programs, which temporarily pay for all or part of the wages of a worker in a public or private job. The ECF is now scheduled to expire on September 30, 2010. The bill would provide $2.5 billion to continue the fund through FY 2011. A State’s maximum allotment from the Fund in FY 2011 would be capped at 30 percent of its annual grant under the TANF program. This provision is estimated to cost $2.503 billion over 10 years.

Among the other provisions included in the bill:
- 100% exclusion of small business capital gains
- Increased deduction for start-up expenditures from $5,000 to $20,000, and increases the threshold amount for start-up expenses from $50,000 to $75,000 before the deduction is limited
- Penalty relief for small businesses failing to disclose a “reportable transaction”
- Exemption from the “at-risk” rules for non-recourse loans that are guaranteed by the SBA
- Extension of Build America Bonds
- Exclusion from state volume caps for water and sewer exempt-facility bonds
- Elimination of the costs imposed on State and local governments by the alternative minimum tax
- Allow election of direct payments in lieu of low-income housing credits
- Extends Recovery Zone bonds and provides an additional allocation

The bill also provides offsets to pay for the new provisions under the Pay-As-You-Go Rules.

For further information on the bill, go to:

**ECONOMY: HOUSE PASSES SUMMER JOBS BILL AND DISASTER RELIEF**

On March 24, 2010, the House passed H.R. 4899, the Disaster Relief and Summer Jobs Act of 2010, by a vote of 239-175.

The supplemental appropriations provides $5.1 billion to the Federal Emergency Management Agency for recent disasters from snow and flooding this winter, as well as previous disasters. FEMA currently has about a $2 billion backlog in projects because of lack of funds, while the National Weather Service and the Army Corps of Engineers estimate that one-third of the United States will be faced with the possibility of flooding this spring.

The bill also provides $600 million, offset under pay-go, to support over 300,000 jobs for youth ages 16 to 21 through summer employment programs. The funding will be used to expand the summer jobs programs funded under ARRA. In addition, the Small Business Administration will receive $60 million, again offset under pay-go, to extend the ARRA small business lending program for another month. That program eliminated the fees normally charged for loans through the Small Business Administration 7(a) and 504 loan programs and increased the government guarantees on 7(a) loans from 75% to 90%. According to the House Appropriations Committee, since its creation, the program has supported nearly $23 billion in small business lending, which has helped to create or retain over 560,000 jobs.

For more information on the bill, go to: http://appropriations.house.gov/.

**TRANSPORTATION: SURFACE TRANSPORTATION REAUTHORIZATION OPPORTUNITIES TO IMPROVE SECURITY AND ENVIRONMENT**

On March 24, 2010, the Senate Environment and Public Works Committee (Chairman Barbara Boxer) held a hearing on the reauthorization of the surface transportation bill. Specifically, the Committee and witnesses discussed that the next surface transportation bill could be used to improve energy security and the environment.
Witnesses included: John D. Porcari, deputy secretary of Transportation; Regina McCarthy, assistant administrator, Office of Air and Radiation, EPA; Larry Greene, executive director and air pollution control officer, Sacramento Metropolitan Air Quality Management District; Deron Lovaas, director, Federal Transportation Policy, Natural Resources Defense Council; Doug Siglin, director, Federal Affairs, Chesapeake Bay Foundation; and Richard R. Kolodziej, president, NGVAmerica.

According to the committee, the U.S. spends a billion dollars a day to import oil. According to the Energy Information Administration, two thirds of all the oil consumed in this country is used for transportation, and it is a dependence that contributes significantly to air pollution that is harmful to public health and the environment. Diesel exhaust contributes to asthma attacks, bronchitis and other respiratory illness, heart disease, permanent harm to the lungs of children and cancer; diesel exhaust contains more than 40 cancer-causing substances, according to the California Air Resources Board (CARB). CARB reports that each year in California, diesel pollution contributes to school absences, emergency room visits and 3,500 premature deaths. Children whose lungs are still developing, and the elderly who may have other serious health problems are the most at risk. Diesel pollution is also concentrated near densely populated areas, such as ports, rails yards, and heavily traveled roadways -- which means that on average these emissions lead to higher exposure to dangerous pollution and more harm to human health.

"Two of my main goals for the reauthorization of this legislation will be to improve goods movement and reduce air pollution from transportation," said Chairwoman Boxer. "As we work to authorize the next surface transportation bill, which I am calling MAP-21, Moving Ahead for Progress in the 21st Century, we must find ways to reduce harmful emissions from transportation while speeding the movement of people and goods."

"One key federal policy for protecting air quality has been conformity under the Federal Clean Air Act. Each State Implementation Plan developed to meet air standards establishes a conformity budget for air emissions from transportation projects. This puts a cap on emissions and encourages the use of innovative strategies to reduce emissions," Larry Greene, executive director and air pollution control officer, Sacramento Metropolitan Air Quality Management District, testified. "This key program should remain in place as an important element in improving national air quality."

Greene also highlighted other programs that have played important roles in California in reducing pollution from vehicles such as the development of cleaner technology for engines and requiring the use of cleaner fuels. "For each of these strategies there are both federal and local components. Local agencies like our district have been leaders in providing incentive programs to assist business in installing cleaner on and off road engines. The Federal Diesel Emissions Reduction Act has been of great assistance in this effort and must be continued."

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

**Social Services: Funding to Child Nutrition Programs, Fighting Obesity Has Bipartisan Support**

On March 24, 2010, the Senate Agriculture, Nutrition and Forestry Committee marked up draft legislation that would reauthorize child nutrition programs. Nationwide, over 30 million children participate in the National School Lunch Program each day and more than 10 million children participate in the National School Breakfast Program. The bill, the Healthy, Hunger-Free Kids Act of 2010 would reauthorize childhood nutrition programs. The bipartisan legislation, which passed the committee by a unanimous, bipartisan vote, invests $4.5 billion in new child nutrition program funding over the next ten years, the most historic investment in child nutrition programs since their inception.

The bill also strives to address the epidemic of childhood obesity with a provision to create national school nutrition standards for all foods sold on school campuses throughout the school day. The provision requires the Secretary of Agriculture, through a transparent regulatory process, to
establish national nutrition standards consistent with the Dietary Guidelines for Americans for all foods sold on school campuses throughout the school day. Current regulations limiting the sale of foods sold in schools are very narrow and have not been updated in almost 30 years.

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

EDUCATION: WITNESSES ENCOURAGE COLLABORATION, INVESTING IN STEM

On March 24, 2010, the Technology and Innovation Subcommittee of the House Science and Technology Committee held a hearing titled "Supporting Innovation in the 21st Century Economy," to broadly examine factors and policies that foster innovation.

Witnesses included: The Honorable Aneesh Chopra is the Chief Technology Officer of the United States at the White House Office of Science and Technology Policy; Dr. Mark Kamlet is the Provost at Carnegie Mellon University; Dr. Rob Atkinson is the President of the Information Technology and Innovation Foundation; Dr. Dan Breznitz is an Associate Professor at the Sam Nunn School of International Affairs at Georgia Institute of Technology; and Mr. Paul Holland is a General Partner at Foundation Capital.

According to the committee, 20th century innovations have moved away from physical-capital intensive technology advancements of the past, like railroads, to more research-intensive advancements, like DNA sequencing, which depend more on factors like R&D and an educated workforce.

Members and witnesses discussed the role of the federal government in supporting innovation in the 21st century, including fostering collaborations between federal agencies and the private sector, bolstering science, technology, engineering, and math (STEM) education to ensure a trained workforce, and supporting basic research. Members and witnesses also discussed the appropriate role of the federal government in supporting commercialization and entrepreneurs and state innovation-based economic discovery.

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

IMMIGRATION: HOUSE SUBCOMMITTEE HEARS TESTIMONY ON CIS


Director Mayorkas discussed several initiatives of CIS, including the response to the earthquake in Haiti. Among the management priorities at CIS, Mayorkas testified, are focusing on transparency, efficiency, effectiveness, and integrity. In January, CIS began a management reorganization to improve efforts to achieve those goals. CIS has also established a new “one-stop shop” website to improve customer communication and satisfaction.

Mayorkas also discussed CIS’s efforts to reduce the length of time it takes for applicants’ cases to be resolved. Among the reductions achieved are: 4.1 months, instead of 10.6 for naturalization cases; 4.4 months, down from 10.8 months for the processing time to register permanent resident or adjust status; and 3 months, instead of 5.7 months for processing an alien worker immigration petition.

Mayorkas also discussed the success of the E-Verify program, and CIS’s efforts to improve its ability to detect identity fraud.

Director Irving discussed GAO’s study on fee design characteristics and trade-offs illustrated by USCIS’s immigration and naturalization fees. The study examined how the four key characteristics of user fees—how fees are set, collected, used, and reviewed—may affect the economic efficiency, equity, revenue adequacy, and administrative burden of cost-based fees. Ms. Irving’s testimony concentrated
on (1) user fee design and implementation characteristics and criteria, (2) cost assignment and trade-offs identified in USCIS’s 2007 fee review, and (3) additional considerations for fee-funded agencies, and contains several observations and recommendations concerning CIS’s fee setting initiatives.

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

**IMMIGRATION: HOMELAND SECURITY EXAMINES VISA OVERSTAY ENFORCEMENT**

On March 25, 2010, the House Homeland Security Committee held a hearing titled ‘Visa Overstays: Can They be Eliminated?’ Witnesses were: The Hon. Rand Beers, Under Secretary, National Protection and Programs Directorate, Department of Homeland Security; the Hon. John T. Morton, Assistant Secretary, U.S. Immigration and Customs Enforcement, Department of Homeland Security; the Hon. Richard L. Skinner, Inspector General, Department of Homeland Security; and Mr. Edward Alden, Senior Fellow, Council on Foreign Relations.

The Department of Homeland Security estimates that there are 10.8 million undocumented residents in the United States. Secretary Beers outlined the efforts the Department takes to identify those illegal immigrants who are visa overstays, using the United States Visitor and Immigrant Status Indicator Technology (US-VISIT) Program, and its components. He also discussed several initiatives the Department is taking to improve its identification of overstays, including: improving its information-matching capabilities; and reducing backlogs of un-reviewed records.

Mr. Alden’s testimony focused on four points. First, he testified, the problem of identifying all those who overstay their visas or other entry conditions remains unsolved, but the Department of Homeland Security (DHS) has made significant and under-recognized progress for air departures through the use of passenger manifest data. He suggested that Congress should encourage the administration to build on these accomplishments rather than insisting on a fingerprint-based, biometric exit system for identifying visa overstayers. Second, he said, the primary value of a system for tracking overstays is to bring greater integrity to U.S. immigration laws and to discourage illegal immigration. Exit tracking has little or no utility as a counterterrorism tool, and there are other better tools available for discouraging illegal immigrants who choose to overstay their nonimmigrant visas. Third, the government must be extremely vigilant that the deployment of additional measures to prevent overstays does not have the unintended consequence of deterring lawful travelers to the United States, Alden urged. Travel to the United States fell sharply following the September 11 terrorist attacks, and overseas travel had yet to recover to pre-9/11 levels even before the current recession. Discouraging foreign travel has hurt the U.S. economy, and damaged America’s ability to project its values by encouraging people to come to the United States and see the country first-hand rather than through a foreign media lens, he argued. Finally, Alden testified, the costs of deploying of a full biometric exit capability as currently envisioned by Congress are likely to exceed the benefits. The United States should consider seriously other options at the land borders, he argued, especially better use of RFID capabilities already embedded in many identity documents and data sharing with the Canadian and Mexican governments that would allow the United States to access records for those entering Canada and Mexico across the land border.

For the testimony of all the witnesses, go to: http://homeland.house.gov/Hearings/index.asp?ID=245