Agriculture: House Agriculture Committee Approves Farm Bill

On Wednesday July 11, 2012, the House Agriculture Committee approved the 2012 Farm Bill (H.R. 6083) by a vote of 35-11. The Committee considered over 90 amendments during the 15-hour mark up, with argument mainly centered on significant cuts to food aid programs. As amended, the bill would make approximately $16.1 billion in cuts to the Supplemental Nutrition Assistance Program (SNAP). Attempts to both restore funding, make lesser cuts, or make deeper cuts, through other amendments, were rejected. The cuts to SNAP in the House's Farm Bill are nearly three times larger than in its companion bill already approved by the Senate (S. 3240).

According to the Congressional Budget Office (CBO) the bill would save about $35 billion in mandatory spending in the period from 2013 through 2022. In contrast, the Senate's version of the bill was predicted by CBO to save $12 billion less.

The SNAP cuts would contribute the most to this overall savings by making changes to eligibility rules. Specifically, it is estimated that 2 or 3 million current SNAP recipients could become ineligible. The current rules would be changed to no longer automatically award SNAP eligibility to those who receive federal assistance from other programs such as Supplemental Security Disability Income (SSDI) or Temporary Assistance for Needy Families (TANF).

Supporters stated that the rule changes would do no more than ensure every recipient met current eligibility guidelines; the bill would not change guidelines – just eliminate automatic eligibility. Opponents, such as Rep. James McGovern (MA), pointed out that "99 percent of all SNAP recipients in 2010 were eligible" and they "aren't people trying to game the system, they're just people trying to get by."

In addition to the SNAP amendments, dairy and sugar amendments were also rejected, leaving those programs to continue the way they are under current law. The panel also rejected an amendment offered by Rep. Jim Costa (Fresno) by a vote of 18-26. That amendment would have ensured that funds from the Environmental Quality Incentives Program be spent to address air quality problems.

The Committee did approve by voice vote an amendment that would mandate the Department of Agriculture to examine field offices' workloads and get public input before continuing with its plan to close regional offices. The amendment was sponsored by Rep. Leonard L. Boswell (IA).
In other parts of the bill, the Committee reauthorized the Market Access Program until 2017 (Section 3102). It also addressed technical assistance to specialty crops in section 3205, and awards that account $9 million each year from 2013 to 2017.

Other specialty crop highlights include:
- Specialty Crop Block Grants - $70 million per year
- Specialty Crop Research Initiative - $25 million in FY13, $30 million in FYs14 and 15, $65 million in FY16, and $50 million in FY17;
- Plant Pest and Disease programs - $71.5 million in FY13;
- Fresh Fruit and Vegetable Program - 2008 Farm Bill levels;
- Section 32 specialty crop purchases - 2008 Farm Bill levels; and
- DoD Fresh Program - 2008 Farm Bill levels.

For more information:

**APPROPRIATIONS: INSTITUTE REPORTS ON FY13 HOUSE INTERIOR & ENVIRONMENT AND TRANSPORTATION/HUD APPROPRIATIONS AVAILABLE**

On June 28, 2012, the House Appropriations Committee approved its FY 2013 appropriations for Interior and Environment.

On June 19, 2012 the House Committee gave voice vote approval to the FY 2013 Transportation, Housing and Urban Development, and Related Agencies appropriations bill (H. Rept. 112-541, H.R. 5972), and on June 29, 2012, the bill was approved by the House by a vote of 261-163.

The Institute has prepared detailed reports on these appropriations bills that are available on its website.

For the Interior and Environment appropriations, go to:
http://www.calinst.org/pubs/ie13house.shtml or in PDF:


**BANKING: HOUSE SUBCOMMITTEE HOLDS HEARING ON IMPACT OF DODD-FRANK ACT**

The House Committee on Financial Services Subcommittee on Capital Markets and Government Sponsored Enterprises held a hearing on July 10, 2012 titled The Impact of Dodd-Frank on Customers, Credit, and Job Creators.

Witnesses included: The Honorable Kenneth E. Bentsen, Jr., Executive Vice President, Public Policy and Advocacy, Securities Industry and Financial Markets Association; Mr. Thomas C. Deas, Jr., Vice President and Treasurer, FMC Corporation, on behalf of the National Association of Corporate Treasurers and the U.S. Chamber of Commerce; Mr. Tom Deutsch, Executive Director, American Securitization Forum; Mr. Dennis M. Kelleher, President & CEO, Better Markets, Inc.; Mr. Thomas P. Lemke, General Counsel and Executive Vice President, Legg Mason & Co., LLC, on behalf of the Investment Company Institute; Ms. Anne Simpson, Senior Portfolio Manager, CalPERS; and, Mr. Paul Vanderslice, President, Commercial Real Estate Finance Council.

Ms. Simpson, of CalPERS, said that the agency "believes that Dodd-Frank, as enacted, will establish an effective framework for promoting the safety and soundness of capital markets and providing institutional investors the protections and rights to ensure markets function." She cautioned, however, that a lot depends
on if the law is "effectively implemented" and highlighted "the critical elements" of implementation's "unfinished business." She further discussed the importance of regulating the trading of derivatives, the Volcker rule, aligning investors' best interest with that of their clients' through "risk retention" obligations.

For more information:

**HOMELAND SECURITY: HOUSE SUBCOMMITTEE HOLDS HEARING ON STATE AND LOCAL PARTNERSHIPS**


The Honorable John Morton, Director of the U.S. Immigration and Customs Enforcement (ICE), was the sole witness at the hearing. He testified on the Department of Homeland Security's Secure Communities Program and its relationship with state and local partners. He outlined ICE's priorities, which "focus our enforcement resources on aliens that pose a threat to public safety or national security, repeatedly violate our immigration laws or recently crossed our borders." To accomplish that, he said, Secure Communities uses the interoperability between the DHS Automated Biometric Identification System (IDENT) and the FBI's Integrated Automated Fingerprint Identification System (IAFIS) in order to identify and apprehend convicted criminals and other high priority aliens.

He also acknowledged that "ICE is mindful of the concerns raised by some, including state and local law enforcement officials, and is committed to continuing to make operational adjustments to ensure that Secure Communities aligns with our operational priorities." He then took a "moment to clarify what [Secure Communities] is, and more importantly what it is not" by going over the basics of the information sharing structure of the program.

In particular, he stated:
"Secure Communities' use of this information sharing capability does not in any way authorize a state or local agency to enforce immigration laws. The determination to make an arrest is at the sole discretion of the state and local law enforcement officer, acting under the criminal law authority of the jurisdiction in which they operate. Not every person arrested will be subject to a Secure Communities' IDENT/IAFIS interoperability query. Only when state or local law or policy prescribes that the fingerprints be taken from an individual in custody for a criminal charge and then be submitted to the FBI's IAFIS database will that individual's fingerprints be checked against DHS's immigration databases. Even when an individual's fingerprints are submitted, ICE may choose not to take action if the individual does not meet ICE enforcement priorities."

Director Morton also outlined improvements that have been made in the program, including advisory committee input, issuance of prosecutorial discretion guidance, prosecutorial discretion guidelines regarding certain victims, witnesses, and plaintiffs, outreach to states, issuance of a revised detainer policy, complaints procedures, and statistical review procedures.

For more information:

**ENERGY: HOUSE SUBCOMMITTEE HOLDS HEARING ON THE AMERICAN ENERGY INITIATIVE**

On July 10, 2012, the House Energy and Commerce Subcommittee on Energy and Power held a continuation of its hearings on the American Energy Initiative. The focus of the hearing was on both the challenges and the opportunities of alternative fuels and vehicles in the U.S.
Witnesses were heard on two panels. Panel I included: Mr. Joseph Petrowski, Chief Executive Officer, Cumberland Gulf Group; Mr. Jack Gerard, President and Chief Executive Officer, American Petroleum Institute; Mr. Robert Dinneen, President and Chief Executive Officer, Renewable Fuels Association; Mr. Thomas Tanton, Executive Director and Director, Science and Technology Assessment, American Tradition Institute; Mr. Michael McAdams, President, Advanced Biofuels Association; Mr. Michael Breen, Vice President, Truman National Security Project; Dr. Richard A. Bajura, Professor, Mechanical and Aerospace Engineering, Director, National Research Center for Coal and Energy, West Virginia University; and, Ms. Felice Stadler, Director, Dirty Fuels Campaign, National Wildlife Federation. Panel II included: Mr. Gregory Dolan, Executive Director - Americas/Europe, Methanol Institute; Mr. Shane Karr, Vice President, Federal Government Affairs, Alliance of Automobile Manufacturers; Mr. Donald Althoff, Chief Executive Officer, Flex Fuel US; Mr. Thomas Hassenboehler, Vice President of Policy Development and Legislative Affairs, America's Natural Gas Alliance; and, Ms. MaryAnn Wright, Vice President, Global Technology and Innovation, and, Chair, Electric Drive Transportation Association Johnson Controls Inc.

Issues discussed at the hearing included:
- Details of the composition of the retail fuels market in the U.S., including types of fuels, consumers, and sellers, as well as infrastructure issues that delay or prevent introduction of new types of renewable fuels.
- The complex relationship between transportation costs (as a share of GDP) and those costs' direct effects on the health of the economy.
- H.R. 4345, which is designed to facilitate the introduction of all innovative new fuels into U.S. markets.
- The importance of renewable fuels to U.S. national security now, when 95 percent of the transportation industry relies on oil, and looking into the future.
- Discussion about fossil fuels' effect on the climate, global warming, and weather pattern changes over time.
- The possibilities for use of alcohol flex-fuel vehicles, which can run on any combination of gasoline, ethanol, and methanol, as well as other liquid fuels. The cost to produce such vehicles, the savings in gas for consumers, and the implications of introduction of methanol to the U.S. fuel pool.
- Arguments against legislation mandating a particular vehicle technology or fuel or set of fuels, including the argument that without meaningful alternative fuel use, the energy security implications of any particular alternative fuel technology are marginal at best, and possibly less impactful than other technology applications aimed at reducing oil consumption.
- The environmental and economic impacts of the use of both liquefied natural gas (LNG) and compressed natural gas (CNG). There are approximately 3,000 LNG vehicles nationwide as well as 53 fueling stations (36 of which are located in California).

For more information, go to:

**HEALTH CARE: BAY AREA COUNCIL ECONOMIC INSTITUTE RELEASES REPORT ON THE AFFORDABLE CARE ACT IN CALIFORNIA**

In May 2012, the Bay Area Council Economic Institute released a report titled *The Economic Impact of the Affordable Care Act on California*. Overall, the Report found that if the Supreme Court had struck down the healthcare law in June 2012, the impact on the Golden state would have been negative.

The study's co-author, Bay Area Council Economic Institute chief economist Jon Haveman, said that: "In the debate over the federal health care law, this study shows there has been more heat than light when it comes to understanding economic and jobs impacts." He concluded that with focus "on expanding
health insurance coverage, making our health care system more efficient and making our workforce healthier, we can realize important employment and economic gains."

"The Affordable Care Act provides an important framework for expanding health care coverage in a way that can boost employment, increase overall economic activity and make people healthier," added Senior Policy Advisor for the Bay Area Council Dr. Micah Weinberg, study co-author.

According to the report, all of figures in the following list take into account various potential "negative" aspects such as the employer mandate. The study found that the federal healthcare law would:
- Raise the state's economic output by more than $4 billion. Southern California would benefit the most, seeing its net economic output increase by $3 billion. Sacramento County would see the second largest boost at almost $608 million.
- Create nearly 100,000 jobs statewide. The southern part of the state would see the majority of the new jobs, gaining approximately 58,000, while the Sacramento Valley would gain nearly 13,500, the Bay Area 7,600, San Diego County 6,500, and the remaining counties 10,000.
- Jobs growth would be driven by increased economic activity from healthcare and medical services spending.
- Function best with the employer mandate, as it is a "crucial tool" for the law, a net job creator for California.
- Ensure that California's workers are healthy and working, thus expanding the workforce itself.
- Ensure that workers have the flexibility to change jobs without risking becoming uninsured.

According to the Report, however, "the ultimate impact of health care reform, though – both in terms of its true economic implications and whether it achieves its substantive policy goals – depends heavily on implementation, which will require close partnership between the federal government, the states, and the private, charitable, and non-profit sectors."

For the Report, go to: http://www.bayareaeconomy.org/media/files/pdf/AffordableCareActWeb.pdf.

**BRIEFING: NATIONAL LOW CARBON FUEL STANDARDS PROJECT TO RELEASE REPORT AT BRIEFINGS**

The National Low Carbon Fuel Standards Project is a collaboration between researchers from six top research institutions, each looking at a different aspect of how a low carbon fuel standard would affect our energy posture, our national security, our environment, and all aspects of our economy – from food prices to transportation costs. The researchers will present highlights of a new study examining the economic and technical aspects of a national low carbon fuel standard at three briefings in the Washington, D.C. area on Thursday, July 19, and Friday, July 20, 2012.

Participating researchers are from the University of California, Davis, Oak Ridge National Laboratory, the University of Illinois, the University of Maine, Carnegie Mellon University, and the International Food Policy Research Institute.

All of the following briefings are open to the public.

Two briefings will be held on July 19th. The first will be from 9:00AM-10:30AM at the Carnegie Endowment for International Peace, 1779 Massachusetts Ave NW, Washington, DC (breakfast will be served).

The second briefing on July 19th will be a congressional staff briefing from 1:00PM-2:00PM, U.S. Senate Small Business Committee Room, 428A Russell Senate Office Building.

On July 20th, a second congressional staff briefing will be held on the House side from 12:00PM-1:30PM, in Room 200 HVC, Capitol Visitors Center, U.S. Capitol (lunch will be served). The California Institute is hosting the two congressional briefings.

To attend any of the briefings, please RSVP to: http://bit.ly/LCFSrsvp.

For more information on the project and the study, go to: http://lcfsnew.ucdavis.edu/.
STATE BUDGET: PPIC RELEASES SUMMARY OF CALIFORNIA'S 2012-2013 BUDGET

On July 10, 2012, the Public Policy Institute of California (PPIC) released a publication titled *Just the Facts: California's State Budget: The Enacted 2012-13 Budget*.

Key points reported include:
- The 2012-13 budget was enacted on time.
- The budget appropriates $143 billion, including $91.3 billion from the General Fund.
- General Fund spending is 11% lower than 2007-08, which was the high point for the budget before the recession, but almost 10% higher than last year's budget.
- Revenues are expected to reach $96 billion, up $12.5 billion from 2011-12.
- The governor and legislature agreed to $16.6 billion in cuts and other measures to close the state's budget gap.
- The solutions include about $6 billion in new revenues, spending cuts of about $5 billion, and $5.6 billion of funds redirected from other sources.
- Virtually all of the new revenues are generated via an initiative the Governor qualified for the November ballot that raises taxes on upper incomes and sales by about $8.5 billion (per Proposition 98, $2.5 billion of this additional revenue will automatically go to schools and community colleges).
- If voters reject the Governor's initiative, there will be $6.1 billion in "trigger" cuts, most of which would be absorbed by K-12 and higher education. The budget does not specify how the remaining $2.4 billion would be absorbed.
- With only a small reserve, the budget could easily be thrown out of balance. The budget maintains a reserve estimated at $950 million.
- The Legislative Analyst's Office has expressed concern that the budget's revenue assumptions may be overstated by $550 million.
- The LAO also believes that the estimate of property tax revenues that will be redirected from now-closed redevelopment agencies to schools and community colleges may be $900 million too high.
- If the Governor's tax initiative fails, a $2.4 billion revenue gap will open up.
- The final budget reduces spending on health and human services programs by $1.8 billion.
- The cuts include savings of $612 million from moving individuals who receive services from both Medi-Cal and federal Medicare into a managed care program.
- $13 million will be saved by moving children covered by the Healthy Families insurance program into Medi-Cal.
- $470 million will be saved by reducing job training and child care services for recipients of California Work Opportunity and Responsibility to Kids (CalWORKs).
- The budget also includes a CalWORKs reform that will take effect in 2015: assistance for families that do not meet federal work requirements will be reduced from four to two years.
- Education programs are mostly protected from cuts – unless voters reject the Governor's tax initiative.
- The budget generally will allow schools to continue operations at the same levels as 2011-12 – assuming the tax initiative is approved by voters.
- New revenues to K-12 education are intended primarily to reduce the amount of late state payments to schools, support the growth in the student population, and pay for technical fixes needed to maintain ongoing programs.
- If the Governor's initiative fails, the budget authorizes schools to offset the trigger cuts by reducing the school year by up to 15 days.
- The legislature rejected the Governor's proposal for a weighted-pupil formula, which would have consolidated most K-12 funding streams into a single grant.
- The budget includes many of the Governor's higher education proposals, including major reductions to financial aid for students attending private or nonprofit colleges, implemented over the next two years.

For more information, go to: http://www.ppic.org/main/publication_show.asp?i=358.