BUDGET: UC SENDS CA DELEGATION LETTER ON ADVERSE IMPACT OF SEQUESTRATION

On November 14, 2013, the University of California sent a letter to the California congressional delegation urging them to contact members of the House/Senate budget conference to “urge them to repeal sequestration and protect the education, research, and health-care programs that are critical to fulfilling the University of California’s mission.” The letter was signed by UC President Janet Napolitano and the ten Chancellors of the University’s campuses. The letter lays out in detail the damage that sequestration has inflicted on each of the three missions noted above.

In education, sequestration has cut Department of Education funding (non-Pell Grant discretionary) below the FY 2004 level. While noting that the Pell Grant program was exempt from the across-the-board cuts in FY 2013, the letter warns that “future funding is seriously at risk if spending caps are lowered significantly, or if the cuts proposed in the House Budget Resolution are adopted.”

Although the full impact on research funding cannot be totally quantified yet, the letter states that “UC appears to have experienced a significant drop in 2012-2013 federal research funding, due to sequestration and federal budget instability.” It states that so far the UC system has seen a $345 million drop in federal research awards for FY 2012-13, or roughly 12 percent below the amount awarded in FY 2011-12; there were 4.7 percent fewer National Institutes of Health (NIH) research awards and over 9 percent fewer National Science Foundation (NSF) research awards in 2012-2013; and, the average research award is smaller, and is not keeping pace with inflation. Several anecdotes on specific grants and researchers affected are also included in the letter.

Regarding health care, the letter cites the critical nature of federal support and funding for the continued vitality of the University of California Health System. In 2011-2012, UC Health received more than $2 billion in Medicare and Medi-Cal patient care reimbursements for the provision of clinical services. UC Health receives more than $230 million annually from Medicare to support the cost of
ADVISORY BOARD SUPPORTERS
OF THE
CALIFORNIA INSTITUTE

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

SPONSORS
Asn of California Water Agencies
Bay Area Economic Forum
California Association of Realtors
CA Council Science & Technology
California Farm Bureau Federation
California Federation of Teachers
CA Independent Service Operator
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
The Energy Foundation
University of Southern California

MaryBeth Sullivan
Executive Director

graduate medical education (GME) training, as well. The authors go on to say: “UC recognizes that these are challenging fiscal times and that Congress may look to entitlement reform for savings. UC will carefully examine any proposed cuts to Medicare or Medicaid that could have significant impacts on the UC medical centers and our doctors. UC supports ongoing efforts to implement the Affordable Care Act (ACA) and opposes efforts to repeal the law. Although it is possible that more savings could be found in Medicare and Medicaid, we do not believe that Medicaid should be converted into a block grant program and would encourage careful consideration before structurally altering Medicare. It is critical that a final FY 2014 budget agreement does not further reduce federal support for our hospitals.”

UCLA Chancellor Gene Block spoke earlier this week when the Association of American Universities (AAU), the Association of Public and Land-Grant Universities (APLU) and The Science Coalition (TSC) released a survey of 74 public and private universities looking at sequestration's impact on research across the country. He stated that UCLA alone estimates that the sequester has cost it $50 million so far in research funding. He is concerned that the cuts so far are only the tip of the iceberg and will result in a brain drain if they are not halted. Although that hasn’t happened yet, he said, “The buffer is much thinner. So if faculty members lose their grants, if grants don't get re-funded because of sequestration, there is a limited amount we can do to keep labs running. So if you ask what is the long-term effect? .... Literally labs close and people end up on the street. That's the danger.”

For further information, go to:
http://ucop.edu/federal-governmental-relations/index.html

For information on the AAU Survey, go to:

TELECOMMUNICATIONS: HOUSE E&C SUBCOMMITTEE

ASSESSES SPECTRUM BAND ISSUES

On November 13, 2013, the House Energy and Commerce Subcommittee on Communications and Technology convened for a hearing entitled, "Challenges and Opportunities in the 5 GHz Spectrum Band," to continue their oversight of the Federal Communications Commission's (FCC) progress in implementing the spectrum provisions Congress passed last year as part of the Middle Class Tax Relief and Job Creation Act of 2012. Those provisions included the potential for increased unlicensed use of the spectrum in the 5 GHz band. As demand for wireless data continues to grow exponentially, the 5 GHz band holds great potential for the expansion of Wi-Fi and other unlicensed data services and implementation of the IEEE 802.11ac "Gigabit Wi-Fi" standard. However, in order to do so, unlicensed advocates must find ways to protect incumbent government systems, as well as the nascent Intelligent Transportation System.

Witnesses included: Bob Friday, Vice President and Chief Technology Officer, Cisco; Julius Knapp, Chief, Office of Engineering and Technology, U.S. Federal Communications Commission; John Kenney, Principal Research Manager, Toyota Info Technology Center; and Tom Nagel, Senior Vice President, Business Development, Comcast.
On behalf of the FCC, Mr. Kna pp described the work that has been done thus far to create effective regulations in the implementation of the statutory mandate to increase access to the unlicensed spectrum in the 5 GHz band. In February of this year, the Commission adopted a Notice of Proposed Rulemaking (NPRM) that satisfies the requirements of Section 6406 (a) of the Act. The proposal would modify existing FCC rules to make some unlicensed 5 GHz spectrum more usable, and provide access to additional, new unlicensed spectrum in that band. The main challenge is making sure an allowance for an increased share of users on a particular spectrum does not interfere with the usability of that spectrum for licensed users already utilizing it. Before the comment period on the proposed rules closed on July 24, the FCC received 65 comments and 32 replies. Ex parte comments also continue to be filed, as the FCC meets with the interested parties from the Wi-Fi industry, wireless internet service providers, the cable industry, the transportation industry, and others.

Providing an industry perspective, Mr. Friday of Cisco defined what he believed to be the role of industry and the role of policymakers in the realization of the goal to meet the demands for Wi-Fi. The role of industry, he argued, is in the development and deployment of next generation Wi-Fi, known as 802.11 ac-a technology that is more efficient and can handle vastly more traffic than previous generations. This technology is still nascent, but "it is real, it is here, and our customers are demanding it." This technology requires wide bands of contiguous spectrum that are not currently available and technological improvements aren't enough to overcome that obstacle. So policymakers, he argues, have a major role to play and should provide more spectrum for Wi-Fi relying on principles of sharing and non-interference, without compromising the incumbent uses important for national security and public safety. Industry stakeholders are eager to work with the FCC, he said, to find solutions for these challenges, and will continue to do so as the FCC reviews regulations for adoption.

For more information, please visit:

SECURITY: SENATE JUDICIARY SUBCOMMITTEE HOLDS HEARING ON SURVEILLANCE TRANSPARENCY

The Senate Judiciary Subcommittee on Privacy, Technology and the Law held a hearing on "The Surveillance Transparency Act of 2013," on November 13, 2013. The Subcommittee sought input from witnesses about the proposed bill, which would increase transparency regarding government surveillance activities, including federal requests for user information from private companies, and reform the authorities granted to the National Security Agency for collecting such information to more narrowly tailor the types of information the agency is allowed to collect. Among many other provisions, the bill would codify expanded reporting requirements to ensure accountability. The bill would also permit companies to voluntarily disclose more information about the types of requests for user information they receive from the government.

Witnesses included: Senator Dean Heller (NV); The Honorable Robert Litt, General Counsel, Office of the Director of National Intelligence; Brad Wiegmann, Deputy Assistant Attorney General, National Security Division, Department of Justice; Richard Salgado, Director, Law Enforcement and Information Security Matters, Google, Inc., Mountain View, CA; Kevin Bankston, Director, Free Expression Project, Center for Democracy and Technology, Washington, DC; and Paul Rosenzweig, Principal, Red Branch Consulting, Professorial Lecturer in Law, George Washington University, Washington, DC.

Many major tech companies, such as Google, Facebook, Linkedin, Twitter, Apple, and Microsoft along with a diverse array of trade associations, civil society organizations, and other groups,
signed a letter in support of the Surveillance Transparency Act. Mr. Salgado, on behalf of Google, explained that Internet service providers rely on user trust, and customer confidence is undermined when there is no transparency on the extent of government surveillance. He noted that the Department of Justice proposal to aggregate domestic and national security requests together in a Transparency Report would be a "significant step backward for our users and the general public." He argued that protecting companies' rights to publish aggregate statistics about the nature and scope of government surveillance programs promotes a more open dialogue about reform without jeopardizing national security. Finally, he emphasized that increased transparency is only one pillar of the overall solution to concerns about the nature of government surveillance activities; "[transparency] can and should be a critical part of broader reforms with the goal of ensuring that government and surveillance programs are rule-bound, narrowly tailored, transparent, and subject to oversight."

For the full testimony of witnesses, please visit: http://www.judiciary.senate.gov/hearings/hearing.cfm?id=5fa8a4fcfd512d43b3816f1ee7181a33

**INTELLECTUAL PROPERTY: HOUSE E&C SUBCOMMITTEE EXAMINES IMPACT OF PATENT TROLLS**

On November 14, 2013, the House Energy and Commerce Subcommittee on Oversight and Investigations held a hearing entitled “The Impact of Patent Assertion Entities on Innovation and the Economy.” Known as “patent trolls,” PAEs are entities that purchase the rights to patents not with the goal of developing or bringing the underlying technologies to market, but to assert the patents against companies or individuals that are bringing technologies to market and seek payments from them. The House Judiciary has also held hearings on the issue of patent trolls.

Witnesses were: Mr. Justin Bragiel, General Counsel, Texas Hotel & Lodging Association; Mr. Lee Cheng, Chief Legal Officer, Newegg, Inc.; Mr. Charles Duan, Director of the Patent Reform Project, Public Knowledge; Ms. Robin Feldman, Professor of Law and Director of the Institute for Innovation Law, University of California Hastings College of the Law; Mr. Jamie Richardson, Vice President, Government and Shareholder Relations, White Castle System, Inc.; and Mr. Daniel Seigle, Director of Business Operations, FindTheBest.com.

Ms. Feldman has published substantial research on the impact PAEs are having on businesses and the economy. The explosion of these patent demands is “troubling,” she said. “It preys on people’s fears of the costs and risks of litigation, and it takes place largely outside the courthouse — with no judge, jury, or regulator in sight. Much of the time, it is shrouded in nondisclosure agreements, so no one is allowed to talk afterwards.” The explosion in these demands is based on the millions of outstanding patents and the fact that litigation to defend the may cost from $1 million to $6 million with the risk that if the holder loses, it may pay result in a large damage reward or the shutdown of the company.

Ms. Feldman testified that one of her recent studies showed that one in three startup companies has faced patent demands and that most of these demands are coming from assertion entities. Other scholars have estimated that very little of the vast amount of money changing hands ever gets back to the inventors who filed the patents, she added.

For more information, go to: http://energycommerce.house.gov/hearing/impact-patent-assertion-entities-innovation-and-economy
The Senate Committee on Commerce, Science, and Transportation held a hearing on November 6, 2013 to begin the Committee's work on the reauthorization of the America COMPETES Act, which funds basic scientific research and development initiatives. "Currently, the federal government funds 31 percent of all research and development in the U.S. This seed funding has played a major role in the advancement of high-tech industries such as computing, aerospace and biotechnology," noted Chairman Jay Rockefeller (W VA) in his opening statement. Funding for the National Science Foundation, major research accounts at the National Institute of Standards and Technology, and the Department of Energy's Office of Science has decreased due to sequestration, he stated.

Witnesses included: The Honorable Lamar Alexander, U.S. Senator, Tennessee; Dr. Saul Perlmutter, Professor of Physics, University of California, Berkeley, Senior Scientist, Lawrence Berkeley National Laboratory; Dr. Maria Klawe, President, Harvey Mudd College, Claremont, CA; Dr. Kelvin K. Droegemeier, Vice Chairman, National Science Board, Vice President for Research, Regents' Professor of Meteorology, University of Oklahoma; and Dr. Stephen S. Tang MBA, President and CEO, University City Science Center.

Witnesses described the importance of federal funding in research and development and STEM education, and how these investments drive innovation and the U.S. economy. Based on his experience as a Nobel Laureate in physics and his affiliations with U.C. Berkeley and the Lawrence Berkeley National Laboratory, Dr. Perlmutter offered his own insight as to the importance of curiosity-driven science, the strength of the interdependent ecosystem that comprises the U.S. science enterprise, and the negative effects of waning federal support for basic scientific research. Agencies, universities, national laboratories and industry are interconnected in the pursuit of scientific knowledge in an ecosystem that is greater than the sum of its parts, he argued. He went on to explain why, with some exceptions, a national comprehensive science strategy is not as conducive to groundbreaking innovation and development as is the nurturing of this scientific ecosystem that allows for more organic development. It is not always apparent how a particular discovery will affect society, and concerted efforts to design research to achieve predetermined goals can be relatively short sighted. Private industry investors, while still having an important role in R&D, have expectations of short term return on investments; the government, on the other hand, has had a legacy of investing in projects that have had long term and widespread significance, he stated.

While Dr. Perlmutter largely described the infrastructure that has allowed scientific innovation to flourish in the U.S., Dr. Klawe of Harvey Mudd College focused on how to invest in human capital. As the president of a premier science, mathematics, and engineering college of only 800 students, she is intimately aware of the challenges of ensuring there are enough students trained in the STEM fields to meet industry demands. She testified that K-12 education is of paramount importance for preparing students to be ready for college level science and engineering, and that more support for K-12 programs is desperately needed. Also, grants for programs and classroom strategies that are proven to engage more women and minority students in the STEM fields, such as those designed and piloted at Harvey Mudd, can go a long way towards increasing the number of quality scientists who will be the innovators of the future. She gave the example of a National Science Foundation grant (CPATH-2) for $800,000 that "allowed us to disseminate our highly successful CS 5 curriculum and share our approaches with other institutions, many of which are now teaching the course in its entirety or adapting it with great results." She also highlights how private funding has complemented these efforts in overcoming the challenges in STEM education today.

For their full testimony, please visit:
http://www.commerce.senate.gov/public/index.cfm?p=Hearings&ContentRecord_id=69d33a64-afaf-49
SCIENCE/R&D: SENATE COMMERCE EXPLORES MANUFACTURING HUBS

Continuing its consideration of the America COMPETES Act reauthorization, the Senate Committee on Commerce, Science, and Transportation convened on November 13, 2013 for a hearing entitled, "The Role of Manufacturing Hubs in the 21st Century." Witnesses discussed ways that government and industry can collaborate to both foster innovation and strengthen the manufacturing sector, similar to a House Science, Space, and Technology Subcommittee on Research and Technology hearing held on September 10, 2013, in which witnesses also discussed strategic planning on advanced manufacturing techniques for public-private cost sharing of research and development efforts. While the House hearing focused on H.R. 1421, the "Advancing Innovative Manufacturing Act of 2013," the Senate hearing was the second to be held in consideration of the reauthorization of the America COMPETES Act. In particular, witnesses were asked to focus on ways to bridge the so-called "valley of death," which is the stage between research and production that has doomed many companies before a product reaches the market due to risk and uncertainty. Chairman Jay Rockefeller (W VA) framed the discussion around proposals from invited witnesses that "would establish a public-private network of manufacturing hubs, each dedicated to a particular technology that holds promise to help America stay ahead of our global competitors."

Witnesses included: The Honorable Penny Pritzker, Secretary of Commerce, U.S. Department of Commerce; Mr. Eric A. Spiegel, President and CEO, Siemens Corporation; Dr. Martin A. Schmidt, Associate Provost and Acting Provost, Professor of Electrical Engineering, Massachusetts Institute of Technology; Mr. Michael S. Garvey, President and CEO, M-7 Technologies; and Dr. Terry Brewer, President, Brewer Science, Inc.

Secretary Pritzker discussed proposals for a National Network for Manufacturing Innovation and bipartisan legislation that would implement recommendations of the Advanced Manufacturing Partnership Steering Committee. The Steering Committee called for a network of manufacturing innovation institutes.

California has established such an institute – the California Network for Manufacturing Innovation (CNMI) – which is a state-wide collaborative of National Research Laboratories, Manufacturing Extension Partnerships (MEPs), academic institutions, economic development organizations, manufacturers and equipment suppliers to support and foster California advanced manufacturing. The California Institute hosted a congressional briefing on CNMI hosted by the University of California, Irvine in July 2012.

Dr. Schmidt of MIT framed the discussion about the importance of a robust domestic manufacturing base in three contexts: jobs, economic and national security, and innovation. MIT has been primarily focused on the "innovation question," and Dr. Schmidt shared the findings of MIT's recently released study "Production in the Innovation Economy" and those of the "Advanced Manufacturing Partnership" project. A key theme emerged: for a time, it was thought that the U.S. could innovate here and produce abroad. However, the study found that most sectors rely on close, critical links between innovation and initial production stages. "Moving from innovation to production design can take years and is highly creative – there are critical feedback loops where the innovation is reworked as the product idea emerges. If you shift production abroad, we found that in many cases innovation capability has to follow with it, or the innovation process is severely slowed down." The AMP report recommended industry-university-state and local government collaborations in which the
federal government would cost share, built around "Manufacturing Institutes," which could fill a critical
gap in our industrial infrastructure.

For more information on California’ CNMI, go to: www.cnmi.bz

For more information on the hearing, go to:
http://www.commerce.senate.gov/public/index.cfm?p=Hearings&ContentRecord_id=e05efa01-a588-4a01-aca7-09b3f172d8fb&ContentType_id=14f995b9-dfa5-407a-9d35-56cc7152a7ed&Group_id=b06c39af-e033-4cba-9221-de668ca1978a

SCIENCE/R&D: HOUSE SCIENCE SUBCOMMITTEE CONSIDERS RESEARCH & EDUATION PROGRAMS

On November 13, 2013, the House Science, Space and Technology Subcommittee on Research
and Technology convened for a hearing entitled, "Keeping America FIRST: Federal Investments in
Research, Science, and Technology at NSF, NIST, OSTP and Interagency STEM Programs." Witnesses
tested on their perspectives about a discussion draft of legislation entitled the Frontiers in Innovative
Research, Science, and Technology (or FIRST) Act, which included a draft of the "Technology and
The legislation would reauthorize basic research and education programs at the National Science
Foundation (NSF), National Institutes for Standards and Technology (NIST), and the Office of Science
and Technology Policy (OSTP), and strengthen coordination of Science, Technology, Engineering, and
Mathematics (STEM) education programs across several federal agencies.

Witnesses included: Dr. Richard Buckius, Vice President for Research, Purdue University; Dr.
Daniel Sarewitz, Co-Director, Consortium for Science, Policy & Outcomes, Professor of Science and
Society, Arizona State University; Dr. Timothy Killeen, President, The Research Foundation for SUNY,
Vice Chancellor for Research, SUNY System Administration; and Mr. James Brown, Executive
Director, STEM Education Coalition.

Dr. Sarewitz and Mr. Brown offered very specific feedback on the discussion draft of the
legislation from two different perspectives: the NSF's prioritization of funding for various research
deavors and the coordination of STEM education support activities by various agencies, respectively.
In terms of developing a strategy that maximizes the benefits of funding basic research, Dr. Sarewitz
described at length various improvements that could be made to the NSF grant approval process, the
post-review accountability process, the NSF's capacity to contribute to innovation and competitiveness
through the creation of mechanisms that enhance communication and exchange between academic
researchers and those involved in actual innovation processes, and the NSF's ability to curtail biases and
misrepresentations skewed towards positive results in various studies that are a result of the
hyper-competitive nature of the academic research enterprise.

On the other main point of the hearing, the coordination of STEM education programs across
federal agencies, Mr. Brown outlined specific ways in which the draft legislation addresses or could
better address the engagement of stakeholders in federal STEM programs, the consolidation and
streamlining of the more than 200 distinct STEM programs in the federal portfolio, and the effort to put
in place a permanent, evidence-based mechanism to coordinate, evaluate and manage the more than $3
billion in annual federal investments dedicated to improving STEM education.

For more information, please visit:
RESOURCES: SENATE AGRICULTURE SUBCOMMITTEE ASSESSES WILDFIRES

On Tuesday, November 5, 2013, the Senate Agriculture Subcommittee on Conservation, Forestry and Natural Resources convened for the hearing, "Shortchanging Our Forests: How Tight Budgets and Management Decisions Can Increase the Risk of Wildfire," to examine the disastrous effects of wildfires that are at historic highs of frequency and severity and what can be done to mitigate future risks. As witnesses testified, the fact is that the costs of wildfires go well beyond the $2.7 billion spent by the USDA Forest Service between FY 2002-2012 on fire suppression alone. Recovery costs, as well as costs associated with subsequent disasters such as flash flooding over scorched earth that cannot absorb rainfall, far exceed the costs of mitigation projects; CBO reports indicate that every dollar invested in healthy forest and wildfire mitigation will save more than five dollars in future disaster losses. Increased temperatures, longer fire seasons, severe drought, buildup of excess timber and brush, and unhealthy trees due to forest pests and diseases are all factors that are contributing to a landscape that presents rising challenges for wildfire management.

Witnesses included: Mr. Jim Hubbard, Deputy Chief, U.S. Forest Service, Washington, DC; Ms. Sallie Clark, Incoming Vice President, National Association of Counties, Commissioner, El Paso County, CO; Dr. Chris Topik, Director, Restoring America’s Forests Program, The Nature Conservancy, Washington, DC; Mr. Davey Pitcher, President and CEO, Wolf Creek Ski Area, Pagosa Creek, CO; Mr. Tom Troxel, Executive Director, Intermountain Forest Association, Rapid City, SD.

Mr. Hubbard of the U.S. Forest Service provided the status of investments by the U.S. Department of Agriculture (USDA) Forest Service in programs that can reduce the risk of catastrophic wildfires. He recommended permanently reauthorizing and expanding the use of stewardship contracting, which he claimed is crucial to the agency’s ability to collaboratively restore landscapes at a reduced cost to the government by offsetting the value of the services received with the value of forest products removed. Additionally, he recommended a more permanent extension of the Good Neighbor Authority pilot program in Colorado and Utah, which authorizes the Forest Service to enter into cooperative agreements or contracts with state foresters to conduct certain watershed restoration activities, and an expansion of the program to other states.

As the incoming Vice President for the National Association of Counties, Ms. Clark expanded on the need for increased partnerships between federal, state, local and tribal governments in comprehensive wildfire management. NACo has been actively involved in the development of the National Cohesive Wildland Fire Management Strategy ("Cohesive Strategy"). The three goals are to: restore and maintain landscapes, create fire-adapted communities, and respond to wildfire collectively. She noted, "Fires and devastating and destructive flash floods have no respect for private property lines, city, county, state and federal boundaries or critical public safety and utilities infrastructure or potential loss of life. So, I am encouraged to see the introduction of bipartisan legislation that would give local officials the flexibility needed to do fire mitigation in a manner that will ensure the greatest return on our investment. We need to mitigate the greatest threats for fires and floods, whether they are on public lands or private property and we need the flexibility to partner and collaborate with multiple agencies, jurisdictions and land owners to get the job done. And, local input is a key to understanding the needs of communities."

For their full testimony, please visit:
HOUSING: SENATE BANKING CONTINUES HEARINGS ON HOUSING FINANCING

The Senate Banking, Housing and Urban Affairs Committee conducted two more hearings during the week of November 11, 2013 regarding its proposed bipartisan legislation "Housing Finance Reform and Taxpayer Protection Act of 2013" (S. 1217). The first of the hearings focused on protecting small lender access to the secondary mortgage market. Small lenders – community banks, credit unions, and independent mortgage bankers – represent a growing share of the market for first mortgages, especially after other loan sources became increasingly inaccessible for consumers during the recession. Each witness outlined the characteristics of their respective small lending practices as compared to those of larger loan originators, and testified to the importance of their role in providing consumers, especially those of low and moderate income, with affordable and sound financial services. They also outlined specific principles that should be a part of any housing finance reform to protect the interests of small lenders and highlighted specific ways in which S 1217 could be improved to best support these principles.

Witnesses for the "small lenders" hearing included: Mr. Richard Swanson, President and CEO, Federal Home Loan Bank of Des Moines on behalf of the Council of Federal Home Loan Banks; Mr. William A. Loving, Jr., President and CEO, Pendleton Community Bank, Franklin West Virginia and Chairman of Independent Community Bankers of America; Mr. Bill Hampel, Senior Vice President and Chief Economist, Research & Policy Analysis, Credit Union National Association; Mr. Bill Cosgrove, CMB, President and CEO, Union Home Mortgage Company and Chairman-Elect of Mortgage Bankers Association; Mr. John Harwell, Associate Vice President of Risk Management, Apple Federal Credit Union, Fairfax, VA on behalf of the National Association of Federal Credit Unions; Mr. Jeff Plagge, President and CEO, Northwest Financial Corp.; and Arnolds Park, Iowa and Chairman of the American Bankers Association.

Small lenders have close ties to their communities and often have more customer oriented services, which helped credit unions and similar institutions fare better during the recession than large banks, testified Mr. Hampel and others. He and Mr. Harwell expounded on the qualities of credit unions that helped these lenders avoid many of the pitfalls that were the hallmarks of the subprime mortgage crisis – credit unions are generally more risk-averse than stock-owned institutions and primarily fund loans from their own portfolios. Even so, all witnesses supported reforms that would allow for flexibility in small lender decision making about whether to hold loans in a portfolio or sell the loans to the secondary market. This is especially important as consumers increasingly demand long term, fixed rate mortgages; small lenders need fair and equitable access to the secondary market in order to meet this demand. Among the many recommendations provided to the Committee by the witnesses were: (1) legislatively guaranteed access to the secondary market for lenders of all sizes, (2) explicit federal guarantees on the payment of principal and interest on mortgage backed securities, which would introduce more certainty in the market, and (3) a smooth transition period during reform that does not interrupt access to the secondary market.

For more on their specific recommendations on S. 1217 and protecting small lender access to the secondary mortgage market, please visit: http://www.banking.senate.gov/public/index.cfm?FuseAction=Hearings.Hearing&Hearing_ID=3e792fda-6848-43fd-bd04-0ce088d7d2d

The second hearing focused on the provision of affordable housing options for low and moderate income individuals and communities of color. Witnesses discussed the housing crisis impact on disadvantaged populations, highlighting the ways in which low income people and people of color have
been disproportionately affected in the crisis and are still struggling to retain sufficient housing despite recent signs of real estate recovery overall.

Witnesses for the "affordable housing options" hearing were: Mr. Hilary Shelton, Executive Director, National Association for the Advancement of Colored People; Mr. Rick Judson, Chairman, National Association of Home Builders; Ms. Sheila Crowley, President and CEO, National Low Income Housing Coalition; Mr. Douglas Holtz-Eakin, President, American Action Forum; and Mr. Ethan Handelman, Vice President for Policy and Advocacy, National Housing Conference.

As in the previous hearing, the protection of the interests of small lenders was specified as a means of preserving widespread affordable credit. Historically, rural areas have especially benefitted from the access to credit provided by credit unions and community banks. Ensuring that small lenders are not overly burdened by strict regulations while maintaining the safety of the system is a key balancing act to ensuring a healthy housing finance system, argued Mr. Judson.

On behalf of the National Low Income Housing Coalition (NLIHC), Ms. Crowley described at length the need for and the function of a National Housing Trust Fund (NHTF) to bridge the gap of the shortage of decent affordable rental homes for extremely low income individuals and families. She advocated for a model of the NHTF that is based on the over 600 housing trust funds that have been established at state and local levels; the NHTF has never been funded, she argued, and she outlined ways in which Congress could maximize the funding to and impact of a NHTF.

As a counterpoint, Mr. Holtz-Eakin argued that it would be a core policy error to "dedicate a source of funding not subject to the annual appropriations process" in the way that NLIHC and others have advocated, because "it would fundamentally diminish the accountability of the Housing Trust and Capital Magnet Funds to which the fee is allocated if they stay outside of the regular appropriations process. A fundamental lack of transparency and accountability underscored the GSE model and continues to trouble the FHA." He went on to decry the "redundancy of federal support of housing," which he claims "calls into question the efficiency and effectiveness of government efforts to assist low-income renters and homebuyers and maintain affordability."

For more on "providing affordable housing options," please visit: http://www.banking.senate.gov/public/index.cfm?FuseAction=Hearings.Hearing&Hearing_ID=79e9eed0-942a-4ea4-9cc5-c89e2a48bf3e

**EDUCATION: HOUSE & SENATE COMMITTEES TAKE UP HIGHER EDUCATION ACT REAUTHORIZATION**

As Congress considers the reauthorization of the Higher Education Act, both chambers are holding a series of ongoing hearings to examine critical issues in postsecondary education. The week of November 11, 2013, both the Senate Committee on Health, Education, Labor and Pensions and the House Committee on Education and the Workforce held hearings that focused on simplifying the federal financial aid system for students.

Testifying before the Senate Committee were: Dr. Bridget Terry Long, Academic Dean and Xander Professor of Education, Harvard Graduate School of Education, Cambridge, MA; Ms. Kim Cook, Executive Director, National College Access Network, Washington, DC; Dr. Judith Scott-Clayton, Assistant Professor of Economics and Education, Columbia University, New York, NY; and Ms. Kristin Conklin, Founding Partner, HCM Strategists, Washington, DC.

Witnesses for the House Committee were: Ms. Kristin D. Conklin, Founding Partner, HCM Strategists, LLC, Washington, D.C.; Dr. Sandy Baum, Research Professor of Education Policy, George Washington University, Senior Fellow, Urban Institute, Washington D.C.; Ms. Jennifer Mishory, J.D.,
Deputy Director, Young Invincibles, Washington, D.C.; and Mr. Jason Delisle, Director, Federal Education Budget Project, New America Foundation, Washington, D.C.

Ms. Conklin of HCM Strategists was the only witness to testify before both the House and Senate education committees. In January of this year, HCM Strategists published a report entitled "American Dream 2.0" which Ms. Conklin described as a product of a coalition of diverse leaders, including Mark Morial of the National Urban League, Purdue University President and former Indiana Governor Mitch Daniels, former CBO director and Urban Institute CEO Robert Reischauer, and Eduardo Padron of Miami Dade College. The report received significant media coverage because of its three overarching recommendations: (1) make the aid process simpler and more transparent; (2) spur innovations in higher education that can lower costs and better meet the needs of today's students; and (3) ask institutions, states and students to share responsibility for producing more graduates. In a subsequent report, HCM experts expanded on specific policy proposals to make these high-level recommendations a reality. The principle recommendation from that report outlines how students, families and taxpayers would be much better served with one grant, one loan and one tax benefit.


For more from the Senate hearing, please visit: http://www.help.senate.gov/hearings/hearing/?id=feb2f2ee-5056-a032-5236-017dbc7192a8
For more from the House hearing, please visit: http://edworkforce.house.gov/calendar/eventsingle.aspx?EventID=348909

DEMOGRAPHICS: U.S. CENSUS COMPARES METHODOLOGIES TO MEASURE POVERTY

Echoing findings published by the Public Policy Institute of California (PPIC) in October 2013, the U.S. Census has recently released a report that compares official state poverty levels – as defined by statute largely developed in the 1960s – to poverty levels defined by the Supplemental Poverty Measure (SPM), a new methodology developed in conjunction with the Bureau of Labor Statistics that seeks to more accurately measure family income and expenses. Though there are some variations, the SPM is similar in concept to the California Poverty Measure framework developed by PPIC. Both augment the official poverty measurement by including income individuals receive from other government programs, such as food stamps and housing assistance, and account for disparities across regions in cost of living, as well as other necessary expenses. The U.S. Census report and the PPIC report show that using these updated measures, California has higher rates of poverty than the official poverty measure shows.

California is one of 13 states where the SPM rates are higher than the official poverty rates. While the official poverty rate average for the past three years in California stands at 16.5%, the SPM rates calculate state poverty levels at 23.8%.

The SPM will not replace the official poverty measure, as defined in Office of Management and Budget Statistical Policy Directive No. 14. Currently, federal legislation often uses the official poverty measure to define program eligibility and funding distribution to states. The SPM is used instead as a way to provide information on aggregate levels of economic need at a national level or within selected demographic groups.

For the entire U.S. Census report and for more on findings related to specific demographic groups on the national level, please visit: http://www.census.gov/prod/2013pubs/p60-247.pdf

For the entire PPIC report, please visit: http://www.ppic.org/main/page.asp?i=1398