BUDGET: HOUSE BUDGET CHAIR RELEASES PLAN FOR $32 BILLION IN BUDGET CUTS

Rep. Paul Ryan (WI), Chairman of the House Budget Committee, exercising the authority given to him by the House of Representatives last week, released his plan calling for about a $32 billion cut in the current fiscal year budget, which runs through September 30, 2011. The FY11 budget is currently controlled by a continuing resolution which expires on March 4th.

Ryan’s plan calls for total appropriations of $1.055 trillion for FY 2011. That is about $32 billion less than the current level of spending. However, because he includes small increases in some agencies, such as Homeland Security, Defense, and Veterans Affairs, the cuts necessary by other federal agencies will have to be larger, with overall domestic spending going down about $40 billion. Ryan’s budget proposal calls for about $74 billion less in spending than President Obama's FY11 budget released last year.

The budget plan assumes non-security discretionary spending of $420 billion to bring this category of spending back to FY 2008 levels for the last seven months of this fiscal year. This will produce budget authority savings of $58 billion compared to the President’s request, the proposal says.

House Republican appropriators will use Ryan’s budget allocation to come up with specific proposals for spending for the remainder of FY 2011. The House Appropriations Committee released its revised allocations for each of the Appropriations subcommittees on February 3, 2011, after Chairman Ryan released the overall budget numbers. The appropriations subcommittee allocations can be found at: http://appropriations.house.gov.

For more information, go to: http://www.budget.house.gov.

HEALTH: HEALTH CARE REPEAL FAILS IN SENATE

On Wednesday, February 2, 2011, the Senate vote to repeal the “Patient Protection and Affordable Care Act” was defeated, 47 - 51. All 47 Republicans voted for repeal of the health care reform bill, but 50 Democrats and one Independent voted to leave it in place.
During consideration of the issue, the Senate did vote 81 to 17 to strip from the health care law the so-called “1099 provision,” an unpopular small business tax-reporting provision. The House has not yet acted on eliminating that provision.

The health care repeal was offered by Senate Minority Leader Mitch McConnell (KY) as an amendment to the FAA Air Transportation Modernization and Safety Improvement Act. Because of its budgetary impact, the repeal would have required 60 votes to pass. The House voted to repeal the healthcare law on January 19th.

In related news, two federal judges have struck at a key provision of the legislation, ruling that Congress cannot force individuals to buy health insurance. These cases are expected to be heard by the Supreme Court, which many predict will decide the law's fate by the spring of 2012.

For more information, go to: http://www.senate.gov.

TECHNOLOGY: SENATE JUDICIARY APPROVES PATENT REFORM BILL

By a vote of 15-0, the Senate Judiciary Committee reported out S. 23, the Patent Reform Act of 2011, on February 3, 2011. Congress has been trying for years to enact a comprehensive patent reform bill that more efficiently and effectively deals with the technological advances of the last decades. The complexity of the issues involved, however, has prevented the development of a bipartisan bill widely supported by the numerous stakeholders affected. And despite the unanimous vote by the Judiciary Committee, several parties are still dissatisfied with the bill.

For instance, the bill prohibits granting a patent to any strategy or method aimed at “reducing, avoiding or deferring tax liability.” Accountants and other tax preparation interests oppose the provision and argue that it may hurt consumers, as well as tax advisors. In addition, information technology interests, such as TechNet, are opposing the provision because it may stymie the development of tax preparation software and other financial software products. Other corporations that depend on the growth of innovative technology are also opposing the bill because it does not meet their needs. Issues of disagreement remain over provisions that change how damages are awarded in patent infringement lawsuits and the definition of “willful” patent infringement.

Another issue is how to overcome the backlog in applications pending at the U.S. Patent and Trademark Office. S. 23 would allow the PTO to set its own fees and use the proceeds to increase resources to speed up the application process. But it doesn’t authorize PTO to retain all the fees that it collects, which other interests support.

The House Judiciary Committee is scheduled to begin hearings on patent reform on February 11th.

For more information, go to: http://www.judiciary.senate.gov.

ENVIRONMENT: EPW EXAMINES PUBLIC HEALTH AND DRINKING WATER ISSUES

The Senate Environment and Public Works Committee, chaired by Sen. Barbara Boxer, held a hearing titled “Oversight Hearing on Public Health and Drinking Water Issues” on Wednesday, February 2, 2011. The committee focused on several public health related issues, including toxic chemicals, such as chromium-6 and perchlorate, that have been found in drinking water supplies in California and across the
country. Witnesses included: Lisa Jackson, Environmental Protection Agency (EPA); and Linda Birnbaum, National Institutes of Environmental Health Sciences and National Toxicology Program.

In her remarks, EPA Administrator Jackson announced that EPA “has begun the process of controlling toxic contamination of the chemical commonly known as perchlorate.” She further explained that it would take an additional two years for EPA to propose a perchlorate regulation.

Congress passed the Safe Drinking Water Act (SDWA) in 1974 to protect public health by creating consistent and strong safeguards for the nation’s public drinking water supply. Under the SDWA, Congress gave EPA the authority to set standards for drinking water quality and oversee the states, localities, and water suppliers who implement those standards.

In her opening remarks, Senator Boxer stated that EPA data show that perchlorate, a toxic chemical contained in rocket fuel, has been found in 35 States and the District of Columbia and is known to have contaminated 153 public water systems in 26 States, including several in California. Studies of perchlorate show that it can disrupt the thyroid, according to the School of Public Health at George Washington University. The Perchlorate Information Bureau objected to EPA’s decision to regulate the chemical, saying in a statement that “a national perchlorate standard is not needed and would not provide a meaningful public health benefit.”

Regarding chromium-6, in 2009 under Governor Arnold Schwarzenegger, California proposed a public health goal for chromium-6 of 0.06 parts per billion. One year later in 2010, the state strengthened its proposal to 0.02 parts per billion, based on the need to protect infants and children from dangerous cancer-causing substances. In September 2010, EPA released a draft scientific assessment that found the chromium-6 in drinking water is “likely to be carcinogenic to humans.” Environmental Working Group President Ken Cook, highlighted findings of the report to the Committee and said that EPA’s current standard for total chromium does not adequately protect public health from chromium 6 exposure. The Agency has said it expects to finish its assessment in 2011.

Senator James Inhofe (OK), ranking member on the Committee disagreed with the studies conducted by EPA. “Put simply, the report is biased, and therefore the conclusions are skewed to fit a particular view point. What's more, the [Environmental Working Group] has rejected transparency, one of the fundamental practices of good science.”

For more information, go to either: http://epw.senate.gov or http://www.water.epa.gov.

REPORT: CHINA AND CALIFORNIA’S EMERGING CLEAN ENERGY ECONOMY

The Bay Area Council Economic Institute released a white paper in December 2010 entitled Global Competitiveness, China and California’s Emerging Clean Energy Economy. This white paper presents California’s climate and energy policies in a global setting, asking whether there is a clear linkage between policy and the development of energy efficiency and renewable energy industries.

California is the dominant U.S. state for venture capital investment in cleantech, with a growing lead over the rest of the nation, the white paper boasts. Its analysis shows that the second quarter of 2010 brought in more than $1 billion for cleantech investment to California, accounting for 70% of total U.S. cleantech investment, and 50% of global investment in the sector.

The report cites several recent energy and climate policies the state has implemented, including the Global Warming Solutions Act of 2006 (AB 32), the Sustainable Communities and Climate Protection Act (SB 375), a Low Carbon Fuel Standard, building and appliance efficiency standards, large-scale energy efficiency programs, a Renewable Portfolio Standard and, more recently, a Renewable Electricity Standard for electrical generation and the California Solar Initiative.

The Pew Charitable Trusts finds that virtually all G-20 countries have seen investment in cleantech sectors grow by more than 50% in the last five years, according to the report. Germany is a global leader in solar and wind, and China has emerged as a major global producer of solar, wind, battery and other
cleantech products. China’s strong position in particular raises policy and economic issues for California, according to the Economic Council.

China is the world’s leading supplier of solar photovoltaic panels, accounting for 30% of world production. It is rapidly developing as both a producer and consumer of renewable energy technology in order to meet energy requirements for its rapidly growing economy and reduce dependence on oil and gas imports. China is currently tied with the U.S. for installed renewable energy capacity but is growing its capacity three times faster, according to the Bay Area Council. It is also poised to emerge as a significant global player in wind turbine, lithium battery and electric vehicle production.

China presents California with an opportunity as a market for California products and services and as a source of investment, the white paper explains. As an example, it notes that China has emerged as a major market for the equipment used to make solar cells, and Chinese producers will likely turn to California’s superior technology to improve their solar panels’ efficiency. According to the Bay Area Council, solar, wind, battery and electric vehicle companies from China are seeking a foothold in the U.S. and California markets. Nine Chinese solar companies, including China’s three largest, have recently opened offices in San Francisco, and China’s leading battery producer has established its North American headquarters in Southern California.

“Even with strong domestic and international competition, California can capture a significant share of those jobs and opportunities by leveraging its market and by competing based on its capacity to generate entrepreneurial companies and innovative technologies,” the Bay Area Council states. According to Next 10, green businesses in California grew 45% in number and 36% in employment from 1995–2008, and from 2007-2008, as total employment in California fell 5%, green jobs grew 5%. There are currently an estimated 500,000 clean energy jobs in the state.

For more information: www.bayeconfor.org.


As of March 2010, 11.2 million unauthorized immigrants were living in the United States, virtually unchanged from a year earlier, according to new estimates from the Pew Hispanic Center, a project of the Pew Research Center. In the report, Unauthorized Immigrant Population: National and State Trends, 2010, released on February 1, 2011, the stability in 2010 follows a two-year decline from the peak of 12 million in 2007 to 11.1 million in 2009 that was the first significant reversal in a two-decade pattern of growth. Unauthorized immigrants were 3.7% of the nation's population in 2010, the report states.

The number of illegal immigrants in the nation’s workforce, 8 million in March 2010, also did not differ from the Pew Hispanic Center estimate for 2009. As with the population total, the number of unauthorized immigrants in the labor force had decreased in 2009 from its peak of 8.4 million in 2007. According to the report, illegal immigrants made up 5.2% of the labor force.

The number of children born to at least one unauthorized-immigrant parent in 2009 was 350,000 and they made up 8% of all U.S. births, essentially the same as a year earlier, according to the Center. An analysis of the year of entry of unauthorized immigrants who became parents in 2009 indicates that 61% arrived in the U.S. before 2004, 30% arrived from 2004 to 2007, and 9% arrived from 2008 to 2010.

Other key points from the new report include:
- The decline in the population of illegal immigrants from its peak in 2007 appears due mainly to a decrease in the number from Mexico, which went down to 6.5 million in 2010 from 7 million in 2007. Mexicans remain the largest group of unauthorized immigrants, accounting for 58% of the total.
- The number of unauthorized immigrants decreased from 2007 to 2010 in Colorado, Florida, New York and Virginia. The combined population in three contiguous Mountain West states -- Arizona, Nevada and Utah -- also declined.
- In contrast to the national trend, the combined unauthorized immigrant population in three contiguous West/South Central states -- Louisiana, Oklahoma and Texas -- grew from 2007 to 2010.
- Although the number of illegal immigrants in the U.S. is below 2007 levels, it has tripled since 1990, when it was 3.5 million and grown by a third since 2000, when it was 8.4 million.

The estimates are based on data from the U.S. Census Bureau's Current Population Survey, augmented with the Pew Hispanic Center's analysis of the demographic characteristics of the unauthorized immigrant population using a "residual estimation methodology."

Although the estimates indicate trends in the size and composition of the illegal immigrant population, they are not designed to answer the question of why these changes occurred, the report states. It does, however, list several possible factors, including: the deep recession that began in the U.S. economy officially ended in 2009, but recovery has been slow to take hold and unemployment remains high.

Immigration flows have tended to decrease in previous periods of economic distress. The period covered by this analysis also has been accompanied by changes in the level of immigration enforcement and in enforcement strategies, not only by the federal government but also at state and local levels. Finally, the report notes, Immigration also is subject to pressure by demographic and economic conditions in sending countries.

For more information: www.pewhispanic.org.

**STATE: GOVERNOR BROWN GIVES STATE OF THE STATE ADDRESS**

On Monday, January 31, 2011, Governor Jerry Brown rallied support for his budget plan in his first State of the State address as California's 39th governor. The top priority of the Governor is clear: to “fix the state budget by getting our spending in line with our revenue.” In an effort to tackle California’s $25.4 billion deficit, Brown has proposed a blend of taxes and deep spending cutbacks.

Brown appealed to a joint session of the Legislature: “California faces a crisis that is real and unprecedented. Each of us will have to struggle with our conscience and our constituencies as we hammer out a sensible plan to put our state on a sound fiscal footing, honestly balance our budget and position California to regain its historic momentum.”

Brown reiterated his plan to “seek guidance” from the people of California in a June special election. Brown's proposal would extend $14 billion in higher vehicle, sales and income taxes set to expire this June. Two-thirds of the Legislature will have to act by March to approve these ballot measures.

If his proposal fails by public vote, Brown says Californian’s should expect deep cuts to elementary, middle and high schools, the University of California, the California State University system, prisons and local public safety funding, and vital health programs. Even if the measure is approved, Brown's budget still calls for cutting state spending by $12.5 billion.

Public pension reform and deregulation to ensure job creation were also mentioned as priorities of the Governor. California currently has the third-highest unemployment rate in the nation at 12.4 percent. The state holds roughly $88 billion in bond debt and hundreds of billions of pension liabilities, according to the treasurer's office. Brown restated plans to direct a significant part of revenue to local governments, while also shifting to local agencies responsibility for some services the state now provides.

“For when we get our budget in balance, California will be in a strong position to take advantage of its many assets and strategic location on the Pacific Rim.” Brown stated, “As the countries of Asia and south of our border continue to thrive and expand their trade, our state will play a leading role, as it always has, and reap unimagined benefits.”

For the complete text of the State of the State, go to: http://www.gov.ca.gov.
**REPORT: DAVENPORT INSTITUTE RELEASES REPORT ON EDUCATION EXPENDITURES IN CALIFORNIA**

On January 31, 2011, The Davenport Institute, through the school of Public Policy at Pepperdine University, released a study entitled An Updated Analysis of K-12 Education Expenditures in California: FY 2003-04 to FY 2008-09. The study examines the way money was spent and allocated at California K-12 public school districts from mid-2003 to mid-2009. According to the Institute, the intent of this study is to provide citizens, taxpayers, and especially parents with clear, detailed information about public school finances in California.

The focus of the report is on how much money is spent by California public school districts and how that money has been allocated from 2003-2009. Statewide, total administrative expenditures increased much more rapidly than total statewide expenditures for teacher salaries and benefits, according to the report. The report states that total expenditures at school districts (excluding Capital Expenditures) have increased every year from FY 2003-04 through FY 2007-08, before leveling off in FY 2008-09. Average Daily Attendance (ADA) actually declined from 5,896,402 in FY03-04, to 5,757,830 in FY 08-09, however, it found. During this period, Total Expenditures per student increased 25 percent. According to The Davenport Institute, there is range among all the public school districts in California, regarding “In the Classroom” spending and in the percentage of spending allocated to classified and certificated administrators. The report also provides a detailed profile of each district’s expenditures and relative rank in select expenditure and staffing variables for over 950 individual school districts in California.

To view the complete report: [www.publicpolicy.pepperdine.edu/](http://www.publicpolicy.pepperdine.edu/).

**BRIEFING: CA SCHOOL BOARDS TO ADDRESS K-12 EDUCATION ISSUES**

On Friday, February 4, 2011, the California Institute will host a briefing by the California School Boards Association on K-12 education issues in 2011. The briefing will be held from 2:00 - 3:00 P.M. in Room 2261 Rayburn House Office Building (Committee on Education & the Workforce).

The briefing will be presented by Rick Pratt, Assistant Executive Director for Governmental Relations of the California School Boards Association. It will cover Governor Brown's state budget proposal and its implications for K-12 education and CSBA's priorities for the Elementary and Secondary Education Act (ESEA) reauthorization.

The California School Boards Association is a collaborative group of virtually all of the state's more than 1,000 school districts and county offices of education. It brings together school governing boards and their districts and county offices on behalf of California's school children.

CSBA is a member-driven association that supports the governance team – school board members, superintendents and senior administrative staff – in its leadership role. CSBA develops, communicates and advocates the perspective of California school districts and county offices of education.

To attend the briefing, please RSVP to the California Institute at 202-785-5456 or sullivan@calinst.org.