**Appropriations: Senate Votes On Competing Funding Bills Fail**

As expected, the Senate failed to approve either of two competing Continuing Resolutions on Wednesday, March 9, 2011.

The first, H.R. 1, the CR passed by the House on February 19, 2011, would have cut about $56 billion from current spending levels while funding the government for the remainder of the fiscal year. The 44-56 vote in the Senate failed to garner the 60 votes needed for passage, or even a simple majority.

The second resolution, offered as an amendment to H.R. 1 by Senate Appropriations Chair Daniel Inouye (HI), would have only reduced spending by about $5 billion for the rest of FY11. It too failed to get even a simple majority, and went down 42-58.

The Senate leadership had agreed to bring both bills up, knowing that neither would pass, but wanting to show that there were insufficient votes to pass either one and setting the stage for negotiations aimed at reaching a compromise.

With the Senate making little headway on passing a long-term funding bill, the House is drafting another short-term Continuing Resolution to keep the government going past March 18th, the current CRs expiration. Early indications are that the next CR will run for another two to four weeks past March 18th and cut about another $4 billion from funding levels. The current CR, P.L. 112-4, also cut about $4 billion in spending.

To see the cuts proposed in the Senate Appropriations bill, go to: http://appropriations.senate.gov. For more information on H.R. 1, go to: http://appropriations.house.gov

**Intellectual Property: Senate Passes Sweeping Patent Reform Act**

On March 8, 2011, by a vote of 95-5, the Senate passed S. 23, a sweeping patent reform bill that has been years in the making.

The bill conforms U.S. patent law to that followed by other major developed countries by establishing a “first to file” system, rather than the current “first to invent” system. It also amends the law to...
allow the U.S. Patent and Trademark Office to set all patent and trademark fees and to retain all of the fees its collects.

Among its many other provisions, the bill defines the “effective filing date” as the actual filing date of the application, not the date of invention. It also allows an inventor to designate another person to make the patent application, and allows a third party to request a post-grant review of a patent. Decisions of the newly created Patent Trial and Appeal Board can be appealed to the U.S. Court of Appeals for the Federal Circuit. S. 23 also changes the calculation used for damage awards in patent cases, and establishes a pilot program concerning business method patents.

The House Judiciary Committee is expected to draft its own legislation, and indications are that it may differ in significant ways from S. 23. Issues of possible contention include not only the first to file versus first to invent system, but also the handling of challenges to patents once they are granted.

For more information on the Senate bill, go to: http://thomas.loc.gov.

SMALL BUSINESS: SENATE COMMITTEE PASSES SBIR/STTR

The U.S. Senate Committee on Small Business and Entrepreneurship passed the SBIR and STTR Reauthorization Act of 2011 on Thursday, March 10, 2011. The legislation reauthorizes the Federal government's two largest research and development programs, the Small Business Innovation Research (SBIR) and the Small Business Technical Transfer (STTR) programs, for eight years, and was voted out of the Committee by a vote of 18-1. Chair Mary L. Landrieu, (LA), introduced the reauthorization last week with Ranking Member Olympia J. Snowe, (ME), and Senators John Kerry (MA), Scott Brown (MA), Jeanne Shaheen (NH), Kelly Ayotte (NH), Ben Cardin (MD), Mark Pryor (AK), and Carl Levin (MI).

The SBIR and STTR Reauthorization Act of 2011:

- Reauthorizes the programs for 8 years instead of 14 years as initially adopted by the Committee;
- Codifies the award guidelines for SBIR and STTR awards from $100,000 to $150,000 for Phase I and from $750,000 to $1 million for Phase II; Allows for a sequential Phase II;
- Limits award increases to 50 percent ($225,000 for Phase I, $1.5 million for Phase II) to address "jumbo" awards that have greatly exceeded the guidelines for Phase I and Phase II; and
- Reauthorizes and enhances the Federal and State Technology Partnership program, or FAST program, and the Rural Outreach Program, programs that, according to the Committee, have been effective in increasing the participation of small business in federal research and development and the start-up of high-tech firms.

According to the committee the compromise has the support of the Small Business Technology Council (SBTC), the National Small Business Association, the U.S. Chamber of Commerce, the National Federation of Independent Business (NFIB), BIO, the National Venture Capital Association, local technology groups, and various universities.
For more information, go to: http://sbc.senate.gov/.

**TRADE: SENATE FINANCE EXAMINES ADMINISTRATION'S TRADE AGENDA**

The Senate Finance Committee held a hearing on March 9, 2011 to hear from U.S. Trade Representative Ron Kirk on the President’s 2011 Trade Agenda.

In his opening remarks, Committee Chair Max Baucus (MT) called for resolving the outstanding issues in the pending Free Trade Agreements with Colombia, Panama, and Korea, and approving all three agreements before the end of the year. He noted that Colombia has enacted reforms to make it easier for workers to form unions and bargain collectively, has reduced the homicide rate of union members by nearly 90 percent, and is prosecuting labor violence cases identified by Colombian labor unions as top priorities. Although he recognized there is more it must do, he believes the Colombian government is continuing to move forward, and now needs to know from the United States what next steps are needed. On Korea, he urged the Administration to continue to work with Korea to establish a roadmap to full market access for American beef.

Chairman Baucus also called for extending Trade Adjustment Assistance "to keep American workers and businesses globally competitive" and for the USTR to "map a course of action that leads to a stable and dynamic economic relationship with China."

Ranking Member Orrin Hatch (UT) also called for expeditious approval of the three pending FTAs and admonished the Administration for dragging its feet on the Panama and Colombia agreements. "The problem is a lack of political will, and a lack of political courage," he said. "So far, the administration has talked a big game on these trade agreements, but when game time rolls around, they shrink from action. At some point, despite all the words, it is the administration’s inaction that speaks volumes." He also expressed concern that the President would move forward on the Korea FTA separately from the Colombia and Panama FTAs. Hatch warned USTR Kirk, "If the President ignores the will of Congress and sends the Korea agreement without Colombia and Panama I will do everything I can to make sure that those two agreements are considered at the same time as Korea."

USTR Kirk, however, would not agree to keeping the three agreements together. He said the Korea FTA is ready for congressional consideration and urged Congress to approve the agreement this spring. He noted that U.S. exports of beef and beef products reached $518 million last year, an increase of 140 percent in value over the previous year. And once the Korea agreement enters into force, beef exports should continue to grow as the progressive elimination of Korea’s high tariff on beef contained in the agreement is realized. As for Panama and Colombia, he testified that there has been great progress on resolving outstanding issues, and the Administration would diligently continue that work and send the agreements to Congress once those issues are resolved.

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

**ENERGY: ENERGY SUBCOMMITTEE MARKS UP GHG REGULATION BAN**

On Thursday, March 10, 2011, the House Energy and Commerce Subcommittee on Energy and Power passed H.R. 910, the Energy Tax Prevention Act of 2011, that amends the Clean Air Act to prohibit the Environmental Protection Agency (EPA) from regulating greenhouse gases to address climate change. The bill was reported by voice vote with no amendments. Committee documents released for the markup, stress that the bill is not intended to hamper EPA’s ability or obligation to regulate and mitigate air pollutants like particulates that cause soot, ozone that causes smog, and almost 200 other air pollutant regulations would be protected and preserved.

Chairman Ed Whitfield (KY) said in his opening statement, "[The Clean Air Act] was equivalent to a tax on the coal, oil, and natural gas that provides the nation with nearly 70 percent of its energy. Numerous analyses found that cap and trade would have boosted electric bills, gasoline prices, and potentially..."
destroyed millions of jobs." He told the committee that EPA's regulations would add more red tape to domestic oil drilling while also raising refining costs.

"This committee is working hard to ease the economic pains of rising gas prices," said Fred Upton (WI), the bill's lead sponsor with Whitfield. "This bill is the first step. With this legislation, we will block EPA-imposed gas price increases."

Ranking Member Henry Waxman (Los Angeles), however, objected to the bill. "Just two days ago we heard from the world's leading climate scientists. They told us that climate change is real, it is caused by humans, and its effects could be devastating." Regarding H.R. 910, Waxman said: "In short it is anti-science, a know-nothing, do-nothing approach to the most challenging environmental problem of our time."

The Energy Tax Prevention Act of 2011 (HR 910) now moves to the full committee for consideration, which could occur as early as next week.

For more information: http://energycommerce.house.gov .

E NERGY: HOUSE COMMITTEE EXAMINES CLIMATE SCIENCE

On Tuesday, March 8, 2011, the Energy and Power Subcommittee of House Energy and Commerce Committee held a hearing entitled "Climate Science and EPA's Greenhouse Gas Regulations." The purpose of the hearing was to examine the science of climate change as it pertains to the Energy Tax Prevention Act of 2011 and the Environmental Protection Agency's pending Green House Gas (GHG) regulations. Witnesses included: Francis Zwiers, University of Victoria; Chris Field, Carnegie Institution of Washington, Stanford University; Knute Nadelhoffer, University of Michigan; Richard Somerville, University of California at San Diego; Roger A. Pielke Sr., University of Colorado at Boulder; John Christy, University of Alabama at Huntsville; and Donald R. Roberts, Uniformed Services University of the Health Sciences.

Chris Field, professor in the Department of Environmental Earth System Science and the Department of Biology at Stanford University, testified to the committee that he was tasked with assessing scientific information concerning impacts of climate change, options for adaptation to climate changes that cannot be avoided, and vulnerability to climate change. His testimony focused on agricultural yields and wildfires in the Western United States, two processes Field said that are important to climate discussions. Field said, "Based on observations, not simulations, the sensitivities to warming of both agriculture and wildfire are more than sufficient to cause pervasive regional harm, with even modest warming."

Richard Somerville, professor at Scripps Institution of Oceanography, University of California, San Diego, testified to the committee on his current research understanding and modeling clouds and cloud feedbacks and related aspects of the climate system. His research is sponsored by two Federal agencies, the National Science Foundation (NSF) and the U.S. Department of Energy (DOE). Sommerville was the coordinating lead author of the comprehensive Intergovernmental Panel on Climate Change (IPCC) Fourth Assessment Report (AR4), published in 2007. Somerville testified on issues including carbon dioxide emissions, rising sea levels and greenhouse effects. "In 2011, more recent research and newer observations have demonstrated that climate change continues to occur, and in several aspects the magnitude and rapidity of observed changes frequently exceed the estimates of earlier projections," he stated.

Chairman Whitfield told the committee that only one global warming rule has been analyzed by EPA, the new motor vehicle standards. According to Whitfield, EPA has estimated that it will reduce the earth's future temperature by about one one-hundredth of a degree by the year 2100. He said that unilateral regulations would impose an unfair disadvantage on domestic manufacturers, and chase some of those manufacturing jobs to nations like China that have no such restrictions in place and no plans to institute them. "The Energy Tax Prevention Act is not about global warming science, it is about stopping regulations certain to do more harm than good, regardless of how one interprets the science," he said. "It is about a dangerous and job destroying attempt to transform the economy in ways Congress has repeatedly rejected."

For more information: http://energycommerce.house.gov .
TRANSPORTATION: SENATE EPW EXAMINES HIGHWAY ADMINISTRATION BUDGET

The Senate Environment and Public Works Committee held a hearing on the fiscal 2012 budget request for the Federal Highway Administration of the Department of Transportation on Wednesday, March 9, 2011. Ray LaHood, Secretary of the Department of Transportation (DOT), presented the Highway Administration’s funding reauthorization proposal. The President's budget requested $129 billion for Transportation in FY 2012 which includes the first-year of a new six-year $556 billion reauthorization proposal. In his State of the Union Address on January 25, 2011, President Obama highlighted the importance of the nation's infrastructure and urged Congress to repair existing roadways, bridges, railways, and runways and build a new transportation system that includes a national high-speed intercity rail network.

The Administration's budget proposes four broad goals: building for the future, spurring innovation, ensuring safety, and reforming government and exercising responsibility. The FY 2012 Department of Transportation budget proposal includes a $50 billion "Up-Front" economic boost that is designed to jump-start job creation. This initial funding would finance improvements to the nation's highway, rail, transit, and aviation systems.

Highlights of the Administration's Federal Highway Administration budget proposal are as follows:
- includes $70.4 billion for highways in 2012, which represents a 71% increase above the current funding of $41 billion;
- provides $53 billion over six years to continue construction of a national high-speed rail network;
- would provide a 48 percent funding increase - to $336 billion over six years for road and bridge improvements and construction;
- would provide a 128 percent increase in funding - to $119 billion over six years - for transit options. It will prioritize projects that rebuild and rehabilitate existing transit systems;
- proposes an Infrastructure Bank to finance projects of national or regional significance. The bank would initially receive $30 billion over six years, will reside within the U.S. Department of Transportation, and will be managed by an executive director with a board of officials drawn from other Federal agencies;
- includes a $32 billion competitive grant program called the Transportation Leadership Awards. This program's goal is to reward States and local governments that demonstrate transformational policy solutions;
- includes $3.4 billion for aviation in the $50 billion up-front investment. The budget requests $3.1 billion for airport improvements for runway construction and other airport projects such as Runway Safety Area improvement projects as well as noise mitigation projects; and
- proposes a new livability program funded at $4.1 billion in 2012 going up to $5.1 billion by the end of the bill (in 2017).

In addition, the Administration's Surface Transportation Reauthorization proposal will provide $330 million for the ongoing campaign against distracted driving. It will also commit $7 billion to promote seatbelt use, get drunk drivers off the road, and ensure that traffic fatality numbers continue falling from current historic lows. It also requests $221 million for the safety programs of the Pipelines and Hazardous Materials Safety Administration (PHMSA) and will enhance its authorities to close regulatory loopholes and improve its safety oversight.

Secretary LaHood told the Subcommittee that America's aging roads, bridges, and transit systems must be addressed. "Our Surface Transportation Reauthorization proposal will help transform transportation programs over the next six-years in ways that will benefit all Americans for years to come," he testified.

For more information: http://epw.senate.gov/.
**Homeland Security: Senate Judiciary Committee Examines DHS**


Chairman Patrick Leahy (VT) opened the hearing with an overview of the Department's responsibilities which include domestic security, including airline security and border security, natural disaster response, the Coast Guard, and immigration enforcement.

Secretary Napolitano discussed DHS's strategy, key initiatives, and plans for the future, with a specific focus on the core areas of the Judiciary Committee's jurisdiction, including preventing terrorism and enhancing security; securing and managing our borders; and enforcing and administering our immigration laws.


**Housing: Senate Committee Examines the State of Housing Market**

The Senate Banking, Housing and Urban Affairs Committee held a hearing on the state of the housing market on Wednesday, March 9, 2011. Witnesses included: David Crowe, Chief Economist, National Association of Home Builders; Ron Phipps, President, National Association of Realtors; and Jeffrey Lubell, Executive Director, Center for Housing Policy.

According to Mr. Crowe, the state of the nation's housing markets is improving but fragile. He testified to the Committee that high unemployment, housing policy uncertainty in terms of buyer and builder finance, and long-term fiscal issues are challenges for the housing construction sector as it struggles to return to its long run trend, with the job and economic benefits that such a development would bring. The National Association of Home Builders (NAHB) estimates that the construction of each single-family home creates three jobs, $90,000 in federal, state and local tax revenue, $145,000 in wage income, and $86,000 in net business income.

"Last week's job market data suggested an improving labor market," Crowe explained to the committee. Total non-farm payroll employment increased by 192,000 in February, a marked improvement after the weak performance in January. Job gains occurred broadly across sectors of the economy.

Year-over-year, total payroll employment has grown by 1.3 million, or an average of 106,000 per month. The unemployment rate decreased to 8.9%, but the number of unemployed is still high at 13.7 million, according to Mr. Crowe's testimony. Residential construction employment increased slightly in February, up 0.66% (13,200 jobs) to 2.024 million. However, year-over-year, the sector is still down 65,800 jobs (-3.15%), Mr. Crowe told the Committee.

Since jobs are now being created, albeit at a slower than desired rate, existing-home sales will likely see some improvement in 2011, Mr. Phipps testified. The National Association of Realtors expects local housing market recovery paths in terms of both sales and prices to follow in the footsteps of local job market conditions. Mr. Phipps said, "Research suggests that one million additional home sales in 2011 over 2010 will mean 500,000 private sector jobs created in the country."

For more information: [http://banking.senate.gov/](http://banking.senate.gov/).

**Report: US Census Data Shows Changing CA Demographics**

The U.S. Census Bureau released the 2010 Census Redistricting file for California on March 8, 2011. This data provides the first look at population counts for small areas and race, Hispanic origin, voting age and housing unit data released from the 2010 Census. The official 2010 Census Redistricting Data Summary
File is used by state officials to realign congressional and state legislative districts in their states, taking into account population shifts since the 2000 Census.

Data for California show that the five most populous incorporated places are Los Angeles (3,792,621); San Diego (1,307,402); San Jose (945,942); San Francisco (805,235); and Fresno (494,665). Los Angeles grew by 2.6 percent since the 2000 Census. San Diego grew by 6.9 percent, San Jose grew by 5.7 percent, San Francisco grew by 3.7 percent, and Fresno grew by 15.7 percent. The largest county is Los Angeles, with a population of 9,818,605. Its population grew by 3.1 percent since 2000.

Also, according to the statistics:
- California's population is 37,253,956, a 10 percent increase since 2000.
- Minorities contributed all of the growth in California with Hispanics accounting for 71 percent of the minority growth in the state.
- 38 percent of California state residents are of Hispanic origin, demonstrating a 28 percent growth in the last decade.
- More than half the children in California are Latinos.

Although the State's population did grow by about 10 percent between 2000 and 2010, California was one of the slowest growing states in the West. As a result, for the first time the new census figures will not result in the state's gaining a congressional seat. "It's no longer a boom state. It's a steady state," said Dowell Myers, a professor in the School of Policy, Planning and Development at the University of Southern California. "It means there is more hope for us digging ourselves out of our hole."

For more information: http://www.dof.ca.gov/ or http://www.census.gov/newsroom/releases.

REPORT: PPIC ADDRESSES “HOW CAN CALIFORNIA SPUR JOB CREATION?”

On February 2, 2011, the Public Policy Institute of California (PPIC) released a report entitled How Can California Spur Job Creation? The report examines the effectiveness of two direct job creation policies: subsidies to employers to hire workers and subsidies to individuals to enter the labor market. Hiring credits and worker subsidies are not the only ways to boost employment, but they have the simplest and most direct effect on the number of workers employed in the state. According to the study, offering employers subsidies to hire recently unemployed workers can spur job creation and help the state recover from the recession. However, in the long term, subsidies to workers to enter the job market in the form of a state Earned Income Tax Credit (EITC) are likely to be more effective at countering the state's persistently high unemployment rate, the report contends.

PPIC reports that California has a long-term unemployment rate higher than the nation's. According to the study, hiring credits and worker subsidies can boost employment, however, the more effective response depends on which problem is being addressed. If the goal is to spur job growth to help recover from the recession, then hiring credits are likely to be the better choice. But once the labor market has recovered and the focus can shift to the state's long-term unemployment problem, worker subsidies would be more effective, according to PPIC.

In the report, author David Neumark examines the use of hiring credits and worker subsidies, analyzes their impact, and proposes ways to make these tools more effective. He cautions that the state's current budget problems limit any short-term response, and the recession has been so severe that even the best policy will lead only to modest changes. These concerns make it important for the state to plan for a time when its finances are better, but before the next recession hits as it inevitably will, says Neumark, a PPIC Bren Fellow and Professor of Economics at UC Irvine.

Both hiring credits and worker subsidies would be costly to implement, but it's uncertain how costly, he says. Rough calculations suggest that the cost per job created would be $9,100 to $75,000 for hiring credits and an even steeper $12,000 to $207,000 for worker subsidies, according to the report. These broad cost ranges don't take into account associated benefits such as reducing expenditures on unemployment.
insurance and welfare payments, increasing tax receipts, or stimulating the economy—all of which would lower program costs.

For more information, go to: www.ppic.org.