**TAX/ECONOMY: SENATE LEADERSHIP TRIMS DOWN TAX/JOBS BILL, BUT CLOTURE STILL FAILS**

In an effort to find the 60 votes needed to end debate, Sen. Max Baucus, Chair of the Finance Committee, offered a revised tax and jobs bill on June 16, 2010. The new version of H.R. 4213 would cost about $118 billion, versus the $140 billion in the original bill, and a little more than half of the bill would be offset by cuts in other federal programs. Baucus’ move followed the Senate’s defeat, by a 45-52 vote, of a motion to waive a budget point of order on the bill. But the move failed late on Thursday, June 17th, as the measure gained only four more votes and missed the 60 votes needed for cloture by a vote of 56-40.

Among other cuts, Baucus’s amendment would change the “doc fix,” to prevent reductions in Medicare payments, only through Nov. 30, 2010, rather than through 2011, a 13 month cut back. That change will reduce the cost of the doc fix to about $16.4 billion, rather than the $22.9 billion estimated in the original bill. Also, the additional $25 per week federal supplement paid to unemployment compensation recipients would be phased out, saving about $5.8 billion. The latest proposal also changes the “carried interest” provisions in the bill, and the taxation of investment managers’ sale of ownership stakes in their firms.

The Baucus substitute did retain the $24.2 billion needed to continue the temporary increase in the Federal Medical Assistance Percentage payments to states to help them cover Medicaid programs. The House version of the bill, passed on May 28, eliminated the extension. It also appears that the extensions of tax credits, including the R&D tax credit, have not been changed in the substitute.

Baucus said he will continue to seek the votes needed to end the filibuster and pass the bill. When the Senate will take up the measure again is uncertain. Even if cloture is invoked there are several other amendments to be considered, including one that would extend the recently expired COBRA.
health insurance subsidies for the unemployed, but at less than the 65 percent subsidy previously available.


**ECONOMY: HOUSE PASSES SMALL BUSINESS LOAN BILLS**

By a vote of 231-182, the House passed H.R. 5297, the Small Business Lending Fund Act of 2010, which sets up a $30 billion fund to allow commercial banks and other institutions to make loans to small businesses. The aim is to help counter the lack of credit and tight lending standards currently faced by small businesses seeking loans, although opponents have argued that the bill is a bank bailout.

The bill also provides $2 billion for a state-oriented small-business credit initiative to bolster state and local programs that help small businesses raise capital, and a $1 billion Small Business Administration program to make investments in “early stage” small businesses.

The House passed another bill, H.R. 5486, on June 15, 2010 to pay for the costs of the bill. H.R. 5486 contains $3.6 billion for small-business tax incentives and includes changes to the inheritance tax code and the cellulosic biofuel tax credit to offset costs. H.R. 5486 will now be incorporated into H.R. 5297 and sent to the Senate.

**TRADE: WAYS & MEANS EXAMINES CHINA TRADE PRACTICES**

The House Ways and Means Committee held a hearing on June 16, 2010 to examine China’s trade and industrial practices. Witnesses included: Ian Bremmer, Ph.D., President, The Eurasia Group; Christian Murck, Ph.D., President, American Chamber of Commerce, People’s Republic of China; Charles Freeman, J.D., Freeman Chair in China Studies, Center for Strategic and International Studies; The Honorable Alan Wm. Wolff, J.D., Of Counsel, Dewey & LeBoeuf’s International Trade Practice Group; John Frisbie, President, U.S.- China Business Council; Dean C. Garfield, President and CEO, Information Technology Industry Council; Leo W. Gerard, International President, United Steelworkers, Pittsburgh, Pennsylvania; Robert W. Holleyman, II, J.D., President and CEO, Business Software Alliance; and several members of Congress.

The hearing addressed growing concerns that the Government of the People’s Republic of China is intervening more aggressively in its economy, in ways that distort trade flows and disadvantage U.S. businesses and workers. Witnesses and the Committee examined overall trends in China’s trade and industrial policies, as well as several specific examples of how China appears to be embracing mercantilism and “national champions” over a market-based model of economic development. Examples of this discussed at the hearing include: (1) China’s “indigenous innovation” initiative; (2) failure to enforce intellectual property rights; (3) the adoption of discriminatory product standards; (4) the manipulation of export flows through export
restrictions and selective tax rebates; and (5) subsidies and other measures that create substantial overcapacity in key sectors.

Mr. Frisbie of the U.S.-China Business Council detailed how China’s indigenous innovation policies, aimed at promoting economic growth in China, are restricting U.S. companies. In late 2009 and early 2010, for instance, he testified that China released several key rules to create lists of favored innovative products that would receive preferences in government procurement. He argued that such lists ultimately undermine innovation, by encouraging complacency, and argued that the U.S. priority must be to do away with product lists and procurement preferences, and instead encourage China to follow international best practices for innovation incentives and use non-discriminatory tax, research and development support, and other programs to reach its innovation goals.

Mr. Holleyman testified that two Chinese practices stand in the way of American software companies’ ability to compete in China: massive illegal use of software (nearly 4 out of every 5 computer programs installed on personal computers (PCs) in China last year are being used illegally) and the development of “indigenous innovation” policies promoted by China that limit access to a significant part of the Chinese market.

Mr. Garfield also discussed the problem arising because China is developing country-specific industry standards and mandating they be followed by companies wanting to participate in that marketplace. When this happens, he stated, “American and other foreign companies either have to create bifurcated products lines -- one for the Chinese market and one for the rest of the world -- or simply turn their backs on the market.”

Testimony of all the witnesses can be found at: http://waysandmeans.house.gov.

**IMMIGRATION: HOMELAND SECURITY SUBCOMMITTEES ASSESSES SBINET**


In his opening statement, Management Subcommittee Chair Chris Carney (PA) noted the difficulties that have plagued SBInet since its inception, including the GAO report findings of poorly defined requirements and limitations in the capabilities of commercially available system components. As a result, DHS has downgraded its expectations for SBInet, and the result will be a deployed and operational system that may not live up to expectations and provide less mission support than was originally envisioned. “As Boeing developed the system, it became clear it would not meet the requirements established by the Department,” Carney said. “As opposed to ensuring that the requirements were satisfied, the number of component-level requirements was reduced from 1,286 to 880, or by about 32 percent. . . . Over $1.1 billion has been spent on the Secure Border Initiative, and over $800 million has been spent on SBInet alone. 53 miles [out of a total of 6,000 miles] at a cost of $1.1 billion is unacceptable.”

Mr. Krone, in his written testimony, detailed the progress Boeing has made to date in developing and deploying SBInet, but did not address the GAO report’s findings or conclusions.

The testimony of all the witnesses can be found at: http://homeland.house.gov.
AGRICULTURE: HOUSE AGRICULTURE SUBCOMMITTEE HOLDS 2012 FARM BILL HEARING

On June 17, 2010, the House Agriculture Subcommittee on General Farm Commodities and Risk Management held its first hearing to review U.S. farm safety net programs in advance of the 2012 Farm Bill. The Agriculture Committee has begun the process of writing the 2012 Farm Bill, holding field hearings in eight states. This subcommittee hearing is the next step in the process. The Subcommittee heard from U.S. Department of Agriculture (USDA) Under Secretary for Farm and Foreign Agricultural Services Jim Miller.

The hearing’s discussion focused on whether the current farm safety net is working and efforts to improve it in the next farm bill. The members of the subcommittee had the opportunity to ask questions about the latest draft of the Standard Reinsurance Agreement that was submitted on June 11.

Another hearing on the subject will be held on June 24, 2010. Written testimony is available on the Committee website: http://agriculture.house.gov/hearings/index.html.

NATURAL DISASTERS: COMMITTEE DISCUSSES CARING FOR SPECIAL NEEDS DURING DISASTERS

On June 15, 2010, the House Homeland Security Emergency Communications, Preparedness, and Response Subcommittee, chaired by Rep. Laura Richardson (Long Beach), held a hearing to examine what is being done for vulnerable populations and those with special needs during disasters.

Witnesses included: Marcie Roth, Senior Adviser on Disability Issues, Federal Emergency Management Agency (Fema), Department of Homeland Security; Jonathan M. Young, Chairman, National Council on Disability; Jim Kish, Director, Technological Hazards Division, Fema; Carmen J. Spencer, Deputy Assistant Secretary of the Army for Elimination of Chemical Weapons; Jon Gundry, Deputy Superintendent of Schools, Los Angeles County Office of Education; and Diana Rothe-Smith, Executive Director, National Voluntary Organizations Active in Disasters.

Chair Richardson highlighted the need to learn from past failures and engage in integrated preparedness planning that meets the needs of all citizens, including the mentally and physically impaired; the poor; the elderly; children; individuals with limited English proficiency; and culturally diverse communities. “When it comes to disaster planning, our most vulnerable populations should no longer be left as a secondary consideration or an annex to an Emergency Operations Plan,” she stated.

The Post-Katrina Emergency Management Reform Act of 2006 included many reforms to provide Fema with the necessary tools and leadership to ensure integration of disability related issues. For example, the Act directed the FEMA Administrator to appoint a Disability Coordinator to ensure that the needs of individuals with disabilities are being properly addressed in emergency preparedness and disaster relief. Additionally, the Act requires that FEMA coordinate many of its efforts with the National Council on Disability (NCD). In August 2009, NCD released a report which provided several recommendations for making improvements to further integration efforts.

Dr. Young, the Chairman of NCD, discussed what steps FEMA has taken to coordinate with the Council and implement the report’s recommendations. Also, the Post-Katrina Act required that FEMA provide guidance to States and localities on how to implement disability integration into emergency planning.

Other witnesses discussed the collaborative work of FEMA and the U.S. Army in preparing communities surrounding the Army’s chemical warfare agent stockpiles. They also discussed the unique needs of children, culturally diverse communities, and citizens who are economically disadvantaged.

Los Angeles County Office of Education Deputy Superintendent, Jon Gundry, discussed how LA’s school emergency plans are developed to meet the unique challenges of preparing children for disasters. He voiced support for Chairwoman Richardson’s proposed legislation H.R. 4898, stating that it “is so critical in helping to ensure that school districts are prepared in time of emergency.”

Chairwoman Richardson introduced HR 4898, The Elementary and Secondary School Emergency Preparedness Planning Act, to address the challenges associated with preparing our school children for
disasters. The bill would establish a competitive grant program for emergency preparedness planning at local school districts.

For more information, visit: http://hsc.house.gov .

**ENERGY: MEMBERS DISCUSS NEED FOR ACCURATE FORECASTING TO BETTER UTILIZE RENEWABLE ENERGY RESOURCES**

On June 16, 2010, the House Committee on Science and Technology’s Energy and Environment Subcommittee held a hearing to discuss forecasting data and services necessary to expand reliable, renewable sources of power. The hearing also explored the research, development, demonstration, and monitoring needs in this area that are not currently being adequately addressed.

Renewable energy is energy derived from natural resources such as sunlight, wind, and tides, which are replenished by nature. According to the Department of Energy (DOE), nearly a quarter of electric power in the U.S. was generated from renewable sources in 2009. A significant barrier to a more widespread adoption of many forms of renewable energy is that these sources are intermittent. Because the energy sources are not steadily available at all times, electric grid managers adjust the delivery of other sources of power based on expected changes in renewable power output. To forecast these expected changes, scientists must take into account several factors such as the changing weather conditions and the land’s topography.

Current observational networks in the United States are relatively sparse and widely spaced, and are therefore not well-suited to forecast wind energy generation. Members and witnesses discussed the need to integrate wind forecasting tools into energy management system applications. The monitoring and modeling requirements to achieve an accurate solar power forecast, which is heavily dependent on satellite data, was also discussed.

One focus of the hearing was an examination of the role that the National Oceanic and Atmospheric Administration (NOAA) plays in supporting renewable energy, and how its capabilities could be further developed to better serve the needs of renewable energy developers and consumers. To address these issues, NOAA leverages research capacities across the agency, as well as partnerships with other federal agencies, such as DOE and the National Aeronautics and Space Administration (NASA), national laboratories, cooperative institutes, universities, and international research organizations.

In addition to witnesses representing various federal agencies, testimony was presented from the private sector to highlight the role that private renewable forecasters play relative to, and in collaboration with, services offered by the public sector. This testimony also recommended that the public and private forecasting sectors develop a joint roadmap to identify ways to best leverage the capabilities of each and avoid unnecessary duplication of effort.

To gain further information on these issues, the Federal Energy Regulatory Commission (FERC) issued a Notice of Inquiry (NOI) in January of 2010 on “the extent to which barriers may exist that impede the reliable and efficient integration of variable energy resources into the electric grid, and whether reforms are needed to eliminate those barriers.” The Notice posed questions about current practices used to forecast power production from variable energy resources, and whether those practices would be adequate as the number of these resources increases. Ms. Jamie Simler, director of the Office of Energy Policy and Innovation at FERC, testified on the NOI and the responses the Commission has received to date.

For more information, please visit: http://science.house.gov/ .

**ENERGY: FOREIGN MANUFACTURERS’ LIABILITY AND CLEAN ENERGY ASSISTANCE ACTS DISCUSSED BY HOUSE SUBCOMMITTEE**

On June 16, 2010, the Commerce, Trade and Consumer Protection Subcommittee of the House Energy and Commerce Committee held a hearing on the proposed Foreign Manufacturers Legal Accountability Act and the Clean Energy Technology Manufacturing And Export Assistance Act.

H.R. 4678, the Foreign Manufacturer Legal Accountability Act of 2010 would require foreign manufacturers and producers that import products into the United States to designate a registered agent who is authorized to accept service of process here in the United States. The agent would have to be registered in
a state with a substantial connection to the importation, distribution, or sale of products of the foreign manufacturer or producer. CPSC, the Food and Drug Administration, and the Environmental Protection Agency would each be required to determine, based on the value or quantity of goods manufactured or produced, which foreign manufacturers and producers under their respective authority would be required to designate a registered agent. Registering an agent consistent with the Act constitutes acceptance by the manufacturer of personal jurisdiction of the state and federal courts of the state in which the agent is located. Finally, the Act prohibits the importation into the United States of products from foreign manufacturers that fail to designate a registered agent. H.R. 4678 is a bipartisan bill and currently has 61 cosponsors. A companion bill, S. 1606, has been introduced in the Senate.

H.R. 5156, the Clean Energy Technology Manufacturing and Export Assistance Act, will create a fund administered by the International Trade Administration (ITA) within the Department of Commerce to help bolster U.S. clean technology firms here and abroad. Its purpose is to ensure that clean energy technology firms, including clean technology parts suppliers and engineer and design firms, have the information and assistance they need to be competitive domestically and globally. The fund will be used to assist U.S. clean technology firms to reduce production costs and to encourage innovation, investment, and productivity. Such assistance also includes educating those firms about the export process and opportunities in foreign markets and helping them to navigate in those markets. H.R. 5156 will require ITA to develop and implement a national clean export technology strategy and report to Congress after five years of the implementation of the program on the success of the program. The report will also include ways to increase competitiveness in emerging markets, and look at its impact on jobs creation, particularly in small- and medium-size firms.

For more information, visit: [http://energycommerce.house.gov](http://energycommerce.house.gov).

**Immigration: Subcommittee Hearing Held On Executive Office for Immigration**

On June 17, 2010, the House Judiciary Subcommittee on Immigration, Citizenship, Refugees, Border Security, and International Law, chaired by Rep. Zoe Lofgren (San Jose), held a hearing on the Executive Office for Immigration. The committee heard testimony from Associate Deputy Attorney General Juan Osuna from the Office of Immigration Litigation at the U.S. Department of Justice, and the Honorable Dana Leigh Marks, President of the National Association of Immigration Judges in San Francisco, CA.

According to Osuna, the Executive Office for Immigration administers the immigration court system, composed of both trial and appellate tribunals. The trial level consists of 237 immigration judges in 58 immigration courts around the country. The immigration courts are overseen by a Chief Immigration Judge, assisted by a Deputy Chief Immigration Judge and a number of Assistant Chief Immigration Judges. Removal proceedings begin with the filing of a formal charging document against an alien by the Department of Homeland Security (DHS). EOIR’s immigration judges must decide whether the alien is removable from the United States based on the DHS charges and whether the alien is eligible for and merits any relief from removal.

The immigration courts are high-volume tribunals; in FY 2009 the courts received more than 390,000 matters, a number expected to rise in FY 2010. The Department is currently adding the resources required for the immigration court system to handle this caseload in coming years. The appellate level of EOIR is the Board of Immigration Appeals (BIA). The BIA has nationwide jurisdiction and hears appeals from the decisions of immigration judges. The BIA is composed of 15 Board members, supported by a staff of about 150 attorney advisers, and headed by a Chairman. Like the immigration courts, the BIA is a high-volume operation; in FY 2009 the Board issued more than 33,000 decisions. In addition, the BIA issues binding precedent decisions interpreting complex areas of immigration law and procedure. An appeal to the Board can be filed by either the alien or DHS. An alien who loses his or her appeal before the BIA may seek review of that decision in the federal courts. DHS, however, may not seek review of a BIA decision in federal court. In addition to providing background information, Osuna discussed several key areas where the Department of Justice and EOIR are focusing particular attention to ensure that the
immigration court system functions effectively.

The Honorable Dana Leigh Marks, President of the National Association of Immigration Judges, which is the collective bargaining unit representing all immigration judges, highlighted challenges facing the EOIA and the justice system. “The immediate hiring of more immigration judges is essential to address backlogs and to alleviate the stress caused by overwork, which leads to many problems that undermine the optimal functioning of the immigration court system,” she stated. Among other recommendations, she encouraged the committee to institute senior status (through part-time re-employment or independent contract work) for retired immigration judges.

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

**REPORT: RAND RELEASES REPORT ON POLICE INVESTMENT**

According to a new study by the RAND Corporation, existing research demonstrates that public investment in police can generate substantial social returns. The study shows how research on the costs of crime and the effectiveness of police can be used to create straightforward and credible cost-benefit analyses of police personnel expenditures.

"Many cities face financial difficulties and have to make tough choices about how to spend taxpayers' money," said Paul Heaton, author of the study and an associate economist with RAND, a nonprofit research organization. "Investing in police makes sense if police can improve the quality of life for ordinary citizens."

Drawing from existing research, the study from the RAND Center on Quality Policing shows that in many communities the crime-reduction benefits of employing one additional officer are likely to be several times the budgetary costs of that officer. The study reviews the existing research on the cost of crime and the effectiveness of police in preventing crime, and describes some of the common methods available to estimate the cost of crime.

Applying existing methodologies for estimating the costs of crime to recent crime data suggests that the costs of crime to society are large. For example, the study estimates that in 2006, serious crime cost the residents of Houston $5.7 billion and the residents of Chicago $8.3 billion.

The study also examines research on the effects of police on controlling crime, focusing on those studies that are designed to overcome the "confounding problem," which arises because crimes rates are affected by many other factors besides the number of police, such as population density. Studies that effectively isolate the impacts of additional officers from other factors consistently find that police reduce crime.

Finally, the study applies cost-benefit analyses to two real-world cases: a proposal to increase the police force in Los Angeles, and a proposal to decrease it in Toledo, Ohio. In both cases, analysis shows the benefits of having additional officers and preventing crime outweigh the personnel costs. For example, the study projects that an approximately 10 percent expansion of the police force in Los Angeles, begun in 2005, would generate about $475 million in annual crime reduction benefits, substantially above the $125 million to $150 million annual cost of the officers.


**REPORT: RAND RELEASES STUDY ON STATE & LOCAL IMMIGRATION ENFORCEMENT**

RAND recently issued a report examining the question of growing involvement of state and local law enforcement in enforcing U.S. immigration laws. The April 2010 report, "Enforcing Immigration Law at the State and Local Levels: A Public Policy Dilemma," was authored by Jessica Saunders, a criminologist with RAND, as well as Nelson Lim and Don Prosnitz of RAND.

The authors conclude that encouraging state and local law enforcement agencies to help enforce federal immigration laws could help identify out-of-status immigrants eligible for deportation, but may
also have unintended consequences. Partnerships between federal, state and local law enforcement is one policy option that is gaining popularity. There are 67 formal agreements currently between the federal government and state and local criminal justice agencies empowering local officials to enforce immigration laws. Such efforts are credited with identifying 140,000 deportable immigrants from 2006 to 2009. However, the authors opine, such efforts come with concerns about the potential for racial profiling, strained community relations and improper resource allocation.

Researchers suggest policymakers should focus further research and analysis on questions such as whether effective immigration enforcement can occur without state and local support, whether immigration enforcement compromises local agency's primary mission, and whether immigration enforcement can be conducted while minimizing the risk of racial bias or racial profiling.

The full report can be found at: http://www.rand.org/pubs/occasional_papers/OP273/.