HEALTH: HOUSE VOTES TO REPEAL HEALTH CARE LAW; STARTS TO DRAFT ALTERNATIVES

By a vote of 245-189, the House passed H.R. 2 on January 19, 2011, which repeals the Patient Protection and Affordable Care Act (PL 111-148) enacted in March 2010. Three Democrats joined all 242 Republicans in voting to repeal the law. Senate Majority Leader Harry Reid (NV) has said he will not bring the repeal bill up for consideration, but proponents of the repeal have vowed to find a way to bring it to a vote in the Senate.

Having voted to repeal, the House then took up H.Res. 9 on January 20th instructing four Committees to draft legislation to replace the comprehensive law. They are: the Committee on Education and the Workforce; the Committee on Energy and Commerce; the Committee on the Judiciary; and the Committee on Ways and Means. Prior to passage, the House approved, 428-1, an amendment that expands the instructions to the committees of jurisdiction to include a permanent fix to the Medicare Physician payment formula, or Sustainable Growth Rate (SGR). The vote on final passage was 253-175.

The Judiciary Committee was the first to begin consideration of alternatives to the health care law, holding a hearing on January 20th on overhauling medical malpractice law. The other committees are expected to begin the process of drafting legislation within their respective jurisdictions soon, but the resolution does not set a deadline for action by the committees.

TRADE/INTELLECTUAL PROPERTY: FOREIGN AFFAIRS COMM. EXAMINES CHINA'S IMPACT ON U.S. INTERESTS

Issues raised at the hearing included intellectual property rights, currency manipulation, the US-China economic relationship, and the military establishment. China holds $906.8 billion of US Treasury debt as of October 2010, Mr. Chang reported, and is also increasingly dependent on the American market to purchase its exports, Yang Jianli noted.

According to Wortzel, the U.S.-China Economic and Security Review Commission documented in its 2009 Report to Congress, that the Chinese military is transforming from one that primarily focused on domestic response and local contingencies on China’s periphery to one that has a wide range of missions and activities. The changes in military orientation have been accompanied by a more assertive foreign policy on the part of China. This policy shift is attributed to a general sense of nationalism and economic strength among China’s populace, inside and outside of government, Wortzel testified. The Commission’s 2010 Report to Congress notes that China has pressured foreign energy companies to halt operations off the coast of Vietnam.

Piracy and the threat of intellectual property theft still pose significant problems, witnesses testified. Again according to the U.S.-China Economic and Security Review Commission, Cyber warfare is a strategic issue that the U.S. and Chinese defense establishment must address in some form of confidence-building and threat reduction measures, along with nuclear doctrine and space warfare doctrine.

The hearing was held as Chinese President Hu Jintao visited the White House for a state visit to discuss the countries’ interdependent and multifaceted relationship. “Looking out, one can be cautiously optimistic that the current US-China summit will help to sustain positive momentum in US-China relations.” Sutter said. “The enormous differences between the two countries also will continue.”

Testimony of all witnesses can be found at: www.foreignaffairs.house.gov.

HOMELAND SECURITY: DHS DISCONTINUES SBINET PROGRAM

The Department of Homeland Security announced on January 14, 2011 that it would not continue implementation of the Secure Border Initiative program (SBINet). The Department placed a moratorium on the program last year pending its internal review because of substantial cost overruns and delays since its inception in 2005. SBINet, intended to create a “virtual fence” of cameras, sensors and radar technology to secure the southern and norther borders, has cost nearly $1 billion since 2006 and covered only 53 miles of the Arizona-Mexico border.

The Department announced that it plans to replace the program with a more targeted security plan using technology such as unmanned aerial vehicles and thermal imaging devices. The technology will be chosen and used based specifically on the population density and terrain to be covered, instead of the one-size-fits-all approach of SBINet. The Department said the new plan will cost less than $750 million and will be able to secure the 323 miles of the Arizona border now uncovered.

DHS has used increased personnel and Remote Video Surveillance System (RVSS) technology to secure the California and Texas borders since the 1990s, which has resulted in a significant decline in the number of border crossings in those states, but pushed illegal immigrants to concentrate attempted border
crossings in Arizona. RVSS utilizes a tower with a pair of day and night cameras, which are monitored by Border Patrol Agents in a given area.

**Administration: Obama Orders Agencies To Undertake Regulatory Review**

President Barack Obama issued an Executive Order on January 18, 2011 ordering federal agencies to review existing regulations within their jurisdiction aimed at eliminating “unreasonable burdens on business,” while not jeopardizing public health and safety.

The Order directs the agencies to develop a preliminary plan within 120 days of the Order. The plan will set out how the agency intends to periodically review its existing “significant” regulations to determine whether any should be “modified, streamlined, expanded, or repealed so as to make the agency’s regulatory program more effective or less burdensome in achieving the regulatory objectives.”


**State Issues: Gov. Brown Releases Budget Plan**

California Governor Jerry Brown released his 2011-12 budget plan on January 10, 2011, one week after his inauguration. The current state budget deficit looms at $25.4 billion over the next 18 months. The Governor proposes a total of $26.4 billion in budget solutions, including $12.5 billion in spending reductions, $12 billion in revenue extensions and modifications, and $1.9 billion in other solutions. If adopted and achieved in full, the Governor’s budget plan would leave the state with a “rainy day” reserve of around $1 billion at the end of 2011-12. The plan relies on legislative approval of statutory changes necessary to achieve budget solutions by March 1, 2011.

**State Spending Reductions**

Brown’s budget proposes total state spending of $127.4 billion for the 2011-12 fiscal year; of this amount, proposed General Fund spending is $84.6 billion. Major spending reductions include $1.7 billion to Medi-Cal, $1.5 billion to California’s welfare-to-work program (CalWORKs), $750 million to the Department of Developmental Services, $500 million to the University of California, $500 million to California State University, $400 million from the state’s community colleges, and $308 million for a 10 percent reduction in take-home pay for state employees not currently covered under collective bargaining agreements. Brown also plans to trim state government operations by $200 million through a variety of actions, including reorganizations, consolidations and other efficiencies. The Governor’s spending plan proposes additional reductions throughout state government, including corrections, the judiciary and resources.

The one area of state spending spared from cuts is kindergarten through 12th grade education. “Schools have borne the brunt of spending reductions in recent years, so this budget maintains funding at the same level as the current year,” the Governor said.

The Governor’s spending plan assumes that all statutory changes to implement budget actions will be adopted by the legislature in March, allowing the necessary ballot measures to be put before the people at a June special election.

Brown called the spending plan “a tough budget for tough times” that will close the state’s structural deficit and provide a “strong and stable foundation” to meet future needs.

**Realignment Proposal**

The Governor also announced plans to restructure the state-local relationship in the delivery of services. This realignment proposal would shift $5.9 billion in state program costs to counties and provide a comparable amount of funds to support these new county commitments. In total, around $12 billion of the Governor’s proposed budget solutions are dependent upon voter approval in June.
The Governor said this realignment plan, which he called “vast and historic,” will return decisions and authority to cities, counties and schools and “allow government at all levels to focus on core functions and become more efficient and less expensive” by reducing duplication of services and administrative costs.

Special Election

The revenue component of the budget calls for an election this coming June where voters will be asked to continue current personal income and sales taxes, as well as the Vehicle License Fee rate, for five years. Brown said revenue from the sales tax and the vehicle license fee will be transferred directly to local governments to finance the first phase of his realignment plan.

“Since it will take some time to fully implement these changes, I propose to ask the voters for a five-year extension of several current taxes so that we can restructure in an orderly manner,” the Governor explained.

If it adopts the Governor’s timeline and special election approach, the State Legislature would have the opportunity in the months after March 1st to review routine budget proposals for departments, adopt clean-up legislation to clarify elements of the complex budget package, and consider alternative budget-balancing solutions in case voters reject the June ballot measures.

Response to Brown’s Plan

On January 12, 2011, California’s Legislative Analyst Office (LAO) released an overview of Governor Brown’s Budget (http://lao.ca.gov/). According to the LAO, the major reasons for the budget problem are the inability of the state to have achieved previous budget solutions in several program areas, the expiration of various one-time and temporary budget solutions approved in recent years, and the failure of California to obtain significant additional federal funding for key programs.

The LAO believes the Governor’s proposal is a good starting point for legislative deliberations. Additionally, the LAO praises the Governor’s efforts to craft a budget plan that is heavily focused on multiyear and ongoing solutions. However, the LAO also said there is significant work ahead to fill in the details of some of the Governor’s ambitious, complex budget proposals -- especially the realignment and redevelopment proposals, which involve many legal, financial, and policy issues.

Many State Assembly and Senate Democrats expressed concern about the size and sweep of the cuts Brown sought in state programs, while many Republican legislators opposed Brown’s decision to seek a continuation of expiring tax hikes via a spring special election.

“These cuts will be painful, requiring sacrifice from every sector of the state, but we have no choice,” Brown said. “For 10 years, we’ve had budget gimmicks and tricks that pushed us deep into debt. We must now return California to fiscal responsibility and get our state on the road to economic recovery and job growth.”

For more information, go to: www.ebudget.ca.gov and www.gov.ca.gov

TRADE: ADMINISTRATION ANNOUNCES CROSS-BORDER MEXICAN TRUCKING PROPOSAL

On Thursday, January 6, 2011, the Obama administration shared with Congress and the government of Mexico an initial concept document for a long haul cross-border Mexican trucking program that is intended to prioritize safety while satisfying the United States’ obligation to Mexico under the NAFTA trade agreement.

Under the proposal, Mexican truckers would be allowed to apply for permits to operate in the U.S. The proposal contains general conditions that Mexican long-haul truckers would have to meet, including a safety audit, US emissions standards, and driver background checks. The number of Mexican trucks allowed to operate in the U.S. would be subject to negotiations between the U.S. and Mexico, which are expected to begin very soon, transportation officials said.
In 2009, Congress shut down a George W. Bush administration pilot program that had allowed some Mexican trucks access to U.S. roads beyond a 25-mile border area. Congress decided to cancel the program due to concerns from independent truckers, the Teamsters and others. They argued that Mexican trucks endangered motorists because the vehicles and drivers were not subject to the same standards as U.S. truckers, although Mexico insists that these issues have been addressed.

Mexico has protested the lack of access as a violation of the 1994 North American Free Trade Agreement. Mexico responded by placing higher tariffs of 10 percent to 45 percent on 99 U.S. products. In August, Mexico added new products to the list after the U.S. failed to present a proposal for resolving the trucking issue. The tariffs triggered calls from business and farm groups to end the trucking ban.

Mexico has promised to level no new tariffs on U.S. goods now that the Obama administration is working to resolve a dispute over trucking rights, but it will not lift the tariffs previously imposed in response to the cancelled program.

For more information: www.fmcsa.dot.gov.

REPORT: LAO ANALYZES BROWN’S 2011-2012 HIGHER EDUCATION BUDGET

Governor Jerry Brown’s proposed 2011-12 budget includes sizable General Fund reductions for the state’s university systems and the community colleges totaling about $1.4 billion, according to a financial breakdown conducted by the California Legislative Analyst’s Office (LAO). While Brown’s administration does not provide many specific proposals as to how those reductions would be accommodated, his budget could affect access to higher education programs, the price paid by students, average class size, and the availability of various related services, among other things, the report states. The budget assumes fee and tuition increases at all three public segments.

At the same time, the Governor’s budget would fully fund financial aid programs, thus helping to ensure that cost does not prevent enrollment by financially needy students. The budget also includes General Fund augmentations to backfill one-time federal funds received by the universities in 2010-11, pay for increased retirement costs, and cover other workload adjustments.

When compared to 2008-2009 funding levels, the Governor’s proposed budget would reduce General Fund support for higher education by 21 percent, reduce per-student funding at UC and CSU by about 4.5 percent, and keep total higher education funding about even.

The LAO analysis includes a review of how the state’s budget crisis has affected higher education to date and an assessment of how the Governor’s budget proposal would affect higher education in 2011–12.

For the complete analysis: http://lao.ca.gov/.

REPORT: INTERNATIONAL TRADE AND THE BAY AREA ECONOMY

The Bay Area Council Economic Institute released a report on December, 2010 entitled International Trade and the Bay Area Economy: Regional Interests and Global Outlook 2010-2011. The fourth in a series produced in alternating years since 2003, the report assesses current trends in international trade, trade negotiations, regional trade activity, and trade-related infrastructure.

“After a deep global recession, trade is growing again,” said Sean Randolph, President & CEO of the Bay Area Council Economic Institute. “This is important not just for large companies, but for thousands of small and medium sized companies as well. As a major trading region, we need to support open markets, help smaller companies succeed as exporters, and invest in the port, airport and transportation infrastructure that will support a growing volume of goods and people entering and leaving the region.”

According to the study, global trade growth steadily fell from 9 percent in 2006 to 6 percent in 2007, 2 percent in 2008 and .12 percent in 2009. Mirroring the broad return to economic growth in 2010, however, trade is recovering. Global exports grew at an annualized rate of 20 percent in the first half of 2010, and the World Bank projects full year growth of 12 percent and 6 percent for 2011.
Many nations are continuing to negotiate bilateral and regional free trade agreements (FTAs). In the United States, three FTAs negotiated during the Bush years – with Colombia, Panama and Korea – are pending in Congress. The Bay Area Council report argues that the agreement with Korea is most important to California and the Bay Area, due to the size of Korea’s economy and its status as a major trading partner.

In another development of direct significance for California and the Bay Area, the report states, the United States will host the next APEC (Asia-Pacific Economic Cooperation) Leaders Summit in 2011. While the Summit itself will take place in Honolulu in November, the final preparatory Senior Officials Meeting (SOM 3) will be held in San Francisco in September, bringing ministers, ambassadors, senior officials and business leaders from 21 economies to the Bay Area for fifteen days. This will be the largest high-level diplomatic event to be held in San Francisco since the U.N. Charter signing in 1945. The report notes that several high-profile business forums that are planned to coincide with the governmental consultations will provide an opportunity to profile economic issues that are of particular importance to the region. The CalAPEC Committee, which has led the effort to bring SOM 3 to San Francisco, is hosted by the Bay Area Council Economic Institute.

The Bay Area is the fourth largest exporting region in the U.S. – after New York-New Jersey, Houston, and Los Angeles-Long Beach – with nearly $50 billion in exports in 2008. Of those overseas sales, $27 billion originated in the San Jose-Sunnyvale-Santa Clara Metropolitan Statistical Area (which includes Silicon Valley), and $20 billion in the San Francisco-Oakland-Fremont MSA. The two areas respectively account for 17.8 percent and 13.4 percent of California’s merchandise exports, or nearly one-third combined. Computer and electronic equipment is the region’s dominant export, with its largest markets in Asia and the Pacific. While large companies account for the lion’s share of Bay Area goods exports by value, 95 percent of exporting companies in the region are small- and medium-businesses. If service exports were counted, these totals and the Bay Area’s ranking as an international trade center relative to other regions would likely be higher, the report states, due to the Bay Area’s strong financial services, consulting, design and engineering, software, tourism, and education base.

State infrastructure such ports and airports and their related road and rail networks is critical to trade growth, according to the report. Freight volumes moving through Bay Area ports and airports fell in 2009, but are once again rising and are expected to see high sustained growth in the coming years. The Port of Oakland, the fifth largest container facility in the U.S., has driven several critical infrastructure projects, including completion of the 50-foot dredging of its shipping channel (necessary to accommodate the next generation of larger vessels) and track and tunnel improvements over Donner Pass (required to accommodate double-stacked inter-modal containers and tri-level auto-rail cars transiting California to Midwest and East Coast destinations). The study mentions planned improvements to heavily-trafficked highways such as I-80, I-580, and I-880. Like other California ports, Oakland will be challenged in the future by rising costs relating to air pollution abatement in surrounding neighborhoods, and by growing competition from Gulf and East Coast ports for shipping traffic from Asia, caused primarily by congestion in California and by the planned expansion of the Panama Canal.

A survey conducted for the report of leading Bay Area companies on where they earn their revenue (in the U.S. or overseas) finds that 2009 broke a longstanding trend in which companies derived an ever-increasing share of revenue from global markets. This reflected the stalling of the global economy in 2008-09. With trade gathering momentum in 2010 and strong growth in many Asia-Pacific markets, however, the historic trend toward growing dependence on international trade is likely to resume, the report concludes.

For more information, go to: http://www.bayeconfor.org/
Report: Status of California’s Teaching Force 2010

California’s Teaching Force 2010, a study released December 14, 2010 by the Center for the Future of Teaching and Learning, details the impact of the recent budget cuts and policy shifts on California’s teaching workforce. According to the study, cumulative cuts of more than $20 billion from California’s schools over the past three years have made it tougher for teachers to help students meet increasing expectations for academic achievement and have badly damaged the state’s ability to recruit and prepare new teachers needed for the future. The report also examines the state’s system of teacher evaluation and makes clear the critical need for an effective data system to strengthen education in the state. Researchers from SRI International analyzed 13 California school districts and five institutions of higher education in the state.

"California’s teaching workforce is running on empty," Margaret Gaston, president of the Center for the Future of Teaching and Learning, said in a written statement. "The disinvestment in building a top quality teacher workforce is at odds with rising demands for students’ academic success."

While California’s commitment to have all students proficient in English and mathematics by 2013-14 will require dramatic increases in current achievement rates, the resources needed to strengthen the knowledge and skills teachers must have to help students get there have been reduced or eliminated, the report notes. For example, the Professional Development Block Grant, the largest source of funding to train teachers and staff, was cut by more than $50 million, a reduction of 20 percent, with much of what was left diverted to saving jobs. And support for beginning teachers has been cut by more than $37 million, a reduction of almost 30 percent.

The Center for the Future of Teaching and Learning has also called attention to a projected teacher shortage, which the group says will happen when the economy recovers. Far fewer college graduates are entering teacher credentialing programs at the same time a wave of baby boomer teacher retirements is anticipated to hit in the next few years.

“These are very tough times to be a teacher in California,” said Patrick Shields, Director of the Center for Education Policy at SRI International. “The expectations have never been higher, but drastic budget cuts are having a direct impact in the classroom and are damaging the systems of supports and resources teachers need to improve student learning.”

This is the 12th annual report by Gaston's group, which aims to help policymakers and others understand the need to strengthen the teaching profession.

For more information: http://www.cftl.org

Briefing: The Impact of Low-Skilled Immigrants on the US Economy

On January 13, 2011, the Migration Policy Institute hosted a briefing entitled “Does Low-Skilled Immigration Hurt the US Economy? Assessing the Evidence.” Speakers included: Harry Holzer, Georgetown Public Policy Institute; Doris Meissner, Director of MPI’s US Immigration Policy Program; Demetrios G. Papademetriou, President, Migration Policy Institute; and Darrell M. West, Brookings Institution.

In contrast to the broad consensus that exists regarding the benefits of highly skilled immigration, the economic role of low-skilled immigrants remains one of the most controversial questions in the immigration debate. Economists continue to disagree about the costs and benefits of less-skilled immigrants, as well as the policies that govern their admission to the United States.

The Migration Policy Institute released a report this January that analyzed the effects of reforming U.S. immigration policy. In the report, Immigration Policy and Less-Skilled Workers in the United States: Reflections on Future Directions for Reform, Georgetown Public Policy Institute Professor Harry Holzer finds that the benefits of low-skilled immigration accrue primarily to employers, who benefit from paying lower wages; and to both higher- and lower-income consumers, who purchase the goods and services less-skilled immigrants produce. The costs are borne by low-skilled native and earlier-arrived immigrant
workers who must compete with these immigrants for jobs; though there is little consensus on the exact magnitude of these costs, they generally appear to be quite modest, Holzer found. There are also both fiscal costs and benefits to federal, state and local governments but these generally turn more positive over the long run and across generations, he argues.

“Even the most negative estimates of the impacts of less-skilled immigrants on U.S. workers in similar jobs suggest that in the long run, immigration accounts for only a small share of the deterioration observed in less-skilled Americans’ employment and earnings,” said Holzer, a former chief economist for the Labor Department.

Immigrants’ negative impacts on native workers are muted by a range of factors, the report says, including that low-skilled immigrant workers are themselves consumers of U.S. goods and services (and thus job creators); the fact that they are more likely to compete with earlier cohorts of immigrants than with U.S.-born workers because they are concentrated in jobs requiring limited English skills; and the fact that employers adjust their production techniques to make use of the greater supply of less-skilled labor available.

While Holzer argues that the costs and benefits are too complex and varied to determine an optimal level of less-skilled immigration, he proposes some immigration system changes that would be economically beneficial, including:

- Providing pathways to legal status and citizenship for low-skilled workers already here, and a legal route for future workers by using provisional visas that make it possible for some temporary workers to become permanent residents
- Allowing less-skilled workers on employment-based visas to switch employers more easily and gain a path to citizenship
- Setting employer visa fees at a level sufficient to offset some of the costs that low-skilled immigration imposes
- Ensuring flexibility in the numbers admitted so that flows can respond to employer demand and macroeconomic conditions.

Holzer suggests allowing some flexibility in implementing reforms to permit experimentation with different approaches, noting that it is unclear how employers and workers, both immigrant and native-born, would react to policy change. “The potential effects of reform are sufficiently uncertain that immigration policy changes should be undertaken with care and evaluated over time,” he said.

The report was commissioned to inform the work of MPI’s Labor Markets Initiative, which has been conducting a comprehensive, policy-focused review of the role of legal and illegal immigration in the labor market. Earlier reports have examined middle-skilled immigrant workers, the effects of illegal immigration on the U.S. economy, how immigrants fare during periods of boom and bust, their impact on the economy throughout the economic cycle and the effects of the global economic crisis on immigrants in the United States and around the world.

For more information, go to: http://www.migrationpolicy.org/.

**REPORT: STATUS OF IMPLEMENTING REAL ID**

By May 2011, all states must be in compliance with the first 18 security benchmarks of the federal secure driver's license law known as the REAL ID Act. REAL ID was prompted by the fact that the 9/11 hijackers acquired a total of 30 state-issued IDs and driver's licenses in order to embed themselves here (and board airplanes).

The Center for Immigration Studies published a review in January 2011 of the current state of REAL ID. *REAL ID Implementation: Less Expensive, Doable, and Helpful in Reducing Fraud* was prepared by Janice Kephart, a former 9/11 Commission counsel and currently the Center's National Security Policy Director.

Among the conclusions of the report:
- REAL ID has proven easier and less expensive to implement than previously believed. Using actual state budget numbers, total one-time costs to implement REAL ID’s 18 security benchmarks, for all states combined, could be as low as $350 million and not likely to exceed $750 million.

- These numbers are significantly less than the one-time costs of at least $1 billion that the National Governors Association (NGA), National Conference of State Legislatures (NCSL), and the American Association of Motor Vehicle Administrators (AAMVA) claimed in 2006.

- Eleven states are already fully compliant with REAL ID’s 18 security benchmarks, ahead of the May 2011 deadline. Another eight states are close behind.

- The legal presence of applicants is being checked in all but two states, up 28 states from 2006. Every state is now checking Social Security numbers.

- Some states were able to achieve full compliance in less than a year, and other state costs came in significantly below the projections which have been used to denigrate REAL ID’s feasibility.

- Compliant states are finding REAL ID to be helpful in reducing fraud by criminals and illegal aliens shopping for the easiest driver’s license issuance rules. Motor vehicle departments using REAL ID standards are also increasing criminal investigations of those who have traditionally used driver's license systems to commit identity theft and operate illegally under multiple identities.

Ms. Kephart also argues that regulatory proposals from the NGA, NCSL, and AAMVA incorporate language from the failed 2009 PASS ID Act, which sought to repeal much of REAL ID. Homeland Security Secretary Janet Napolitano ordered an internal review of the status of REAL ID in November 2010, which Ms. Kephart believes is intended to allow using the regulatory process to change REAL ID requirements after the failure of PASS ID.

The paper also includes a chart listing for every state the current status of implementation, federal grant monies issued to date, and costs of compliance, where available.

For more information and to obtain the report, go to: http://www.cis.org/.

**EVENT: BCSE BRIEFING AND RECEPTION FOR THE 112TH CONGRESS**

The Business Council for Sustainable Energy (BCSE) is hosting two events on January 26, 2011 to focus attention on how renewable energy, energy efficiency and natural gas industries are contributing to economic growth and strengthening national security.

The briefing will be held on January 26, 2011, from 3:00 to 4:30 p.m. in room 2226 Rayburn House Office Building, Washington, DC. A reception welcoming the 112th Congress will be held after the briefing from 5:30 to 8:00 p.m. at Lounge 201 located at 201 Massachusetts Avenue NE, Washington, DC.

To RSVP or for more information contact Ruth McCormick, Business Council for Sustainable Energy at rmccormick@bcse.org or 202-785-0507.