ECONOMY: SENATE PASSES SMALL BUSINESS AID BILL

On September 16, 2010, the Senate approved by a vote of 61-38 H.R. 5297, the Small Business Lending Fund Act of 2010, after invoking cloture by the same margin the day before. The bill establishes a $30 billion lending fund which will go to community banks that lend the money to small businesses. The bill also extends a depreciation provision to allow companies to write off half of the cost of purchasing new equipment that goes into service in 2010. The provision was contained in the ARRA law, but has expired.

The cost of the bill would be offset from a number of sources, including increased penalties for failing to file information returns, new limits on paper-makers' ability to claim a biofuel tax credit and new rules on tax-delinquent federal contractors. The bill also amends a provision in the 2010 health care law to require rental property owners to file 1099 tax forms for payments of certain expenses associated with their rental real estate. It also eliminates a requirement in current law that employees pay taxes on the value of certain transmissions they send on employer-provided cell phones.

The House passed the original bill in June and is expected to take up the revised version as early as next week.

More information on the bill can be found at: http://thomas.loc.gov.

TAX ISSUES: HOUSE JUDICIARY SUBCOMMITTEE APPROVES LIMITS ON TAXING CELL PHONES

The House Judiciary Subcommittee on Commercial and Administrative Law, on September 15, 2010, approved by voice vote H.R. 1521. The bill prevents state and local governments from imposing any “new discriminatory tax” on cell phone providers or services for five years.

A “new discriminatory tax” is defined as one imposed on mobile services, providers, or property that is not generally imposed on other types of services or property, or that is generally imposed at a lower rate. The bill was authored by Rep. Zoe Lofgren (San Jose) and has over 190 bipartisan co-sponsors in the House. They argue that the bill is necessary because state and local governments are taxing cell phone applications
and services at a higher rate than that imposed on other equivalent services and providers. Opponents, however, including Rep. Judy Chu (Monterey Park), argue that state and local governments have the right to set tax rates, especially at a time when their revenues are suffering because of the recession.


TRADE: WAYS & MEANS HOLDS HEARINGS ON CHINA’S EXCHANGE RATE POLICY

The House Ways and Means Committee held two hearings on September 15 and 16, 2010 on China’s exchange rate policy and possible actions that could be taken to address that policy and its impact on American businesses and workers. On Wednesday, September 15th, the Committee heard from a number of witnesses, including several members of Congress and John Frisbie, President, U.S.- China Business Council. On September 16th, the only witness was Secretary of the Treasury Timothy Geithner.

The Renminbi (RMB), whose principal unit is the Yuan, is the official currency of the People's Republic of China. According to Committee documents, China has allowed the RMB to appreciate less than one percent since China decided to allow exchange rate flexibility on June 19, 2010. The purpose of the hearings was to consider what action Congress and the Administration may need to take to address China’s exchange rate policy and its effect on the U.S. and global economic recoveries and on U.S. job creation. Actions discussed included possible legislation, such as the Currency Reform for Fair Trade Act (H.R. 2378), and the initiation of formal dispute settlement consultations with China within the World Trade Organization.

Mr. Frisbie testified that the Council believes that addressing China’s exchange rate with countervailing duties would violate World Trade Organization (WTO) rules and that it is not in the United States’ interests to pursue measures that “flout global trade rules.” The Council also believes that doing so would result in retaliation against the United States and that losing a WTO case would not strengthen the U.S.’s hand. Also, the Council would oppose legislation that is based on an estimate of the “true” value of the renminbi, because exchange rate estimates are highly subjective and vary greatly depending on the estimate and the assumptions used.

During his testimony on September 16th, Secretary Geithner agreed that China’s currency is severely undervalued and the pace of its appreciation has been too slow and too limited. He stressed that the Administration is pursuing a comprehensive, proactive strategy to push China for progress, including direct engagement China’s leaders, coordinated and intense engagement through the Strategic & Economic Dialogue (S&ED) and the Joint Commission on Commerce and Trade (JCCT), as well as multilateral channels like the G-20 and International Monetary Fund (IMF). The Administration’s strategy also includes filing dispute settlement cases when China does not comply with World Trade Organization (WTO) obligations, and enforcing U.S. trade remedy law to safeguard the rights of American firms and workers. He also testified that it is important that China hear from the Congress about how strong its concerns are about the economic impact of its practices on the U.S. economy and jobs.
Secretary Geithner also testified that piracy and the threat of intellectual property theft are still significant problems. He said the Administration will continue to press China to strengthen its intellectual property rights enforcement and its prosecution of violations so that U.S. firms are not being undercut by pirated technology and counterfeit goods.

During questioning, Rep. Wally Herger (St. Mary’s) stated that he believes most U.S. companies would say that the issue of expiring tax provisions are more important than China trade issues in terms of economic competitiveness and job creation potential. Geithner agreed that policies pursued in the United States are more important, but disagreed with Rep. Herger on the best tax policy to pursue to achieve greater U.S. economic growth and jobs creation. He did state, in response to the Congressman’s inquiry, that no one on the President’s economic team has suggested calling for the imposition of a Value Added Tax (VAT).

Rep. Xavier Becerra (Los Angeles) cited estimates that one million or more U.S. jobs have been lost because of Chinese trade and currency practices. He argued that it may be necessary for Congress to pass legislation that would give the Administration additional enforcement tools and leverage to strengthen its bargaining position when negotiating with China.

Rep. Linda Sanchez (Lakewood) questioned the Secretary on specific actions and remedies that the Administration is pursuing that go beyond just verbally pushing China to change its practices. She urged Geithner to consider the Currency Reform for Fair Trade Act, H.R. 2378, which would require the Administration to determine if a foreign currency is undervalued and take enforcement actions under U.S. countervailing duty or antidumping laws to remedy the misalignment.

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

**TELECOMMUNICATIONS: ENERGY & COMMERCE SUBCOMMITTEE HOLDS HEARING ON UNIVERSAL SERVICE OVERHAUL**

The House Energy and Commerce Subcommittee on Communications, Technology, and the Internet held a hearing on September 16, 2010 to review The Universal Service Reform Act of 2010 (H.R. 5828). The bill would reform the universal service provisions of the Communications Act of 1934. Witnesses included: James Assey, Executive Vice President, National Cable and Telecommunications Association; Shirley Bloomfield, Chief Executive Officer, National Telecommunications Cooperative Association; Steve Davis, Senior Vice President, Public Policy and Government Relations, Qwest Corporation; Kathleen Grillo, Senior Vice President, Verizon; Carol Mattey, Deputy Chief, Wireline Competition Bureau, Federal Communications Commission; and Walter McCormick, President and Chief Executive Officer, United States Telecom Association.

Title I of the Communications Act of 1934 states that it is the Nation’s policy to make communications services available “so far as possible, to all the people of the United States.” In 1997, the Federal Communications Commission (FCC) established the Universal Service Fund to provide communities across the United States with affordable communications services. To provide support for the fund, most consumers pay a surcharge each month on their interstate telephone calls. The FCC also established the Universal Service Administrative Company (USAC) to distribute the collected funds to the universal service programs. In 1998, total fund commitments totaled $3.56 billion. In 2009, that amount grew to over $7.7 billion.

Draft language of the bill put out by the Committee directs the Federal-State Joint Board on Universal Service and the FCC to base policies for the preservation and advancement of universal service on the principles that quality services be available at just, reasonable and affordable rates; access to advanced telecommunications and information services be available throughout the United States; consumers nationwide have access to those services deemed to be universal services at reasonably comparable rates; all communications service providers make equitable contributions to the universal service fund; mechanisms to preserve universal service be explicit, specific, predictable and competitively neutral; and elementary and
secondary schools and classrooms, health care providers and libraries have access to advanced telecommunications services.

Congressman Rick Boucher, sponsor of the legislation, stated AT&T and Verizon are net contributors into the fund and are in agreement with rural carriers represented by National Telecommunications Cooperative Association (NTCA) and Western Telecommunications Alliance (WTA), that H.R. 5828 should be approved in its current form. Other endorsements for the legislation came from Qwest, CenturyLink, Frontier, Vonage, the National Cable and Telecommunications Association, and USTelecom.

Ms. Grillo of Verizon testified, “The bill would transform the Universal Service Fund from a voice-based support system to a broadband system and help expand the reach of broadband services to those Americans who still lack access to high-speed networks.”

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

**RESOURCES: HOUSE NATURAL RESOURCES CONSIDERS CALIFORNIA BILLS**


Witnesses included: Mr. George Skibine, Acting Principal Deputy Assistant Secretary for Indian Affairs, U.S. Department of the Interior; Mr. Philip L. Anthony, First Vice President, Orange County Water District, Fountain Valley, CA; Mr. Mark Macarro, Chairman, Pechanga Band of Luiseno Indians, Temecula, CA; and Mr. Matthew G. Stone, General Manager, Rancho California Water District, Temecula, CA.

H.R. 5039 would authorize the Bureau of Reclamation to participate in the design, planning and construction of the Groundwater Replenishment System Expansion. This project is operated by the Orange County Water District with the objective to reclaim and reuse wastewater provided by the Orange County Sanitation District. Deputy Assistant Secretary Skibine testified, “I have stated many times that Title XVI is a critical program to help address current and future water problems in the West. As California continues to face severe economic and hydrological conditions, we simply cannot ignore any opportunity to create or expand local water supplies for our growing population. H.R. 5039 would help to further reduce Southern California’s dependence on imported water from two heavily constrained resources, the Bay-Delta and the Colorado River.”

Congresswoman Sanchez testified on behalf of her bill saying, “When I first became a congresswoman, Phil Anthony approached me about this project and we’ve been working on it ever since. It’s a conservation project. It’s a project in an area that doesn’t have a lot of water. This is an expansion project. We know that by 2020, California is predicted to experience water shortages of 2-6 acre feet a year. We cannot move forward without state of the art projects like the Ground Water Replenishment Project.”

Mr. Anthony testified: “The Ground Water Replenishment System Expansion would produce approximately 31,000 acre-feet per year (afy) of new near-distilled quality water, enough to meet the needs of nearly 250,000 Orange County residents. This would bring the total production of the GWRS to 103,000 afy, enough water for 850,000 people.”

H.R. 5413, also known as the Pechanga Band of Luiseno Mission Indians Water Rights Settlement Act of 2010, authorizes, ratifies, and confirms the Pechanga Settlement Agreement as well as establishes in the Department of the Treasury the Pechanga Settlement Fund.

Mr. Stone of Temecula stated, “Under the terms of the Settlement, Rancho Cordova Water District has agreed to allocate an additional 25 percent of the Wolf Valley Groundwater Basin to the Pechanga. In exchange, RCWD will receive the right to purchase between 300 and 475 AFY of recycled water, which the
Pechanga are currently entitled to purchase from EMWD, depending on availability. In addition, the Settlement includes a number of additional components as consideration for RCWD undertaking other commitments to assist in the delivery of imported water to the Pechanga and as the Pechanga’s share of facilities to address water quality issues in the Wolf Basin.”

Mr. Macarro of Temecula also testified on behalf of H.R. 5413 stating, “This water settlement has been decades in the making. It will settle once and for all the Band’s longstanding water claims in the Santa Margarita River Watershed and provide the resources to meet the Band’s current and future water needs. Not only does the settlement provide certainty as to the Band’s water rights but it also provides certainty for all water users in the Santa Margarita River Watershed. This settlement is the product of a great deal of effort by all of the parties and reflects a desire by the parties to settle their differences through negotiation rather than litigation.”

For more information visit: http://resourcescommittee.house.gov/.

**BRIEFING: RAND DISCUSSES STUDY ON IMPROVING END-OF-LIFE CARE IN HOSPITALS**

On September 13, 2010, the RAND Corporation held a congressional briefing on the quality of end-of-life care for patients dying in the hospital. The briefing was based on a study RAND conducted at Ronald Reagan UCLA Medical Center entitled The Quality of Care Provided to Hospitalized Patients at the End of Life (Walling et al). The findings are published in the June 29, 2010 edition of the Archives of Internal Medicine by researchers from the RAND Corporation and UCLA.

The patients in the study received needed care for end-of-life issues about 70 percent of the time – a much higher score than has been found previously in studies of quality of care for vulnerable elders. The results, however, identified a need for better communication between physicians and family members regarding the outlook and expectations for care when intensive treatments begin.

"While the patients in general did receive high-quality medical care, we identified areas to target for improvement," said co-author Dr. Neil Wagner, a natural scientist at RAND and a physician at UCLA. "We need to do more to change the way we approach the care provided to patients at the end of their lives."

The researchers recommended that the same evaluation can be applied in other settings and that detailed quality-of-care information can identify deficiencies in care planning and symptom palliation to improve care for patients dying in the hospital. According to RAND, medical care provided during the last year of life accounts for 10 to 12 percent of all U.S. health care spending.

For more information visit: http://www.rand.org.

**BRIEFING: CONNECT HOSTS BRIEFING ON TECHNOLOGY AND INNOVATION IN THE ACTION AND SPORTS INDUSTRY**

NBA legend and sports broadcaster Bill Walton hosted two Capitol Hill briefings on Sept. 14, 2010 on behalf of San Diego-based CONNECT. The briefings, one each for House and Senate staffers, focused on Walton’s work as Executive Chairman of the San Diego Sport Innovators (SDSI) and the new innovations and technologies being developed in the action and sports industry.

Walton discussed various ways federal policy can accelerate emerging sports-technologies. He encouraged Congress to enact legislation to protect intellectual property assets and access to investment capital. In order to produce a more entrepreneurial workforce, Walton advocated for improved STEM (science, technology, engineering, math) education in the United States. He supports the Staple Act (H.R. 1791) which authorizes certain aliens who have earned a Ph.D. degree from a United States institution of higher education in STEM research to be admitted for permanent residence and the Start Up Visa Act (S 3029; HR 4259) that proposes a new type of visa for immigrants who create startups and jobs in the U.S.

"Dreams and ideas are our most valuable assets," Walton said. "We are discovering that what happens in D.C. impacts whether a San Diego innovator can succeed."
CONNECT is a San Diego based non-profit organization that focuses on research institution support, business creation and development, entrepreneurial learning, and access to capital and public policy. For more information visit: http://sdsi.hookit.com/members/sdsi/home/ or http://www.connect.org.

REPORT: RAND REPORT ASSESSES BORDER SECURITY MEASURES

The RAND Corporation released a report in September 2010 examining ways to measure the overall efforts of the national border-security enterprise between ports of entry. Entitled *Measuring the Effectiveness of Border Security between Ports-of-Entry*, the study was conducted at the request of the Department of Homeland Security. Henry H. Willis was the project leader.

The Department of Homeland Security (DHS) reports the total effort expended to secure borders exceeds $12 billion and involves construction of new infrastructure, acquisition of advanced surveillance technologies, and more than 60,000 officers, agents, pilots, civilians, and enlisted personnel. Border control involves addressing numerous illegal or nefarious activities, including movements of drugs, weapons, money, and terrorists and other criminals.

According to RAND, three DHS missions appear to currently be of special interest because they are especially problematic: illegal drug control, counterterrorism, and illegal migration. The report recommends measuring the performance of three functions of border security: interdiction, deterrence, and exploiting networked intelligence. RAND recommends these measures be used to assess results, guide the allocation of resources and inform programming and budgeting for future projects.

First, interdiction is defined as disrupting illegal movements across borders and is described as the most direct and important border function. Interdiction involves detecting, identifying, and responding to illegal drug, terrorist, and migration across all borders. Secondly, successful border security will depend heavily on the capability to deter attempts at illegal border crossings, the authors conclude. For example, interviews with people captured while attempting to smuggle drugs indicate that their decisions of when and where to cross are affected by, among other things, their perceptions of the likelihood that they will be caught, the penalties for being caught, and the rate at which shipments of money from drug sales are interdicted as they are sent out of the United States.

Finally, the study recognized that national-level effectiveness depends on “networked intelligence” described as the ability of federal, state, and local agencies to share information and work collaboratively. The terrorist threat that border-security efforts must counter will be significantly influenced by the effectiveness of security, economic policy, military, diplomatic, and intelligence efforts targeting other aspects of terrorism. The effectiveness of networking can be increased by training, education, technology, and exercises, and can also be measured.

Other steps to implement measures of the effectiveness of border-security efforts will require analytic effort. These include developing a range of models to support planning, identifying opportunities to estimate attempted illegal crossings, identifying best practices for exploiting networked intelligence, and using layered portfolio-analysis methods to evaluate past or ongoing border security efforts.

The full study can be found at: http://www.rand.org/pubs/technical_reports/2010/RAND_TR837.pdf

REPORT: U.S. CENSUS BUREAU RELEASES 2009 POVERTY FIGURES

On September 16, 2010, the Census Bureau released a report entitled *Income, Poverty, and Health Insurance Coverage in the United States: 2009*. There was a large increase in both the number of Americans in poverty and the percentage of the population in poverty since 2008. The poverty level for a family of four is $21,954. About 15.3 percent of Californians lived in poverty in 2009, which reflects a two percent increase from the year before. Additionally, 19.9 percent of Californians did not have health insurance in 2009, up from 18.5 percent the previous year.
Nationally, 43.6 million people in the United States, or one in seven residents, lived in poverty in 2009. This shows the number of individuals living in poverty increased by 4 million from the year prior. In 2009, the poverty rate climbed to 14.3 percent which is the highest level since 1994. The increase reflects the severe recession and the amount of long-term unemployment. Government benefits and rises in the cost of housing and energy are not included in calculating the Census Bureau’s poverty rates. According to the Bureau of Labor Statistics, the national unemployment rate in August, 2010 was 9.6 percent.

The number of people with health insurance in the United States decreased to 253.6 million in 2009 from 255.1 million in 2008. The number of people covered by private health insurance decreased to 194.5 million in 2009 from 201.0 million in 2008. The number of people covered by government health insurance increased to 93.2 million in 2009 from 87.4 million in 2008.