RESOURCES: HOUSE PASSES SAN JOAQUIN WATER BILL

By a vote of 246-175, the House on February 29, 2012 passed H.R. 1837, the "San Joaquin Valley Water Reliability Act," introduced by Reps. Devin Nunes (Tulare), Kevin McCarthy (Bakersfield), and Jeff Denham (Modesto).

The bill would significantly change California water law. Among other provisions, the Interior Department would be required to increase the total water delivery capability of the Central Valley Project by 800,000 acre-feet by Sept. 30, 2016. It also would replace provisions of the San Joaquin Settlement Act with an alternative set of water flow requirements. The bill would also supersede the application of both the Endangered Species Act and California state law, jettison the current Bay Delta Conservation Plan efforts in favor of reinstating the 1994 Bay-Delta Accord.

House Resources Water and Power Subcommittee Chair Tom McClintock (Elk Grove) and sponsors of the bill argued on the floor that it is essential to correct the severe water problems, and resulting unemployment in the Central Valley’s agriculture industry, created by federal regulations and environmental lawsuits, as well as by the recent drought. The lawsuit regarding the Delta smelt, which led to the diversion of billions of gallons of water away from San Joaquin Valley farmers, has been cited as one of the most obvious reasons why the legislation is needed.

Opponents, led by Rep. John Garamendi (Walnut Grove) and Subcommittee Ranking Member Grace Napolitano (Norwalk), argued that the bill would strip the state’s constitutional right to control state water, and result in costly lawsuits and severe environmental damage.

Rep. McClintock offered a Manager's Amendment, which was adopted by voice vote. In addition to technical changes, the amendment clarified that all 40 year water contracts would be in conformity with existing reclamation project statutes. It also clarified that four California water projects were authorized, but only as long as no federal funds would be used for the projects.

Seven amendments were offered by California Democrats, all of which were defeated:
    Rep. Mike Thompson (St. Helena)/Rep. Anna Eshoo (Palo Alto) Amendment – would have prevented several provisions of the Act from going into effect if any agriculture, agriculture-related, fishery, or fishery-related job would be lost North of the Sacramento-San Joaquin River Delta (178-239).
Rep. Jerry McNerney (Pleasanton) Amendment – would have prevented several provisions of the Act from taking effect until it was determined that the quality or safety of drinking water supplies for residents of California's Delta region would not be harmed (178-242).

Rep. McNerney Amendment – would prevent several provisions of the Act from taking effect until it is determined that it will not harm water quality or water availability for agricultural producers in California's Delta region (177-243).

Rep. Garamendi Amendment – would have restored the Secretary of the Interior's discretion over water contract renewals (181-243).

Rep. Napolitano Amendment – would require certain water contractors to repay project debt with interest.


EDUCATION: HOUSE COMMITTEE ADVANCES EDUCATION REFORM BILLS

On Tuesday, February 28, 2012, the House Education and the Workforce Committee met to mark up two education reform bills that would make substantive changes to the Elementary and Secondary Education Act (ESEA), also known as No Child Left Behind (NCLB). H.R. 3989, the Student Success Act, would rescind NCLB's school accountability system. H.R. 3990, the Encouraging Innovation and Effective Teachers Act, would mandate states create their own teacher evaluation systems, in part using student scores. Both bills were reported out of Committee successfully, each with a party-line vote of 23-16.

Accountability

H.R. 3989 eliminates the current law's Adequate Yearly Progress (AYP) mandate, which currently requires that all children, regardless of language ability or disability, perform proficiently at grade level in reading and math by 2014. The bill would also do away with federal intervention programs meant to turn around low performing schools, requiring states to create and implement their own intervention strategies.

The panel approved by voice vote an amendment offered by Chairman John Kline (MN) that would require states to reserve 3 percent of their Title I money for competitive grants. School districts would apply for the grants and use the funds to provide public school choice and tutoring programs, including programs at lower performing schools.

Teacher Evaluation

H.R. 3990 would mandate that school districts measure teacher performance by creating and implementing teacher evaluation systems within certain parameters, including student achievement. Also in this vein, the bill would merge teacher training programs into a single block grant that states could use for a multitude of programs for teachers, including innovative strategies such as performance-based pay.

Under the bill, more than 70 federal programs would be eliminated. Most of these programs have never been funded. In addition, it would increase the role of charter schools.
Chairman Kline offered a substitute amendment that was approved by voice vote. It would provide an option for states to reserve as much as 3 percent of their funding for competitive grants for teacher and school administration preparation.


LAW ENFORCEMENT: HOUSE SUBCOMMITTEE REVIEWS COMMUNITY ORIENTED POLICING SERVICES

The House Judiciary Subcommittee on Crime, Terrorism, and Homeland Security held a hearing on Wednesday, February 29, 2012 to review the U.S. Department of Justice (DOJ) Office of Community Oriented Policing Services (COPS). Witnesses included: Mr. Bernard K. Meleki an, Director, Office of Community Oriented Policing Services, U.S. DOJ.

Mr. Melekian testified on the President's budget request for COPS for FY13 and the changes that DOJ has and will make to the COPS hiring program (including focusing on hiring military veterans as law enforcement officers). Mr. Melekian highlighted changes to the requirements of those who receive hiring grants. These recipients will be required to take a new assessment tool called the Community Policing Self-Assessment Tool (CP-SAT), which will help agencies perform a self-assessment of their implementation of community policing.

The President's FY13 budget request is for $289,587,000, compared to $198,500,000 in FY12 funding. Included is $257,087,000 for Hiring Grants; the FY12 Budget requested $600 million). Within the Hiring Grants amount, $15,000,000 would be used to fund training and technical assistance that supports the integration of community policing strategies throughout the law enforcement community so that it can more effectively address emerging law enforcement and community issues.

Other issues discussed included:
- COPS' system for overseeing grantees' spending and for responding to complaints from citizens, labor associations, media, and other sources.
- The severity of layoffs within local police departments due to the current economic downturn.
- The increasing use, and benefits of, using new technologies to foster communication between the public and law enforcement.
- The opportunities presented by collaborative relationship building between private security forces and public law enforcement.

For more information, visit: http://judiciary.house.gov/hearings/Hearings%202012/hear_02292012.html.

HOMELAND SECURITY: HOUSE SUBCOMMITTEE HOLDS HEARING ON CRITICAL INFRASTRUCTURE CYBERSECURITY

The House Energy and Commerce Subcommittee on Oversight and Investigations held a hearing on Tuesday, February 28, 2012, titled Critical Infrastructure Cybersecurity: Assessments of Smart Grid Security. This hearing was the second in a series of hearings that focuses on the cybersecurity threats related to infrastructure and industries within the jurisdiction of the Energy and Commerce Committee.

The hearing provided an overview of the federal government's efforts to protect critical infrastructure, such as the electric grid, against cyber threats and a discussion of current cyber threats and risks. The hearing also examined cybersecurity threats to and weaknesses of the Smart Grid. In particular, the Subcommittee examined the challenges the Department of Energy (DOE) faces as it works to invest in and protect these infrastructures.

Witnesses included: Mr. Gregory C. Wilshusen, Director of Information Security Issues, Government Accountability Office (GAO); Mr. David Trimble, Director, Natural Resources and
Mr. Wilshusen and Mr. Trimble offered joint testimony on behalf of the GAO. They testified on the safety of the Smart Grid, saying that increased integration of information technology (IT) systems with the electricity network results both in increased reliability and efficiencies as well as vulnerabilities to cyber attacks that could negatively impact the nation's economy and security. The GAO testified that these vulnerabilities are varied and diverse, and not only affect the electricity industry and its transmission and distribution systems, but also other types of infrastructure.

According to the GAO, malicious cyber activity has increased substantially in the last few years, as has malicious software. This activity has the potential to have far-reaching impact due to the connectivity between information systems, the Internet, and other infrastructures, creating opportunities for attackers to disrupt critical services, including electrical power. The GAO also testified on the specific ways to challenge these vulnerabilities, including addressing the lack of: a coordinated approach to monitor whether industry follows voluntary standards, security features being built into certain smart grid systems, an effective mechanism for sharing cybersecurity information within the electricity industry, and industry metrics for evaluating cybersecurity.

Mr. Campbell spoke to the Department of Energy's (DOE) vision for the Smart Grid, saying that the vision is of "a fully automated power delivery network that monitors and controls every customer and node, ensuring a two-way flow of electricity and information between the power plant and the appliance, and all points in between." In order to make this a reality, the DOE's competitive Smart Grid Investment Grant (SGIG) was awarded $3.5 billion and dispersed grants to 99 recipients who were required as part of the application to detail cybersecurity measures. Mr. Campbell testified that the DOE's Inspector General found that applications were approved even "though weaknesses in the plans were identified and not fully addressed."

Mr. Campbell also testified regarding the DOE's development and update of the "Roadmap to Achieve Energy Delivery Systems Cybersecurity," which was released in September 2011 by the Energy Sector Control System Working Group. This Roadmap provides a plan to improve the cybersecurity of the electricity, oil, and natural gas sectors.

Finally, he also recommended ways that Congress could act to increase cybersecurity. These recommendations are as follows:
- Congress could provide funding for research and development of technologies and systems to bridge gaps in cybersecurity and build the Smart Grid.
- Congress may also provide for a regulatory framework which could achieve a basic level of cybersecurity.


**RESOURCES: HOUSE SUBCOMMITTEE HOLDS HEARING ON FINANCING FOR COMMUNITY WATER INFRASTRUCTURE PROJECTS**

On Tuesday, February 28, 2012, the House Transportation and Infrastructure Subcommittee on Water Resources and Environment held a hearing titled Review of Innovative Financing Approaches for Community Water Infrastructure Projects -- Part I. The hearing focused on potential innovative financing tools, including public or private funding and investment mechanisms, that may better enable local communities to finance wastewater and drinking water facilities mandated by state and federal environmental laws and regulations.

Witnesses included: Mayor Gregory A. Ballard, Indianapolis, IN, testifying on behalf of the U.S. Conference of Mayors/Mayors Water Council; Mr. David R. Williams, Director of Wastewater, East Bay Municipal Utility District, Oakland, CA, testifying on behalf of the National Association of Clean Water
Mr. Ballard organized his testimony into three parts. First, he stressed that "local governments need serious, immediate financial relief in order to rehabilitate and modernize existing water and wastewater physical plants." Rising water infrastructure costs are compounded by decreasing local government revenue and increasing long term debt, resulting in difficulty financing projects. He called long term debt the "single greatest limiting factor in achieving clean water goals." Second, Mr. Ballard testified that "local Government wants to reestablish a true Partnership with Congress and the Administration" and reverse the trend of diminishing shared responsibility for water projects. Finally, he said that "Congress can play a greater role in providing financial relief for communities by setting clean water priorities and reasonable expectations on affordability."

Mr. Ballard's recommendations for improvements include the following: modification of the tax code to remove state caps on the use of private activity bonds for public water and wastewater infrastructure investment; implementation of the Water Infrastructure Finance and Innovation Act (WIFIA); and increased Public-Private Partnerships.

Mr. Williams also emphasized that the successes in the last 40 years of the Clean Water Act (CWA) are undermined by a "shift away from a federal funding partnership … at a time of expanding and costly regulatory requirements as well as an ongoing economic downturn that has put enormous additional pressures on the federal, state and local budgets." Whereas the original federal government Construction Grants Program provided more than $60 billion for treatment plants, its successor, the State Revolving Loan Fund, provides $5 billion annually in low interest loans to communities, many of which are small and in need of basic technical assistance. This money is helpful, he said, but "by comparison, municipalities spend nearly $100 billion a year on water and wastewater infrastructure, supporting millions of jobs and demonstrating again how the leadership for maintaining, expanding and improving this network of high-tech systems resides at the municipal level."

Mr. Williams testified that the EPA has estimated that there remains a $300-$500 billion funding gap "between what is currently being spent and what is needed to upgrade our existing water and wastewater infrastructure." Mr. Williams' recommendations include "more money on the table" in the forms of a loan guaranty program, such as the Water Infrastructure Finance and Innovation Authority (WIFIA), lifting the cap on Private Activity Bonds (PABs), or via other approaches. He also recommended reassessment of the command and control structure of the CWA and that the U.S. Environmental Protection Agency "act boldly" to implement an integrated planning framework.

For more information, see:

**Agriculture: Senate Committee Holds Hearing on Conservation and the Farm Bill**

On Tuesday, February 28, 2012, the Senate Committee on Agriculture, Nutrition and Forestry held a hearing to review the Conservation title of the 2012 Farm Bill. The hearing explored the policies on soil health, water, food, agriculture and wildlife.

Witnesses were heard on two panels. Panel one included: Mr. David White, Chief, Natural Resources Conservation Service, USDA and Mr. Bruce Nelson, Administrator, Farm Service Agency, USDA. The second panel included: Mr. Jeff Trandahl, Executive Director & CEO, National Fish and Wildlife Foundation, Washington, DC; Ms. Becky Humphries, Director of Great Lakes/Atlantic Regional Office, Ducks Unlimited, Inc., Ann Arbor, MI; Mr. Dean Stoskopf, Wheat Farmer, Stoskopf Farmers, Hoisington,
Topics discussed included:
- The conservation title's components, including those that streamline conservation programs, increase flexibility to address the most pressing conservation needs of agriculture, and emphasize projects that address regional priorities and leverage resources so that the public conservation investment goes further.
- The Natural Resources Conservation Service's (NRCS) use of the existing suite of Farm Bill authorities and programs.
- Current conservation results and programs, including discussion of the success of voluntary conservation on private lands and the Environmental Quality Incentives Program (EQIP), which helped farmers and ranchers implement conservation measures on over 38 million acres between 2009 and 2011.
- The size and importance of the Conservation Stewardship Program, which was reinstated in the 2008 bill, as well as various other programs such as the Conservation Reserve Program.
- The "4 Rs" of conservation - right rate, right form, right timing, and right method.
- Improvements that can be made while increasing efficiencies.

For more information, see: http://www.ag.senate.gov/hearings/strengthening-conservation-through-the-2012-farm-bill.

TRADE: CALIFORNIA'S INTERNATIONAL TRADE REACHES NEW HIGH IN 2011

On Friday, February 10, 2012, the California-based consulting firm Beacon Economics released an analysis of California’s 2011 trade statistics based on new U.S. Commerce Department data. According to this data, while some segments of the state's economy struggled last year, exports reached an all time high. In fact, California exported nearly $159.3 billion in merchandise in 2011, which represents a gain of over 11 percent from 2010's export figure of about $143.3 billion. This is also a 2 percent gain over 2000, which had previously been the state's biggest export year.

Similar to 2010, the top five export markets for California in 2011 remain Mexico, Canada, China, Japan, and South Korea, with the state exporting to a total of 227 nations. According to its report, Beacon stated that the state's 2011 largest exports were high-technology goods, especially electronics, industrial machinery, and medical equipment. Categorically, manufactured exports saw a 7.3 percent increase to a value of $102.1 billion in the year, while non-manufactured exports like agricultural products and raw materials grew 15.9 percent to $20.2 billion. Re-exports also rose to $37 billion, a 20.5 percent increase.

Although the 2011 figures represent a year-over-year value gain in all export categories, Jock O'Connell, Beacon's international trade adviser, warned, "The probable near-term outlook will be sluggish growth in California's export trade." He went on to say that "nearly all major forecasts, including the most recent updates issued by the International Monetary Fund, have been revising downward their 2012 growth expectations for most major economies - including all of California's principal trading partners." This is reflected in the value of California's exports in December 2011, which was up just 1.5 percent compared to the same month in 2010.

Beacon also reported on California's import numbers for 2011, finding that the state imported goods worth $351.3 billion (a 7 percent increase from the previous year). The consulting group also noted that goods entering California often pass through to other states and that exports are thus a more accurate picture of the state's economic trading health.

The nation as a whole also set records in exports and imports. American exports totaled $2.1 trillion (an increase of 14.5 percent). Imports totaled $2.6 trillion (an increase of almost 14 percent). The U.S. trade deficit was found to be at its highest level since 2008 – $558 billion.
IMMIGRATION: REPORT ASSESSES PROGRESS TOWARD IMPLEMENTATION OF REAL ID

The Center for Immigration Studies (CIS) released a report in February 2012 titled *REAL ID Implementation Annual Report: Major Progress Made in Securing Driver's License Issuance Against Identity Theft and Fraud*. The Report attempts to serve as a comprehensive assessment of how well states are doing in improving driver's license issuance standards of the REAL ID Act.

The REAL ID Act was passed in 2005, in part as a response to the 9/11 Commission's recommendation to tighten ID standards. The Act was designed to protect identities and driver's license and identification cards while eliminating fraud and improving the customer experience. REAL ID contains a total of 39 benchmarks. The Report covers major benchmarks and groups them into eight categories.

The Report found that overall "there is substantial compliance sought across the board by all states and territories (56 jurisdictions in all), even if there remains a wide gap between the strongest of state systems and the weakest." In fact, the Report found that continual improvement could be found in almost every jurisdiction, "even if some state statutes prevent actual REAL ID compliance."

According to the Report, some major findings include the following:
- States see tremendous value in pursuing REAL ID standards in reducing fraud, increasing efficiencies, improving customer service, and supporting law enforcement.
- States are willing to pay for those improvements with their own budgets outside of federal grant monies.
- States are often exceeding REAL ID minimum standards in order to achieve more complete credentialing security.

In all, the Report found that 53 states and territories are "embracing" REAL ID or its technical tenets. While only 5 states have submitted REAL ID compliance packages to the Department of Homeland Security, another 36 are materially or substantially materially compliant now or likely will be by the REAL ID compliance deadline of January 15, 2013, the report finds. Of these 36 states working toward compliance, nine will be issuing “gold star” licenses which are specially branded for acceptance for security screening at commercial airports and entering certain federal facilities. Among the other 27 states are "four states issuing enhanced driver's licenses that meet REAL ID material compliance tenets produced for the State Department for border crossing."

The Report finds that California has made improvements in driver's license standards, having met at least 15 of the first 18 benchmarks (there are 39 in total). The state was found as having implemented methods to meet the requirements for tamper-resistant DL/IDs, SSOLV (SSN checks), REAL ID SAVE (legal presence checks), REAL ID EVVE (presence of interstate network to connect to digitized vital records to confirm birth), central or secure issuance, and biometric verification. California's total grant allocation for FY 2008-2011 for implementation was $8,018,149 (only 3 states received more).

The Report questions the Department of Homeland Security’s commitment to REAL ID, however. It states that: "states contacted for this report said they no longer have any guidance or support from DHS in implementing REAL ID. While five states submitted REAL ID compliance packages last year, none of them has been reported out on or deemed compliant by DHS.” Despite this, "states have found their way to implement REAL ID standards using some federal funds, but primarily their own budget resources; this is due to the tremendous efficiencies, customer service improvements, anti-fraud, and law enforcement-supportive results that REAL ID minimum standards have created."

For more information, see: [http://cis.org/real-id-implementation-report](http://cis.org/real-id-implementation-report)
BUDGET: LAO RELEASES 2012-2013 BUDGET ECONOMIC AND REVENUE UPDATE REPORT

On February 27, 2012, California’s Legislative Analyst's Office (LAO) released a report titled The 2012-2013 Budget: Economic and Revenue Update. This Report serves as an update to the LAO's original analysis of Governor Jerry Brown's proposed budget, which it released in January. It provides updated projections concerning the economy and state revenues.

According to the Report, economic data is sending "mixed signals to California's policymakers" as they endeavor to produce state and local budgets in restricted fiscal times. The Report emphasizes these mixed signals, saying that the economy is "clearly improving in many important ways, including employment growth" but that "significant impediments block the state's path to a more robust recovery."

State revenues are also mixed, complicated by "recent weakness in income tax payments" compounded with "speculation" about "a future bonanza of tax revenues due to the possible initial public offering (IPO) of stock by Facebook, Inc."

The Economy

The Report indicates that job growth and economic confidence are rising, as are wage and salary employment, which in turn "appears to be helping business and consumer confidence" and retail sales. Calling employment increases a "tangible sign" of recovery, the Report nevertheless cautions that persistent joblessness remains a "key problem" that has "skyrocketed."

In fact, California has one of the highest unemployment rates in the nation, worse than every state except for its neighbor, Nevada. Coastal areas are doing better than those inland (such as the Central Valley and Inland Empire) and differences still exist among different age, race, and ethnic groups.

Also, the housing market remains "very troubled." The Report indicates "home prices nationwide are expected to slip further in early 2012 before hitting bottom sometime later this year." This means that California's construction-related employment may increase only slightly in 2012, with real growth in 2013.

The LAO Report also commented on the fact that "federal monetary policy, set by the Federal Reserve, has been significant in helping the recovery gain steam, but federal fiscal policy now is offsetting the monetary policy, as the federal government decreases spending levels." This continues the uncertainty in federal tax and budgetary policy in the coming year, with post 2012 election decisions likely to affect the state.

State Revenues

The Report confirmed that the negative trends the LAO identified in its January Report seem to be continuing. In its January Report, the LAO noted that its "November General Fund revenue forecast was $6.8 billion lower than the administration's in 2011-12 and 2012-13 combined (including our lower estimates of revenue from the Governor's proposed tax initiative)." In this current Report, its "updated revenue forecast – including similar federal tax policy assumptions as the administration's, an updated estimate of revenues from the Governor's initiative, and an initial estimate of revenues due to the possible Facebook stock offering – is $6.5 billion lower than the administration's in 2011-12 and 2012-13 combined."

Furthermore, the Report states "if the Facebook-related revenues were omitted from this new forecast, General Fund revenues would be about $8.5 billion lower than the administration's over this period – weaker than the $6.8 billion difference identified in January."
The LAO Report went on to caution that if its forecast proves more accurate than that of the Governor's office, more budget balancing measures would be required. The Report concludes "much more information will become available by the end of April, when a large amount of income tax payments are received by the state and refund payments are made."

For the full text of the Report, go to: http://lao.ca.gov/laoapp/PubDetails.aspx?id=2578.