**APPROPRIATIONS: SENATE PASSES “MINIBUS”; NEW CR MAY BE ADDED**

The Senate passed H.R. 2112 on November 2, 2011 by a vote of 69-30. The bill packages the Senate’s version of three appropriations bills – Agriculture, Commerce-Justice-Science (S 1572) and Transportation-HUD (S 1596) – into a “minibus” bill.

Both the House and Senate leadership have indicated they would like to go to conference on the bill as soon as possible, and the House agreed by unanimous consent to appoint conferees on November 3rd. It also voted, 265-160, to instruct House conferees to insist on the highest level of funding possible for the Federal Highway Administration’s disaster response program and for the Community Oriented Policing Services (COPS) program.

The House has only passed the Agriculture appropriations. The House Appropriations Committee, however, has reported the CJS bill, and released a draft bill and report on the Transportation-HUD appropriations. The Senate bills generally contain more funding than the House, because the Senate pegged its funding to the $1.043 trillion cap set in the debt limit agreement, while the House used $1.019 trillion as its overall cap in line with the budget the House passed earlier in the year.

In the Agriculture funding, the gap between the House and Senate is $2.6 billion, with major differences in the levels for the Food and Drug Administration and the Women, Infants and Children’s nutrition program.

In CJS funding, the difference between the House and Senate bills is about $3 billion – $53.2 billion in the Senate, and $50.2 billion in the House. State and local law enforcement was cut significantly under both bills, with the House cuts being the largest.

The Senate Transportation-HUD bill provides a total of $109.5 billion, including $55.4 billion in discretionary funding. The House bill sets the total at $103.7 billion, with $55.2 billion in discretionary funding. One of the major differences is funding for federal-aid highways. The Senate allots $41.1 billion, while the House draft limits funding to just $27 billion. Under HUD, however, it is the House...
that provides $6.8 million to guarantee up to $275 million worth of loans to the Section 108 Community Development Loan Guarantee Program, while the Senate allocates only $4.9 million to guarantee up to $200 million in loans.

On a related subject, Rep. Harold Rogers (KY), Chairman of the House Committee, has also indicated that the conferees on the minibus may add to it another Continuing Resolution to keep the government operating beyond the November 18th deadline set in the current CR.

For more information, go to either: http://appropriations.senate.gov or http://appropriations.house.gov.

Also, reports on the individual Senate appropriations bills are available on the Institute’s website at:
http://www.calinst.org/pubs/ag12senate.shtml or
http://www.calinst.org/pubs/cjs12senate.shtml or

The House bills are available at:
http://www.calinst.org/pubs/ag12house.shtml or
http://www.calinst.org/pubs/cjs12house.shtml or

INFRASTRUCTURE: SENATE FAILS TO MOVE FORWARD ON PRESIDENT’S BILL OR REPUBLICAN ALTERNATIVE

The Senate failed to move forward on either the President’s jobs bill regarding infrastructure or the alternative Republican proposal on November 3, 2011. The President’s plan (S. 1769) called for spending $50 billion on roads, transit, railroad and airport construction and added $10 billion more to create a national infrastructure bank to leverage public and private financing for longer-term projects. The new funding would be paid for by imposing a 0.7 percent surtax on the income of taxpayers who make over $1 million. The bill needed to garner 60 votes on a motion to proceed to consideration. That motion failed by a vote of 51-49.

The Republican alternative (S. 1786) called for continuing funding for highway and transit infrastructure projects for the next two years at current levels. The plan also would repealed some federal environmental regulations. It failed to garner the 60 votes needed to move to consideration by a vote of 47-53.

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

TAXES: HOUSE PASSES LOFGREN BILL BARRING NEW CELL PHONE TAXES

The House under suspension of the rules on November 1, 2011 passed H.R. 1002, the Wireless Tax Fairness Act of 2011, by voice vote. The bill, authored by Rep. Zoe Lofgren (San Jose), had been cosponsored by over 230 members of the House.

H.R. 1002 bars state and local governments from imposing any “discriminatory” taxes on mobile services or companies for five years. Discriminatory taxes are defined as those that are greater than similar taxes imposed on other companies and services. State and local taxes enacted prior to the bill’s
enactment are grandfathered in. The bill also exempts taxes to improve 911 emergency systems and those aimed at providing universal cell phone service to rural areas.

H.R. 1002 also instructs the Government Accountability Office to study the impact of state and local taxes on consumers’ cell phone costs and any impact the five-year moratorium has on costs.

In applauding passage of the bill, Rep. Lofgren said: “This bill is a common sense approach to tackling the rapidly increasing and discriminatory nature of local and state wireless service taxation. We need to encourage the development and adoption of wireless broadband, not tax it out of existence.”

Opponents are concerned about the impact on the states. During floor consideration, Rep. Judy Chu (El Monte) said: “This will deny states the flexibility to respond to economic downturns during the moratorium and therefore undermine the ability of states to pay for essential services, such as public health and safety, education and maintenance of state highways.”

The Senate has not taken any action on its companion bill, S. 543.

For more information, go to: http://thomas.loc.gov.

APPROPRIATIONS: INSTITUTE REPORT ON HOUSE TRANSPORTATION/HUD AVAILABLE

On September 8, 2011 the House Appropriations Subcommittee on Transportation, Housing and Urban Development, and Related Agencies reported its FY 2012 bill. Because the House is expected to bundle this appropriations bill into a larger appropriations measure, the full House Appropriations Committee is not expected to mark up the bill. The full Committee has released a draft Committee bill and report, however, and the Institute prepared its analysis of the California implications of the appropriations based on those Committee documents.

The total appropriations proposed by the House Committee for FY2012 for Transportation, Housing and Urban Development, and Related Agencies includes $55.15 billion in discretionary spending, $19.8 billion below the budget request and $217 million below the FY2011 level. The funding level in the bill reflects the overall fiscal year 2012 discretionary spending total of $1.043 trillion to which the House, Senate, and White House agreed in the recent debt ceiling legislation.


HOUSING: HOUSE SUBCOMMITTEE EXAMINES PRESIDENT'S RENTAL ASSISTANCE DEMONSTRATION PROPOSAL

On November 3, 2011, the House Financial Services Subcommittee on Insurance, Housing, and Community Opportunity held a hearing to examine the Administration's proposed Rental Assistance Demonstration Proposal. Witnesses included The Honorable Sandra B. Henriquez, Assistant Secretary, Public and Indian Housing, Department of Housing and Urban Development; Mr. Ismael Guerrero, Executive Director, Housing Authority, City and County of Denver; Mr. Steven C. Hydinger, Managing Director, BREC Development, LLC; and Mr. Charles Elsesser, Community Justice Project, Florida Legal Services.

Ms. Henriquez highlighted the varying issues the nation faces to preserve affordable housing, including public housing and private managed but publically-assisted housing. Problems include funding housing repairs and modernization in units supported by HUD's "legacy programs," as "antiquated" laws require that this housing be supported by only the federal government, whose funds
fluctuate year to year, she testified. Funding renewal contracts for privately managed affordable housing are also at risk.

Ms. Henriquez also discussed the Rental Assistance Demonstration (RAD), as seen in the FY2012 budget request. RAD would be voluntary and would allow localities to choose whether to convert their federal funding source into the new proposed single-stream Section 8 funding source, as detailed in the Transforming Rental Assistance initiative introduced in 2011. She further testified that the goals of the initiative and RAD are to create long-term funding stability, guide the use of safe and proven tools to leverage private capital, long-term affordability, promote resident choice and rights, and promote effective public ownership. She also applauded the Senate's passage of the FY2012 appropriation for the Demonstration.

Mr. Guerrero, Mr. Hydinger, and Mr. Elsesser all testified in support of RAD.

Other issues discussed at the hearing included:
- The unmet need of $26 billion in capital for public housing.
- The unmet need for units of housing. In 2009, there was a need for 10 million units for extremely low-income household, but only 6.5 million units were available and affordable to this group.
- The growing subset of older Americans using housing choice vouchers.
- Since 2000, the HUD-approved disposition or demolition of 100,000 units.
- Possible expansion of the Hope VI and Choice Neighborhood programs.
- The possibility of allowing Public Housing Authorities to pledge the real estate as collateral, affording them the opportunity to structure various real estate transactions that would otherwise not be possible.

For more information, please visit: http://financialservices.house.gov/.

ENTREPRENEURSHIP: HOUSE SUBCOMMITTEE HOLDS HEARING TO EXAMINE THE CHALLENGES TO INNOVATION AND ENTREPRENEURS IN THE U.S.

On November 2, 2011, the House Oversight and Government Reform Subcommittee on TARP, Financial Services and Bailouts of Public and Private Programs held a hearing titled America’s Innovation Challenge: What Obstacles Do Entrepreneurs Face? Witnesses included Mr. Eric Koester, CMO and Co-Founder, Zaarly, Inc.; Ms. Lonna J. Williams, CEO, Ridge Diagnostics; and Dr. Tsvi Goldenberg, Ph.D., CEO, eemRA.

Mr. Koester, of the San Francisco-based start-up Zaarly, a real-time, online community marketplace, testified about the challenges of raising capital. He believes "reforms of regulations around private company fundraising are important… they provide a new opportunity for these businesses to potentially succeed; to find that source of capital they need to grow." He cited international competition and the growing lack of bank lending to small businesses as two major challenges.

Mr. Koester went on to recommend regulatory reforms "that allow for the broad use of crowdfunding and similar tools for businesses to raise up to $5 million" and which rid the process of rules that limit general solicitation. It is his belief that "these reforms will open up new channels to fundraising" without introducing investors to additional risk, and that these reforms should be coupled with continued "efforts to provide channels for businesses to raise funds from existing sources such as banks or sophisticated investors and new sources such as community members or neighbors."

Other topics discussed included:
- The effect of capital fundraising rules on early-stage investment businesses, including health companies, which struggle to attract investors due to regulation challenges of the FDA and the U.S. Patent and Trademark Office, as well as the uncertainty of reimbursement under current rules.
- Venture Capital (VC) funds, which have historically played a role when investment from institutions fell short. But in recent years VC funds have waned, forcing VC partners to invest in later stage, lower risk companies, instead of start-ups.

- Discussion of investments from "angels" and friends and family, which have fallen due to the economic crisis, and investment from the government, which has both fallen in recent years and is historically slow to act.

- The need for innovations made as part of The American Recovery and Reinvestment Act to be commercialized in order to benefit the economy.

For more information, please visit: http://oversight.house.gov/.

**ENVIRONMENT: HOUSE COMMITTEE EXAMINES THE EPA'S MACT RULE**

On November 1, 2011, the House Oversight and Government Reform Committee held a hearing titled Lights Out II: Another Look at EPA's Utility MACT [Maximum-Achievable Control Technology] Rule. The hearing was the second in the Lights Out series, with the first occurring on July 26, 2011.

The hearing began with a statement from Chairman Darrell Issa (Vista) and also included testimony from The Honorable Kenneth Cuccinelli, II, Attorney General, Commonwealth of Virginia; The Honorable Robert Perciasepe, Deputy Administrator, U.S. Environmental Protection Agency; and Dr. Josh Bivens, Ph.D., Economist, Economic Policy Institute.

Chairman Issa said "the Maximum Achievable Control Technology (MACT) rule proposed by EPA is projected to cost utilities and power generators $10.9 billion in compliance costs every year. The impact of which will be "severe" on "businesses, consumers, inventors, and entrepreneurs [who] have all relied on cheap energy in order to … create jobs and grow the economy."

Mr. Cuccinelli also testified that the MACT rule will have a "direct and substantial effect on the lives of ordinary people" because "every time new environmental regulations are placed on electric utilities, customers pay for them directly. The burden is not borne by the companies directly, but by their customers to whom the costs are passed on by law."

Mr. Perciasepe, on the other hand, testified that the Mercury and Air Toxics Standards (MATS), under MACT, are needed for public health, and that power plant clean-up has been the continuous policy of the U.S. for "20 years since President George H.W. Bush proposed what became the Clean Air Act Amendments of 1990." MATS are intended to reduce emissions of mercury and other dangerous substances that are "linked to tens of thousands of premature deaths and hundreds of thousands of asthma attacks each year." According to his testimony, the implementation of MATS and its sister regulation, the Cross State Air Pollution Rule, "will result in relatively small changes in the average retail price of electricity, which will remain below 1990 levels." Mr. Perciasepe also stated that implementation will create high quality pollution control jobs that "can not be shipped overseas" and that "companies will have sufficient time to meet the Cross State and MATS Rules."

Dr. Bivens agreed with Mr. Perciasepe, and went farther saying "in times like today – with very high rates of unemployment, regulatory change that induces job-creating investments from corporations that are sitting on plenty of savings but finding no other incentive to make these investments – such regulatory changes can boost job-growth." Specifically, in regards to air pollution regulation, "both the macroeconomic data and the review of the air toxics rule argue strongly that regulatory change, while not a jobs-program per se, would only nudge up the level of job-creation in the US economy." The air toxics rules are a "modest job-creation strategy" and the "the best time to undertake these regulatory changes are precisely times like today."

For more information, visit: http://oversight.house.gov/.
EDUCATION: HOUSE SUBCOMMITTEE HOLDS HEARING ON STEM EDUCATION AND ITS CONNECTION TO THE WORKPLACE

The House Science, Space, and Technology Subcommittee on Research and Science Education held a hearing on November 3, 2011 titled STEM In Action: Transferring Knowledge from the Workplace to the Classroom. The hearing was the fourth in the series of STEM in Action hearings and the first held by the Research and Science Education Subcommittee.

Witnesses included: Dr. Michael Beeth, Professor, Department of Curriculum and Instruction, University of Wisconsin Oshkosh; Mrs. Christine Sutton, Secondary Math Teacher, Virgil I. Grissom High School, Huntsville City Schools, Alabama; Ms. Robin Willner, Vice President, Global Community Initiatives, Corporate Citizenship & Corporate Affairs, IBM Corporation; Mr. Jason Morrella, President, Robotics Education and Competition Foundation; and Dr. Jennifer Jones, Principal Clinical Scientist, Abbott Vascular.

Dr. Beeth detailed the alternative pathway to teaching program, Act!, offered at the University of Wisconsin, which offers STEM professionals with five years of work experience a unique teaching certification program that prepares them for teaching STEM subjects in grades 6-12. Mrs. Sutton detailed her experiences in career transitioning, and the challenges she faced when certification programs had "narrow" definitions of what class work or industry experience would qualify an applicant for a program that would graduate them "highly qualified" to teach. She also detailed the benefits of Applied Math and Science in high schools, explaining that her experience in such a program, which offers unique curriculum taught by degreed engineers and volunteers, creates the perfect culture for STEM learning and the transfer of STEM knowledge from the workplace to classroom. Mrs. Sutton offered the following recommendation: professionals who are considering leaving industry should be encouraged to seek education certification despite a significant pay cut (often greater than 50%) by being offered federally funded scholarships for certification in a STEM discipline in exchange for teaching three years anywhere in the country.

Ms. Willner discussed IBM's in-house pathway to education program called the Transition to Teaching Initiative. It is offered to IBM employees who have experience and a STEM degree who want a second career in teaching; they are given $15,000 by the company to facilitate the career change, and can continue working with IBM and receive benefits while in training. Ms. Willner also discussed the outstanding issues affecting teacher transition and recommended that the country needs to:

1) develop standards for the pedagogic and instructional skills and knowledge required and focus on just the limited number of effective education courses necessary for teacher certification;

2) assure that candidates are placed in supportive environments for practice teaching positions under qualified teachers; and

3) provide mentoring and peer support during the first two years of a new teacher's career to assure that they are able to provide the highest quality of education for their students.

For more information, see http://science.house.gov/.