**Appropriations: House Committee Releases First Continuing Resolution For FY12 Funding**

The House Appropriations Committee on September 14, 2011 released what is expected to be the first of several Continuing Resolutions to keep the government funded when Fiscal Year 2012 begins on October 1st. The CR, H.J.Res. 79, would run through November 18, 2011.

It provides funding consistent with the FY 2012 budget ceiling of $1.043 trillion set by the debt ceiling law (PL 112-25) enacted this past August. This is a 1.5% cut from the fiscal year 2011 level. The bill also includes $3.65 billion in disaster aid, with at least $1 billion of that offset by eliminating funding for advanced vehicle technology. The Senate leadership and other Democrats have already indicated they oppose offsetting disaster assistance funding, so the final outcome on that issue is uncertain at this point.

The CR also includes some policy provisions relating to the Post Office, defense and other necessary services.

For more information, go to: [http://appropriations.house.gov/](http://appropriations.house.gov/).

**Appropriations: FY12 Transportation/HUD Funding Approved By House Subcommittee**

On September 8, 2011, the House Appropriations Subcommittee on Transportation and Housing and Urban Development approved its fiscal year 2012 appropriations for those agencies.

In total, the bill includes $55.15 billion in discretionary spending – a reduction of $19.8 billion below the President’s request for FY12 and $217 million below the FY11 level. The funding level reflects the overall fiscal year 2012 discretionary spending total of $1.043 trillion agreed to in the recent debt ceiling legislation.

The bill provides highway funding of $27.7 billion, which is $14.1 billion less than FY 11 and $42.7 billion less than the President’s budget request. The Subcommittee set transit funding at $1.8 billion, $169 million more than current enacted spending, but $1.9 billion less than requested. Of that, transit formula
funding and bus grants would receive $5.2 billion, a $3.1 billion reduction from fiscal 2011 and $13.3 billion less than requested. Regarding the drastic cuts in the transit formula and bus grants, appropriators said they are “prepared to support a higher Highway Trust Fund spending level, should a new, multi-year authorization bill be enacted.”

The bill also recommends a significant cut for the Department of Housing and Urban Development, setting funding at $38.1 billion, $3 billion less than FY11 and $4 billion less than the President’s request.

During the markup, several amendments were considered. They included amendments to:

- increase the Fair Housing program by $21.9 million, offset by a cut to the HUD Working Capital Fund. The amendment was adopted on a voice vote.

- include fuel costs as a “capital maintenance” item for the purposes of qualification for Transit Formula and Bus grants. The amendment was adopted on a voice vote.

- provide an additional $2.68 million for the Interagency Council on Homelessness, offset by a cut to the HUD Working Capital Fund. The amendment was adopted on a voice vote.

For more information on the bill, including a table comparing the levels for FY11, the President’s request, and the Subcommittee’s recommendation, can be found at: http://appropriations.house.gov.

**APPROPRIATIONS: SENATE COMMITTEE APPROVES FY12 CJS APPROPRIATIONS**

On September 15, 2011, the Senate Appropriations Committee approved the FY 2012 funding for the Departments of Commerce and Justice, and for Science. The funding totals $52.701 billion in discretionary budget authority, a reduction of $626 million below the fiscal year 2011 enacted level, and $5 billion below the President’s request. The bill also includes $135 million in disaster assistance.

Some major provisions in the bill include:

**Department of Commerce**

The bill provides $7.7 billion total funding for Commerce, which is $111 million above the FY 2011 level. Included in that funding:

- National Oceanic and Atmospheric Administration (NOAA) – Provides $5 billion for NOAA, which is $434 million above the FY2011 enacted level.

- Patent and Trademark Office (PTO) – Provides $2.7 billion for PTO allowing the agency to spend all of its expected fee revenue for FY2012. The bill adopts the new reserve fund authorized by the America Invents Act.

- Economic Development Administration (EDA) – The bill provides $257 million for the EDA. EDA grants are funded at $220 million, which is $25.5 million less than FY2011. The bill also includes $135 million in disaster assistance grants.

**Department of Justice**

The Department of Justice (DOJ) is funded at $26.9 billion, $482 million, or 2 percent, less than the FY2011 level. Included in that funding:
- State and Local Law Enforcement Activities – Provides $2.3 billion, which is $470 million, or approximately 17 percent, below the FY 2011 enacted level, for grants to aid local and state law enforcement and crime victims. Specifically, the bill provides:
  - $1 billion for State and Local Law Enforcement Assistance, which includes Byrne formula grants, SCAAP, bulletproof vests and DNA backlog grants;
  - $251 million for juvenile justice and delinquency prevention;
  - $232 million for Community Oriented Policing Services (COPS) grants, including $200 million to hire or retain roughly 1,500 police on the beat; and
  - $121 million for research and evaluation initiatives on prevention and intervention practices, which include regional information sharing activities.

**National Aeronautics and Space Administration**

The National Aeronautics and Space Administration (NASA) is funded at $17.9 billion, a reduction of $509 million or 2.8 percent from the FY2011 enacted level.

**National Science Foundation**

- The National Science Foundation (NSF) is funded at $6.7 billion, a reduction of $162 million or 2.4 percent below the FY2011 enacted level.

The California Institute will prepare a more thorough report on the bill from a California perspective, which will be available in the near future. For more information on the bill, go to: [http://appropriations.senate.gov](http://appropriations.senate.gov).

**HEALTH: Senate HELP Committee Examines Security of Pharmaceutical Supply Chain**

On September 13, 2011, the Senate Health, Education, Labor and Pensions held a hearing on Securing the Pharmaceutical Supply Chain. The Government Accountability Office (GAO) has determined that roughly eighty percent of the active ingredients in pharmaceuticals in the United States come from abroad.

Witnesses were: Deborah Autor, J.D., Deputy Commissioner for Global Regulatory Operations and Policy, Food and Drug Administration; Marcia Crosse, PhD, Director, Health Care, Government Accountability Office; Kendra Martello, J.D., PhRMA; Gordon Johnston, Senior Advisor for Regulatory Sciences, GPhA; Martin VanTrieste, R.Ph, Past Chair, Rx-360, Thousand Oaks, CA; and Allan Coukell, BScPharm, Director of Medical Programs, Pew Health Group.

Commissioner Autor testified on the significant changes that the pharmaceutical supply chain has undergone because of globalization, and the serious threats posed in some cases because of this. She discussed the activities that FDA has taken that are aimed at addressing the issue of globalization, including efforts to harmonize scientifically rigorous standards internationally, to share scientific and technical expertise with fellow regulators, to provide training around the world in crucial regulatory disciplines, to strengthen detection, surveillance and assessment systems, and to design innovative risk-modeling systems. But she testified, FDA needs Congress to enact legislation to further empower FDA. Among the authorities she requested are: the ability to refuse product admission to the United States if inspection of the manufacturing facility is delayed, limited, or denied; the authority to require certification or other assurance of compliance with applicable standards or requirements as a condition of importation; and additional statutory authority that places greater responsibility on manufacturers to account for the quality and provenance of the materials that go into their products. Autor also testified in support of giving FDA mandatory recall authority, as well as authority to destroy drugs at the border, if necessary, and/or to detain dangerous drug products.

Dr. VanTrieste, a Senior Vice-President of Quality at Amgen, testified on behalf of Rx-360, a consortium developed by volunteers from the Pharmaceutical and Biotech industries which includes their
suppliers. The purpose of Rx-360 is to enhance the security of the biopharmaceutical supply chain and to assure the quality and authenticity of the products moving through that supply chain. Broadly speaking, he testified, Rx-360 focuses on four areas to secure the supply chain and to assure the quality of materials throughout the supply chain: 1) adopting standards and best practices; 2) technology development and implementation; 3) surveillance around events that could lead to supply chain threats; and 4) sharing supplier audits. Dr. VanTrieste detailed the accomplishments Rx-360 has had in each of these four areas. He also testified in support of FDA’s efforts to address economically motivated adulteration, counterfeits, substandard medicines and the Agency’s efforts to help ensure the supply chain remains secure, and called for adequate resources for FDA to accomplish these goals.

He then laid out some legislative requirements that could improve supply chain security. They include that:
- Ingredient suppliers should disclose the actual manufacturing site to the drug product manufacturer;
- Foreign ingredient manufacturing sites should be registered with the FDA and only those whose products are actually used in the U.S. and pay a nominal fee should be allowed to maintain registration;
- FDA should inspect foreign ingredient manufacturing sites using a risk-based approach and those foreign ingredient manufacturers should pay the cost of FDA inspections; and
- Increased criminal penalties for economically motivated adulteration and counterfeiting.

For the testimony of all the witnesses, go to: [http://help.senate.gov](http://help.senate.gov).

**HOUSING: SENATE BANKING COMMITTEE EXAMINES HOUSING GUARANTEES**

The Senate Banking, Housing, and Urban Affairs Committee met on September 13, 2011 on S. 1508, the bipartisan Homeownership Affordability Act introduced by Senators Robert Menendez (NJ), Johnny Isakson (GA), and Diane Feinstein.

Witnesses were: Richard Green, Lusk Chair in Real Estate, Director of the Lusk Center for Real Estate, Professor of Policy, Planning and Development, and Professor of Finance and Business Economics, University of Southern California; the Honorable Peter J. Wallison, Arthur F. Burns Fellow in Financial Policy Studies, American Enterprise Institute; Dr. Dwight M. Jaffee, Booth Professor of Banking, Finance, and Real Estate, Haas School of Business, University of California, Berkeley; and Adam J. Levitin, Professor of Law, Georgetown University Law Center.

The act would ensure continued government support of the housing market by extending higher loan limits on a temporary basis, as was done last year.

Prof. Green testified that “in times of economic stress, such as now, the absence of government guarantees would lead to an absence of mortgages” because “a purely ‘private’ market would likely not provide a 30 year fixed rate pre-payable mortgage.” These types of mortgages are necessary for American homeowners to manage interest rate risk and be able to move when they wish to. Finally, Green pointed out that “In the absence of a guarantee, we would observe differences in the price and availability of mortgage credit across communities.” In particular, rural areas and central city areas will have less access to credit than urban or suburban areas, respectively.

Prof. Levitin also testified that government guarantees were necessary, stating that “All five previous attempts at private mortgage securitization in the United States failed” and that “there is no housing finance market anywhere in the developed world in which there is neither an explicit nor an implicit government guarantee of at least catastrophic risk.” Thus, “a government guarantee is inevitable in the housing finance market, so it is best to make the guarantee explicit and well-structured and priced.”

However, Mr. Wallison and Dr. Jaffee disagreed. Both testified that a public guarantee is not necessary and is costly for the national debt, taxpayers, and the economy. Wallison stated that “off-budget debt of the various government agencies – primarily Fannie Mae and Freddie Mac – currently totals $7.5 trillion, but the bailout of Fannie and Freddie proved beyond question that this debt is every bit a part of the
nation’s debt.” Additionally, according to the Federal Housing Finance Agency, the bailout of Freddie and Fannie has been recently estimated to cost taxpayers more than $400 billion.

Dr. Jaffee concurred; a public guarantee is unnecessary. It leaves taxpayers “to pay the high costs of defaulting mortgages” while the private market is “capable of carrying out all mortgage market functions to a standard substantially higher.” In fact, according to Wallison, “anyone can go to the Internet and find lenders offering jumbo fixed-rate thirty-year loans – which, by definition, have no government backing” and are only slightly more expensive.

For testimony of the witnesses, visit: http://banking.senate.gov.

**TAXES: SENATE FINANCE ADDRESSES ROLE OF TAX REFORM IN DEFICIT REDUCTION**

The Senate Finance Subcommittee on Fiscal Responsibility and Economic Growth held a hearing on September 13, 2011 to examine whether there is a role for tax reform in comprehensive deficit reduction and U.S. fiscal policy. Witnesses were: Dr. Alan C. Greenspan, President, Greenspan Associates LLC; Dr. John B. Taylor, Mary and Robert Raymond Professor of Economics and George P. Shultz Senior Fellow in Economics, Stanford University, Hoover Institution; Dr. Martin S. Feldstein, George F. Baker Professor of Economics, Harvard University; The Honorable John M. Engler, President, Business Roundtable; and Mr. Edward D. Kleinbard, Professor of Law, University of Southern California Gould School of Law.

Issues discussed at the hearing included:
- whether personal itemized tax deductions, such as that for mortgage interest, need to be eliminated for deficit reduction;
- whether the current 35 percent corporate tax rate needs to be lowered;
- whether strategies to bring spending back to 19.6 percent of GDP as it was as recently as 2007 are sensible and doable; and
- whether limiting tax expenditures, such as itemized deductions, and using the resulting revenue to lower marginal tax rates would reduce wasteful behavior and instead strengthen incentives for increased economic growth.

The testimony of the witnesses can be found at: http://finance.senate.gov.

**HEALTH: SENATE SUBCOMMITTEE EXPLORES POVERTY AND HEALTH LINKAGE**

The Senate Health, Education, Labor and Pensions Subcommittee on Primary Health and Aging held a hearing on Tuesday September 13, 2011 entitled “Is Poverty a Death Sentence?”.

Witnesses included: Dr. Paula Braveman, Professor of Family and Community Medicine, University of California San Francisco, and Director, UCSF Center on Social Disparities in Health, San Francisco, CA; and Michael Cannon, Director of Health Policy Studies, The Cato Institute, Washington, DC.

The hearing examined the effect of poverty on overall health at all stages of human development. It also included many personal anecdotes from some of the witnesses and provided some suggestions regarding possible policy responses.

Issues addressed at the hearing included:
- The gap between having access to insurance, including Medicare and Medicaid, and actually being able to receive medical care, especially in rural areas. Also, the differences in the numbers of the working poor who take advantage of care when it is viewed as a community resource (such as a community health center open to all) versus a charity-based delivery system;
- The prevalence of free health services in the U.S. through clinics (about 1,200), civic groups and independent physicians means that poverty does not have to be a death sentence, though it often is because those who need free care do not know about it, or can not or will not access it;
- The fact that poverty is not the only inhibiting financial factor – illness itself may be a sentence to a life of poverty;
- The fact that differences in health among the poor cannot be explained by race or ethnic group. At any given income level, the racial/ethnic differences are modest, indicating that it is income itself that matters the most;
- The fact that the poor, as defined by the Federal Poverty Level (FPL), live around 7 years less than the group with incomes at least 4 times the FPL. The poor are also 4 times more likely to have ill health than affluent adults; and
- The fact that more policy measures aimed at increasing anti-poverty programs may not be the best solution, more studies must be done.

More information can be found at: http://help.senate.gov

AGRICULTURE: HOUSE SUBCOMMITTEE EXAMINES WORKFORCE CHALLENGES AND H-2A VISAS

The House Agriculture Subcommittee on Workforce Protections held a hearing on Tuesday, September 13, 2011 entitled Workforce Challenges Facing the Agricultural Industry.

Witnesses were: The Honorable Jane Oates, Assistant Secretary, Employment and Training Administration, U. S. Department of Labor; Joe Bailey, Director of Human Resources, Bailey Nurseries, Inc., St. Paul, MN; Libby Whitley, President, MASLabor, Lovingston, VA; Bruce Goldstein, President, Farmworker Justice, Washington, DC; and The Honorable Leon Sequeira, Senior Counsel, Seyfarth Shaw LLP, Washington, DC.

The hearing examined the effects of the changes to the H-2A Visa program adopted by the Obama Administration. Ms. Oates discussed the Final Rule of 2010, which “reflects a return to [H-2A] processes and procedures that were in place between 1987 and 2008.” Changes made to the original program in 2008 by the Bush administration were found to “not adequately satisfy its statutory mandate to protect U.S. workers and the regulation failed to allow for sufficient, robust, and meaningful enforcement of the terms of the approved labor certification and other regulatory requirements.”

Some of the issues addressed at the hearing included:
- The positive aspects of the H-2A program, including the ability to legally rehire the same workers every year, thus eliminating training time and allowing employers to know beforehand the quality and skill of each worker;
- The negatives associated with the program and the E-Verify program. These problems include the expense of participation, seemingly arbitrary actions by administrative decision makers, shortages of eligible workers during the high season, changing rules each year, and the resulting job loss of year round U.S. workers who rely on the profit gains of seasonal workers. Nearly 50% of all employers who stop using the H2-A program do so because of administrative costs or burdens, some witnesses testified;
- The fact that although the H2-A program has internal issues causing employers to not utilize it, its low usage also reflects the large incentive to get the work done in other ways, including using undocumented labor;
- The need to improve wages and working conditions and increase farmworkers’ legal protections in order to attract and retain US workers in the farm labor force and to make these workers more competitive against foreign workers.

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

EDUCATION: HOUSE COMMITTEE EXAMINES PUBLIC-PRIVATE PARTNERSHIPS IN STEM EDUCATION

The House Committee on Science, Space, and Technology held a hearing on Tuesday, September 13, 2011 entitled STEM [Science, Technology, Engineering, and Mathematics] in Action: Inspiring the Science and Engineering Workforce of Tomorrow.
Witnesses were Mr. Tony Norman, President and Chief Executive Officer, Innovation First International, Inc.; Ms. Nancy Conrad, Chairman, Conrad Foundation; and Mr. Michael D. Gallagher, President and Chief Executive Officer, Entertainment Software Association.

The hearing was the second in a series of STEM in Action hearings. According to Rep. Ralph M. Hall (TX), Chairman of the Committee, the purpose of the hearing was to showcase a variety of public/private partnerships and initiatives across the Nation that are successfully inspiring the future STEM workforce. While “the federal government is investing several billion a year on STEM education,” said Rep. Hall, it is also the responsibility of, and to the benefit of private organizations, to inspire and train a new generation of STEM professionals.

According to Mr. Norman, the lack of new STEM professionals in the U.S. is not due to lack of educational capacity, but rather due to a lack of “interested and qualified applicants” coming out of high school and college. Private companies are thus attempting to inspire students through in-class curriculum, after school competitions, and national competitions in fields such as robotics, clean energy, aerospace exploration, and health and nutrition. For example, with VEX Robotics curriculum and competitions, “students get energized about ‘learning by doing,’ they get comfortable with the ‘trial and error’ process, and they are constantly involved in applying their knowledge and putting it into action, which becomes a process that sticks with them over the years.”

Through another avenue, Mr. Gallagher testified that the Entertainment Software Association (ESA) and the video game industry have undertaken several public-private initiatives “in an attempt to play a catalytic positive role in engaging children in core STEM subjects. These initiatives, designed to tap into our industry’s culture of innovation and children’s enthusiasm toward video games, involve wide-ranging public-private partnerships... that have collectively cost the American taxpayers a total of zero dollars.” He went on to say that “there is great opportunity for highly engaged STEM learning not only in having students play well design game, but also in having them make them.” Therefore, students become inspired in STEM subjects, which are in turn the very basis for the video game and many other industries.

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

**BRIEFING: INSTITUTE HOSTS CCST BRIEFING ON CALIFORNIA'S ENERGY FUTURE AND INNOVATION IN CALIFORNIA**

The California Institute hosted a lunch briefing on September 13, 2011 sponsored by the California Council on Science and Technology. The briefing featured two recently released CCST reports: California's Energy Future: the View to 2050 and Innovate 2 Innovation (I2I).

Reps. Sam Farr (Carmel) and John Garamendi (Walnut Grove) provided opening remarks. They were instrumental in establishing CCST during their tenures in the California State Assembly. Susan Hackwood, Executive Director of CCST, and Julie Meier Wright, President of the San Diego Economic Development Corp. briefed the audience on the I2I report. Ms. Wright co-chaired the committee which produced the report. Jane Long, the Energy report co-chair, and a Sr. Fellow of CCST, and Jeffery Greenblatt, of Lawrence Berkeley National Lab, presented the findings of the Energy report. Burton Richter, of SLAC National Accelerator Lab and a Nobel Prize recipient, also provided some brief remarks.

*California's Energy Future: the View to 2050* looks a generation ahead at what's required to reach California's emission reduction goal of 80 percent below the 1990 level by 2050. The technology to do more with less energy and produce the electricity and fuel we need to get to the 60 percent mark is either in demonstration or already in use. However, achieving a full 80 percent reduction in emissions will require significant levels of research, development, invention and innovation. The total commitment necessary to achieve this accelerated pace will require strong societal and policy backing to make a nearly total change-over to effective technology, the report concludes.
The I2I report provides a comprehensive assessment of California's science and technology (S&T) innovation ecosystem. The report provides a roadmap to help guide effective investment in California's innovation ecosystem to maintain and accelerate a leading global role in innovation and entrepreneurship with recommendations for focused attention to digital education for K-14 and the challenges of California's water supply.

To obtain the reports and for more information, please visit: http://www.ccst.us/.

**REPORT: CHCF RELEASES “CALIFORNIA'S HEALTH BENEFIT EXCHANGE, THE FUTURE ENVISIONED”**

In September 2011, the California Healthcare Foundation (CHCF) has released a series of five reports, contrasting varying visions of what California’s Health Benefit Exchange (CHBE) might look like when implemented as the main component of California’s federal health care reform.

While the Affordable Care Act (ACA) defines important aspects of an exchange's role and authority, it leaves states considerable flexibility and responsibility to each state to establish its own particular exchange that reflects the state’s unique characteristics. In order to examine what option would be best for California, the CHCF series provides an introduction, in-depth explanation of all three main options, and a conclusion that discusses the competing demands in the state.

Originally, the CHCF contrasted many visions for the exchange in order to formulate strong alternatives that could help crystallize the implications of pursuing one path over the others. Subsequent interviews identified a range of potential CHBE goals. Below is a summary of the three approaches highlighted by the series:

- **Price Leader: The CHBE as a Driver of Low Premiums.** The promise of health reform is to make health insurance more affordable and accessible for individuals and small businesses. This approach focuses on the exchange as primarily a cost-focused store that offers the most competitively priced health plans.

- **Service Center: The CHBE as a Consumer Destination.** An exchange centered on service and expanded consumer options would help to build public support for reform and create political leverage to transform the market, according to CHCF. This approach positions the exchange as a consumer-friendly, one-stop shop with broad choices on plan design, accessible information, and strong customer service.

- **Change Agent: The CHBE as a Catalyst of Finance and Delivery Reform.** One of the many possible priorities that could be emphasized by the exchange – and perhaps the farthest reaching – is long term reform of the health care system. Such an exchange would establish incentives to encourage innovation and improvement in costs, quality, and efficiency in health care delivery.

For more information and to obtain the reports, please visit: http://www.chcf.org.