CONGRESS: HOUSE AND SENATE RECONVENE FOR SECOND SESSION

The House convened for the Second Session of the 112th Congress on Tuesday, January 17, 2012, and the Senate convened on January 23rd. Both bodies began with light legislative schedules, however, with the House in session only four days over the last two weeks to accommodate the annual issues retreats of the Republicans and Democrats.

On January 18, 2012, the House passed H.J. Res 98, a resolution disapproving of the President’s exercise of authority to increase the debt limit by $1.2 trillion. The vote, along party lines, was 239-176. The resolution died in the Senate, as expected, however, when it voted against the resolution, 44-52, on January 26th. The budget deal struck last August (P.L. 112-25) included a provision requiring a vote on the resolution. The August agreement authorized three increases to the debt ceiling; the current $1.2 trillion is the third installment and takes effect on Friday, January 27th.

While in session, the House also passed H.R. 3800, extending until February 17th Federal Aviation Administration funding and programs. The current extension expires on January 31st. House and Senate negotiators have indicated they are near agreement on a long-term FAA reauthorization bill. The last long-term FAA authorization bill expired at the end of 2007.

House and Senate conferees also continue to work on a long-term extension of the payroll tax holiday. The legislation also includes language to prevent the cut in Medicare payments to physicians (the “doc fix”), and to extend unemployment benefits. The current extension, worked out at the end of last year, expires at the end of February. (See, http://www.calinst.org/bul2/b1839.shtml.)

To obtain the House’s proposed 2012 Calendar, go to: http://majorityleader.gov/Calendar/112th2ndSessionCalendar.pdf. The Senate’s can be found at: http://www.senate.gov/pagelayout/legislative/one_item_and_teasers/2012_schedule.htm.

WHITE HOUSE: PRESIDENT DELIVERS 2012 STATE OF THE UNION ADDRESS

On Tuesday, January 24, 2012, President Barack Obama delivered his fourth State of the Union address before a joint session of Congress. In the address, the President addressed varied policy issues, including but not limited to:
The California Institute wishes to express its gratitude to the following donors for their generous support, without which our work would not be possible.

**Benefactors**
- AT&T Center for California Studies, CSUS
- PG&E Corporation
- Sempra Energy
- Southern California Edison
- University of California
- Verizon Foundation

**Sponsors**
- Applied Materials
- Assn of California Water Agencies
- Bay Area Economic Forum
- California Association of Realtors
- CA Council Science & Technology
- California Farm Bureau Federation
- California Federation of Teachers
- California Institute of Technology
- California School Boards Association
- CA State Association of Counties
- Chevron
- Diesel Technology Forum
- Metropolitan Water District of So. Calif.
- San Bernardino Valley MWD
- University of Southern California

### Taxes and the Economy
- Reforming the tax code
- Finalizing the payroll tax holiday extension through the end of 2012, including extending unemployment benefits and adjusting Medicare payments to physicians
- Returning to Clinton-era tax rate levels for the top 2 percent of earners
- Eliminating loopholes and implementing the "Warren Buffett Rule" so that Americans earning over $1 million per year pay no less than 30 percent in taxes
- Establishing a minimum tax for multinational companies that store revenue overseas
- Creation of a special unit of federal prosecutors and state attorneys general that will expand investigations and "hold accountable those who broke the law" in regards to abusive lending
- Creation of a new trade enforcement unit that would investigate unfair trade practices and might file lawsuits against foreign countries.
- New legislation to make it easier for homeowners to refinance if their loans have an interest rate higher than that of the current market rate.

### Congressional Rules
- Adoption of the Stock Act, which would prohibit Members of Congress from trading stocks based on information gained in Congressional briefings, and calling for an addition to the Act that would make it illegal for "any elected official from owning stocks in industries they impact"
- Eliminating filibusters during the Congressional approval process for Presidential nominees to the federal administration or Judiciary, guaranteeing a final vote on each nominee within three months.

### Jobs
- Encouraging more manufacturing jobs
- Unemployment system reform, turning unemployment system into a re-employment system by increasing job training
- Limiting tax deductions for companies that move jobs outside the U.S.
- Rewarding companies that bring jobs back from abroad

### Energy
- More exploration for expansion in natural gas production
- More funding for renewable energy
- Ending oil industry subsidies
- Increasing "clean energy tax credits"

### Education
- Granting K-12 schools flexibility to keep good teachers on the job by increasing funding
- Extending the higher education tuition tax credit for middle-class families
- Doubling the number of work-study jobs in the next five years
- Matching state increases in higher education tuition with federal decreases in higher education funding

### Other Issues
- Using half of the savings from ending the Iraq war to decrease the deficit and the other half to fund infrastructure improvements
- Creation of more jobs for veterans
Increasing funding for the Veterans Administration
For more information, see: http://www.whitehouse.gov.

INFORMATION TECHNOLOGY/INTELLECTUAL PROPERTY: ACTION ON ANTI-PIRACY BILLS POSTPONED

After initially announcing that he would bring up the anti-piracy bill, S. 968 (the “Protect IP Act), on the Senate floor this week, Majority Leader Harry Reid (NV) announced on January 20, 2012 that he would postpone consideration for the time being. House Judiciary Committee Chair Lamar Smith (TX) followed suit shortly thereafter and announced he would postpone the continuation of the House Committee’s markup of his bill, H.R. 3261 (Stop Online Piracy Act), in order to work with Internet and financial companies, and content owners to find an acceptable solution to the problem.

Momentum on the bills came to a halt after internet companies, such as Google, ramped up their opposition to the bills and generated a public protest from numerous websites and their users on January 18th. The opponents claim that the bills are overly broad and will stifle Internet freedom. Content owners, such as the Motion Picture Association of America, continue to strongly support enhancing enforcement tools to stop the online piracy of intellectual property, which results in the loss of an estimated $100 billion and thousands of jobs annually. Both sides agree that piracy is an important issue and work will continue to find a solution acceptable to all parties, Chairman Smith said.

Among the provisions in the bills that raised the most concern are ones allowing the Justice Department to obtain court orders that would require Internet service providers to block U.S. Internet users from accessing foreign “rogue” websites, or would order search engines not to direct Web users to infringing sites, or would order payment and advertising services to stop doing business with infringing sites.


SCIENCE: HOUSE SUBCOMMITTEE HOLDS HEARING ON ARPA-E

On January 20, 2012, the House Science, Space, and Technology Subcommittee on Investigations and Oversight held a hearing titled “A Review of the Advanced Research Projects Agency-Energy.” The Subcommittee heard witness testimony on various reports, including those from the Department of Energy Inspector General (DOE IG) and the Government Accountability Office (GAO). Witnesses included: Dr. Arun Majumdar, Director, ARPA-E, DOE; The Honorable Gregory Friedman, IG, DOE; and, Mr. Frank Rusco, Director, Energy and Science Issues, GAO.

ARPA-E was originally passed in 2007 by the America COMPETES Act but remained unfunded until the 2009 stimulus package. It was created to fund high-risk, high-reward energy technologies deemed too risky for private investment to support, with specific focus on technologies to reduce energy imports and emissions while improving energy efficiency.

Subcommittee Chair Paul Broun (GA) expressed concerns with ARPA-E. He stated that at its passage, the Subcommittee questioned whether ARPA-E would create undue competition with the DOE's existing Office of Science and whether ARPA-E would be duplicating projects done elsewhere. He also said the Subcommittee feared that ARPA-E might focus on late stage development, which is "better left to the private sector to undertake." According to his opening statement, he believes the Subcommittee's fears in all three cases have at least in part been realized. Chairman Broun also submitted to the record a Majority Staff Report (MSR) examining these issues as well through the lens of the DOE IG report OAS-RA-11-11, "Advanced Research Projects Agency-Energy", and the GAO Report 12-112, "Advanced Research Projects Agency Could Benefit from Information on Applicants' Prior Funding."
Ranking Member Paul D. Tonko (NY) contested the Chairman's MSR, claiming that some of its findings were the result of "cherry picking" through the GAO's report. He also stated that it is his belief that ARPA-E funds should be allowed to speed up the pace of a project, contrary to the Chairman's testimony. Specifically, he stated ARPA-E should "enable promising ideas to move expeditiously to proof of concept or demonstration" and may "accelerate scale and timeline" of a project when it can not be achieved with only private sector funding.

Dr. Majumdar testified in agreement with the GAO's finding that "most ARPA-E projects could not have been funded solely by private investors." Furthermore, he stated that although the GAO found 18 out of 121 previous award winners "received some prior private sector investment," those projects were "not inconsistent with ARPA-E's mission to fund innovative ideas." In those 18 projects, he stated that ARPA-E funds went to development of prototypes, new research, major advances on previous work, and significant advances in projects' timelines, among other things. Dr. Majumdar also stated that “ARPA-E also agrees with the GAO's finding that ‘ARPA-E officials have taken steps to coordinate with other DOE offices in advance of awarding funds’.” He noted that solutions to the three recommendations in the GAO report, as well as to those in the IG report, have been implemented or will be in the near future.

Mr. Friedman testified that as of January 17, 2012, APRA-E "had approved 153 projects valued at about $448 million" and that "approximately $220 million has been expended." He commended the program, stating "ARPA-E, despite being a relatively new program, had developed and implemented research proposal selection criteria designed to make certain that awards were consistent with its mission objectives." It has developed action plans "in response to a number of [the DOE's IG] recommendations" to "enhance safeguards over program execution activities and funding" of its "very important" work.

Mr. Rusco stated that ARPA-E's "requirements for information on private sector funding could be improved." Overall, however ARPA-E's selection process and coordination with DOE were found to be satisfactory, with a few suggested improvements. The GAO also testified that their "review suggests that most ARPA-E projects could not have been funded solely by the private sector."

For more information, please visit:

**Health: House Committee Reports Repeal of CLASS Act**

On January 18, 2012, the House Ways and Means Committee favorably reported H.R. 1173 to the House floor by a vote of 23-13. The bill would repeal the Community Living Assistance Services and Supports (CLASS) Program. The CLASS Program was originally conceived as a long-term care component of the 2010 health care law. It was designed to provide a $50 daily cash benefit to workers who paid into the fund previously and who needed financial assistance while receiving long-term care. These funds would not be available immediately after joining the program, however.

The Department of Health and Human Services (HHS) worked for over a year and a half to implement the program. Despite this, it could not devise a method that would fulfill the law’s mandates to be voluntary, self-sustaining and fiscally sound over a period of 75 years. In October 2010, HHS formally announced that it could not implement the program.

The mark up proceeded in a similar fashion to a previous mark up held by the House Energy and Commerce Committee in November 2011. Members were split on whether to repeal the program without offering an immediate replacement. Some members supported using the framework of the CLASS program to reform and build a workable model, arguing that total repeal of the program without a replacement was undesirable. They also argued that spending time to repeal a program that is already on hold is irresponsible, noting that full repeal through H.R. 1173 is unlikely to pass in the Senate.
Other members cited a Congressional Research Service memo dated November of last year, which stated that without formal repeal, the Secretary of HHS could face legal ramifications. These ramifications do not preclude the possibility of the courts ordering the agency to implement the program despite the aforementioned issues. Since HHS has determined that the program cannot be fiscally self sufficient, forced implementation may cause a drain on the federal budget. Those who advocated for full repeal said it would “wipe the slate clean” and cause long-term care to become a forefront issue.

Also at the mark up, Rep. Charles Boustany Jr. (LA) told the Committee that he was nearing completion of initial work on a new piece of draft legislation to address long-term care. Rep. Boustany is the author of the CLASS repeal bill. He invited Committee members to be involved in the process and give their input.

House floor action on the bill is expected in the near future, but the Senate is not expected to consider repealing the CLASS Act.

For more information, please see: http://waysandmeans.house.gov/.

**Briefing: Institute To Host California School Boards Association Briefing on K-12 Issues**

The California Institute will host a congressional staff briefing featuring a presentation by the California School Boards Association (CSMA) on Friday, February 3, 2012. The briefing will be held from 2:00PM-3:00PM in 2103 Rayburn House Office Building, Washington, DC (light refreshments will be served).

The briefing will highlight K-12 education issues in California for the year 2012. Specifically, the briefing will examine Governor Brown’s state budget proposal and its potential impact on K-12 education. It will also outline the CSMA's priorities for the reauthorization of the Elementary and Secondary Education Act (SEA), or No Child Left Behind.

If you would like to attend the briefing, please RSVP to the California Institute at 202-785-5456 or Sullivan@calinst.org.

**Telecommunications: CA Firm And AT&T Demonstrate On-Demand Translation Service**

On January 18, 2012, the Office of Rep. Sam Farr (Carmel) held a briefing in order to demonstrate a new communications service soon to be offered commercially by AT&T, in partnership with Language Line Services, a California company. The service will enable AT&T mobile callers who dial a specific prefix to reach an on-demand interpreter service powered by Language Line. Although the project remains in the beta phase, it is expected to be launched fully by mid-year.

Available 24 hours a day and 365 days per year, dialing *4 or *I and then Call/Send on an AT&T mobile phone will allow the caller to talk to a trained professional and obtain live interpretation services from English to more than 170 other languages. A variation of this new service is already used by various Federal agencies. It operates through a dedicated 1-800 number and land line phones. Current federal users include the Internal Revenue Service, Social Security Administration, various congressional offices, and the Federal Emergency Management Agency (which used the service during Hurricane Irene). The creation of the mobile program will allow federal agents in the field to use the service, as well as expand the service to those in state or local agencies.

AT&T and Language Line representatives cited the growing number of non-English speakers and the diversity of languages spoken in the U.S. as a motivator for the program. They also noted that foreign languages are no longer only heard in “gateway states” such as California, Arizona, or New York, but are spreading inland. For these reasons, instantaneous translation from English to another language over the
phone between two or more callers is essential to public health, public safety, homeland security, social services, and other public functions.

The program is currently slated to be available only in the U.S. and will not have a dedicated number for emergencies (versus general use). It also is primarily meant for translation to and from English. Translation between two other languages, such as Spanish to French, will continue to be offered through a slower, different process called relay service.

According to AT&T, the service is expected to be relatively “inexpensive” when “compared to the cost and delay in the market today.” When asked about the costs to first responders, the company stated that more pricing information would be available at the general launch.


**BRIEFING: CONNECT to Hold Briefing on Accelerating the Commercialization of Biotech Innovations to Fight Cancer**

CONNECT will hold its fourth Innovation 101: Technology and Innovation in Life-Sciences Research briefing on Thursday, February 2, 2012 in Washington, DC. The House briefing will occur from 10:00 a.m. - 11:00 a.m. in 122 Cannon House Office Building, while the Senate briefing will be held from 2:00 p.m. - 3:00 p.m. in Room 385 of the Russell Senate Office Building. Light refreshments will be provided at each session.

The briefing will highlight a successful San Diego biotech start-up company. This company is commercializing a discovery produced by the Sanford-Burnham Institute's world-class researchers, supported by federal funding. Speakers will include John Reed, M.D., Ph.D., Chief Executive Officer, Sanford-Burnham Medical Research Institute, and Mr. Scott Salka, Chief Executive Officer, CendR Inc.

Dr. Reed and Mr. Salka will discuss the challenges research institutes face in trying to translate their discoveries into viable products and companies. Specifically, they will highlight how Sanford-Burnham is helping CendR turn ground breaking, federally funded research into a viable start-up venture. This partnership is aimed at successfully commercializing a new, promising treatment for cancer.

To attend one of the briefings on February 2nd, please RSVP to Jessie Womble at jwomble@connect.org.