BUDGET/APPROPRIATIONS: HOUSE PASSES BUDGET, FARM BILL EXTENSION, OTHER BILLS ON WAY OUT OF TOWN

On December 12, 2013, just before heading home for the holiday recess, the House passed a Budget agreement hammered out by House and Senate Budget Committee leaders, Rep. Paul Ryan (WI) and Sen. Patty Murray (WA). The two year budget deal passed by an overwhelming bipartisan vote of 332-94, signaling the consensus that no one in Congress wants to go through another government shutdown.

Also, in last minute legislation, the House passed a one-month extension to the farm bill to give conference committee negotiators more time to agree to a new farm bill after the beginning of the year. The budget deal also includes a three-month extension of the sustainable growth rate (SGR), the so-called “doc fix,” to prevent cuts in the payments made to Medicare providers set to take effect January 1. Legislation, however, to extend federal emergency unemployment benefits was not considered, despite adamant calls by Democrats that at least a three month extension should have been included in the budget agreement.

H.J. Res. 59 sets spending at $1.012 trillion. It provides $63 billion in temporary sequester relief and $85 billion in mandatory savings. The Congressional Budget Office has estimated the bill will save $23 billion over ten years. Revenue is raised by increasing fees for airline travel, increasing the pension contributions of new federal workers, decreasing the cost of living adjustment for retired military, and other similar measures.

The Senate is expected to pass the legislation next week, before it adjourns for the year.

For more information on the legislation cleared by the House, go to:
and
REPORT: INSTITUTE RELEASES REPORT ON CALIFORNIA IMPLICATIONS OF FARM AND NUTRITION BILL

The California Institute has prepared a report that contains a summary of the most pressing issues in the current farm bill reauthorization debate as well as a bipartisan sampling of recent research reports and papers that congressional staff and other interested parties may find helpful. To the extent possible, the sources were selected in the context of current research from a California perspective. The report has seven sections: (I) Introduction; (II) Importance to California; (III) Specialty Crops, Market Access Program, and Foreign Market Development; (IV) Dairy; (V) Other Commodities; (VI) Supplemental Nutrition Assistance Program; and (VII) Additional Resources on Farm Bill Issues. The Institute will continue to monitor the farm bill reauthorization process and update this resource as appropriate. Individuals are welcome to contact the California Institute with any follow up inquiries or requests for additional information.

The report can be obtained at:

RESOURCES: CALIFORNIA LAWMAKERS CALL ON GOVERNOR AND PRESIDENT TO DECLARE DROUGHT EMERGENCY

Due to California's dire water supply conditions, as evidenced by the November 20, 2013 announcement by the California Department of Water Resources of the lowest initial water allocation to date for the State Water Project and the acknowledgment by the United States Bureau of Reclamation that without precipitation, there may be a 0% initial allocation for Central Valley Project South of Delta contractors, California lawmakers called on Governor Jerry Brown and President Barack Obama to declare a state of drought emergency. Senator Dianne Feinstein and Representative Jim Costa (Fresno) co-authored a letter to the Governor outlining the justification and the advantages of such a declaration, and urged that the he request a broad federal disaster declaration from the President. A separate letter signed by dozens of California lawmakers also requested that the governor take action.

According to the letter, if a state drought emergency is declared, a number of additional state and federal authorities will be triggered to mitigate the harmful effects of the ongoing drought conditions. The State Emergency Plan can be activated and a number of state statutes or regulations can be relaxed or suspended to provide officials with the discretion to manage limited water resources most effectively. Additionally, a federal declaration would authorize federal agencies to assist by expediting water transfers, assist with infrastructure improvements and additional flexibilities in regulatory decision-making. The letter also includes a request from Sen. Feinstein and Rep. Costa for an update to the California Drought Contingency Plan to include new options and technologies to address ongoing drought conditions and that the State Water Action Plan be updated with a greater emphasis on this year's immediate needs.

For the complete letter from Sen. Feinstein and Rep. Costa, please visit:
MANUFACTURING: HOUSE SUBCOMMITTEE EXAMINES CREATION OF A NATIONAL NETWORK FOR MANUFACTURING INNOVATION PROGRAM

On December 12, 2013, the House Science, Space and Technology Subcommittee on Research and Technology held a hearing titled "Building a Network for Manufacturing Innovation" to examine the need for a manufacturing innovation network and to review H.R. 2996, the “Revitalize American Manufacturing and Innovation Act of 2013.” Because the manufacturing sector is heavily reliant on research and development, its global competitiveness is closely tied to the success of the nation’s innovation economy. Based on a proposal included in the President’s FY 13 and FY 14 budget request to create a National Network for Manufacturing Innovation Program (NNMI), H.R. 2996 would authorize the creation of this public-private partnership of competitively selected institutes that would each concentrate on a particular area of advanced manufacturing technology development. The goal of this program is to bring together industry, institutes of higher education, federal agencies, and state and local organizations to accelerate innovation by investing in industrially relevant manufacturing technologies, bridging the gap between R&D and commercialization, and developing the necessary workforce through education.

California has established the California Network for Manufacturing Innovation (CNMI) as a non-profit corporation for the purpose of promoting manufacturing competitiveness in California through a collaboration of industry, national laboratories, technical assistance, government agencies, academia, workforce and economic development organizations. For more information on California’s initiative, go to: http://www.cnmi.bz/.

Witnesses at the House hearing included: The Honorable Tom Reed, Member, U.S. House of Representatives; The Honorable Joseph P. Kennedy, III, Member, U.S. House of Representatives; Mr. Jonathan Davis, Global Vice President of Advocacy, SEMI; Dr. Richard A. Aubrecht, Vice Chairman of the Board, Vice President, Strategy & Technology, Moog Inc.; Dr. Stephan Biller, Chief Scientist Manufacturing Technology, GE Global Research; and Dr. Stan A. Veuger, Resident Scholar, American Enterprise Institute for Public Policy Research.

Representing SEMI, a global industry association (including 500 U.S. member companies) that serves the semiconductor manufacturing supply chain, Jonathan Davis explained the importance of federal support for commercializing technology through a coordinated industry effort. “The manufacturing supply chain is heavily dependent on innovation and commercialization to perpetuate what is an incredible pace of technological advancement. On average, SEMI North American members reinvest 10-15% of revenues into R&D, and every year the cost to commercialize technology continues to increase as we compete with global competitors supported by foreign government investment,” he noted. “[H.R. 2996] provides a public private partnership model that we believe can strengthen the manufacturing supply chains of numerous strategic manufacturing industries. The legislation won’t help one particular company or university. It will enable an entire vertical supply chain for a specific manufacturing industry. We believe this is the proper role for the federal government to take—assist an entire industry, with everyone, including industry, academia, and state and local governments putting skin in the game.”

For more information, please visit: http://science.house.gov/hearing/subcommittee-research-and-technology-hearing-building-network-manufacturing-innovation
TELECOMMUNICATIONS: SENATE COMMITTEE OVERSEES FCC IMPLEMENTATION OF INCENTIVE AUCTION FOR BROADCAST SPECTRUM

On December 10, 2013, the Senate Commerce, Science and Transportation Committee held a hearing titled "Crafting a Successful Incentive Auction: Stakeholders' Perspectives" to examine the issues surrounding the Federal Communications Commission's implementation of the voluntary incentive auction of broadcast television spectrum, as required by the Middle Class Tax Relief and Job Creation Act of 2012; according to the FCC, the agency is on a timeline to complete the necessary preparations to host the auction in mid-2015. The auction is intended to give the FCC a tool to help maximize the use of the nation's limited spectrum resources to provide for the increasing demand for mobile connectivity while limiting disruption to the tens of millions of Americans who rely on free, over-the-air TV; it will also raise funds for the creation of a nationwide, interoperable wireless broadband network for first responders, FirstNet. Various stakeholders were invited to share their input on what must be done to ensure that these goals are met.

Witnesses included: Gary M. Epstein, Chair, Incentive Auction Task Force and Special Advisor to the Chairman, Federal Communications Commission; Joan Marsh, Vice President, Federal Regulatory Affairs, AT&T Services, Inc.; Hal Singer, Senior Fellow, Progressive Policy Institute; Steven Barry, President and CEO, Competitive Carriers Association; Preston Padden, Executive Director, Expanding Opportunities for Broadcasters Coalition; Rick Kaplan, Executive Vice President, National Association of Broadcasters; and Harold Feld, Senior Vice President, Public Knowledge.

On behalf of AT&T, Joan Marsh cited evidence of the increasingly competitive nature of the wireless industry, noting that the market conditions are such that the FCC should focus on creating an open and unrestricted auction rather than one that limits certain companies' ability to purchase broadband spectrum at the auction. She offered three main points in support of this proposal: “First, an open auction is the fairest method to assign licenses because it ensures that all applicants have the same opportunity to obtain spectrum. Second, an open auction would allow market competition, rather than regulation, to allocate spectrum, ensuring that it is put to its best and highest use. Third, an open auction will raise the most revenue at auction, maximizing the amount of spectrum made available for mobile broadband, while raising funds for public safety and deficit reduction.” While many argue that it is important to mitigate the monopolization of the broadband spectrum by wireless giants like AT&T, Ms. Marsh countered the claims that this would be the case by citing a previous auction for 700 MHZ spectrum, where AT&T bid on and won only one block of the five spectrum blocks available.

Protecting viewers who rely on free over-the-air television for local and national news, emergency information, sports and entertainment is another key issue. As Rick Kaplan of the National Association of Broadcasters notes, “It must be the FCC’s job to minimize the negative impact of the auction on [viewers]—especially those who are most vulnerable, such as senior citizens, lower-income viewers and the underserved. This entails preserving the service areas and people served by stations that remain on the air. And despite representing broadcast companies, I recommend that the FCC view this process through the eyes of the consumer, not just the station owner. If a full power or Class A station remains on the air—and the vast majority of them will—a consumer should continue to receive that station. Some of the FCC's proposals, however, suggest that viewers are fungible—meaning that as long as the station retains the same net number of viewers, everything is fine. But it’s the viewers that matter most, and consumers should have access to the stations they receive today after the auction, provided those stations remain on the air.” He referred to the transition to digital television only five years ago that Congress took action on to ensure a minimal disruption to viewers due to a complicated
implementation process, and noted that this auction would pose significantly more difficult implementation challenges.

For more information, please visit:
http://www.commerce.senate.gov/public/index.cfm?p=Hearings&ContentRecord_id=d874f193-ff2c-4f3c-8625-0cb3f5b73f55&ContentType_id=14f995b9-dfa5-407a-9d35-56cc7152a7ed&Group_id=b06c39af-e033-4cfa-9221-de668ca1978a

**ENERGY/ENVIRONMENT: SENATE COMMITTEE REVIEWS THE EFFECTIVENESS OF THE RENEWABLE FUEL STANDARD PROGRAM**

On December 11, 2013, the Senate Environment and Public Works Committee (Chairwoman Barbara Boxer) held a hearing titled "Oversight Hearing on Domestic Renewable Fuels" to assess the progress of the Renewable Fuel Standard (RFS) program, which lays a foundation for reducing greenhouse gas emissions and reducing America’s dependence on imported oil by growing the nation’s renewable fuels sector. As outlined by Chris Grundler of the Environmental Protection Agency (EPA), the RFS began in 2006 pursuant to the requirements in the Clean Air Act and has been subsequently amended by the Energy Policy Act of 2005 and the Energy Independence and Security Act of 2007. These provisions established new year-by-year volume standards for renewable fuel that generally must be used in transportation fuel, reaching a total of 36 billion gallons by 2022, including 21 billion gallons of advanced biofuels. The revised statutory requirements also included new definitions and criteria for both renewable fuels and the feedstocks used to produce them, including greenhouse gas emission thresholds. On November 29, the EPA published in the Federal Register a notice of proposed rulemaking that would establish the annual RFS volume requirements for 2014.

Witnesses included: Chris Grundler, Director, Office of Transportation and Air Quality, United States Environmental Protection Agency; Steven Chalk, Deputy Assistant Secretary for Renewable Power, Office of Energy Efficiency and Renewable Energy, United States Department of Energy; Wesley K. Clark, Co-Chairman, Board of Directors, Growth Energy; Jim Collins, Jr., Senior Vice President, Industrial Biosciences, Performance Polymers and Packaging & Industrial Polymers, DuPont; Charles T. Drevna, President, American Fuel & Petrochemical Manufacturers; Jon Holzfaster, Owner and Operator, Holzfaster Farm; Scott Faber, Vice President of Government Affairs, Environmental Working Group; and Brooke Coleman, Executive Director, Advanced Ethanol Council.

Scott Faber, speaking for the Environmental Working Group (EWG), argued that thus far, the RFS has failed to deliver on its promise to reduce greenhouse gas emissions because it has emphasized the production of such biofuels as corn ethanol – a fuel that causes increased harm to the environment and inflates the price of staple foods, he argued – at the expense of other biofuels that can help alleviate these problems. He cited a Congressional Budget Office report that found that the growth in ethanol production “has exerted upward pressure on the price of corn, and ultimately, on the retail price of food, affecting both individual consumers and federal expenditures on nutritional support programs,” increasing that spending by up to $900 million in one year. He also cited the fact that a $1 increase in the price of a bushel of corn corresponds to a 5.5% increase in the price of eggs and a 2.1% in the price of milk. With the nation's largest dairy production sector, California farmers are largely affected by increases in feed prices. EWG proposed a reform to the RFS that would, at a minimum, level the playing field for developers and producers of other biofuels.

In a rebuttal of many of the claims made by EWG, Brooke Coleman of the Advanced Ethanol Council argued that the RFS is an “aggressive yet flexible program” and is “working well as designed.” Included in his testimony is a reference to the progress report on the cellulosic biofuel industry
published by the Advanced Ethanol Council that found that the industry is breaking through at commercial scale less than six years after the enactment of the RFS2, notwithstanding the recession. The report included several profiles of American companies in the industry, including one located in Anaheim, CA called BlueFire that was established to deploy the Arkenol Process Technology for the conversion of cellulosic waste materials into renewable fuels and other products. According to the profile, BlueFire is the exclusive North America licensee of the technology, which converts widely available, inexpensive, organic materials such as agricultural residues, wood residues, municipal solid wastes and purpose grown energy crops into renewable end products. BlueFire also operates SucreSource, a wholly-owned subsidiary which is constructing a cellulosic sugar facility in South Korea with GS Caltex for development of sugar to chemicals process; the company is also partnering with two Chinese companies—China Huadian Engineering Co and Sino Bioway—to design a cellulose-to-fuels plant.

For more information, please visit:

**HEALTH: HOUSE OVERSIGHT SUBCOMMITTEE EXAMINES FDA REGULATORY EFFECTS ON PHARMACEUTICAL COMPANIES**

On December 12, 2013, the House Oversight and Government Reform Subcommittee on Energy Policy, Health Care and Entitlements held a hearing titled "FDA [Food and Drug Administration] Checkup: Drug Development and Manufacturing Challenges" to discuss issues around the modernization of the manufacture of pharmaceuticals. While the United States is a leader in drug discovery and development, it is no longer the leader in drug manufacturing. There are several factors that contribute to the shift of drug manufacturing abroad, including the environmental liabilities of drug manufacturing plants and the lower-cost labor force found abroad. Witnesses testified to the regulatory successes and shortfalls in allowing pharmaceutical companies to develop and manufacture safe, cost-efficient, and timely drug treatments that are on the cutting edge of treating a variety of diseases.

Witnesses included: Janet Woodcock, M.D., Director, Center for Drug Evaluation and Research, Food and Drug Administration; Scott Gottlieb, M.D., Resident Fellow, American Enterprise Institute; Peter Huber, Ph.D., Senior Fellow, Manhattan Institute; Mr. Paul Hastings, President and Chief Executive Officer, OncoMed Pharmaceuticals, Inc.

On behalf of the FDA, Dr. Woodcock testified about the potential for new technologies and groundbreaking new manufacturing methods to revitalize pharmaceutical manufacturing in the United States. She outlined various ways in which the FDA is working with the pharmaceutical industry to enhance and modernize the regulation of pharmaceutical manufacturing and product quality, including the Pharmaceutical current Good Manufacturing Practice (cGMP) initiative, including encouraging early adoption of new technological advances in the pharmaceutical industry, facilitating industry application of modern quality management techniques, implementing risk-based approaches, and ensuring that regulatory policies and decisions are based on state-of-the-art pharmaceutical science.

However, some witnesses pointed to areas where they testified the FDA could do more to ensure that cutting edge medical treatments that could treat a number of previously incurable diseases are developed and made available to patients. “By continuing to channel much of the development of drug science through trial protocols developed decades ago, the FDA now makes it increasingly likely that many drugs that we need and the associated drug-patient science will never get developed at all,” says Dr. Huber of the Manhattan Institute. Mr. Hastings of OncoMed Pharmaceuticals reiterated this point,
saying, “The rising costs of drug development and the resulting decrease in R&D efficiency are complex, multi-faceted problems, but increased cost, complexity, and duration of clinical trials are widely accepted to be critical contributing factors. A study conducted by the Manhattan Institute found that as much as 90% of the development costs for many drugs ultimately approved by the FDA were incurred during Phase III clinical trials.” He contends that these clinical trials are too lengthy and cost-prohibitive, without significantly adding to the FDA’s ability to adequately analyze the drug for quality and safety.

For more information, please visit:

HOUSING: STUDY FINDS CALIFORNIA RENTERS FACING A GROWING CRISIS OF AFFORDABILITY

A recent study by Harvard's Joint Center for Housing Studies found that renters in California pay a higher proportion of their income for housing than in most other states. While the study found that weak income growth and rising rents are creating affordability problems for renters across the nation, California ranked higher than most other states on a number of measures. Using a traditional measure of affordability, the study defined a “cost burden” as rent that is higher than 30% of the renter's income. California ranked second highest in the nation on the share of renters facing a cost burden—55.9% of renters spend more than 30% of their income on housing. The national average for the share of renters facing a cost burden is 50.7%.

The study also noted the drastic increase within the last decade of the share of renters struggling with a severe cost burden—defined as more than half of one's income paying for rent—due to many factors, including the economic recession and the changing demographics that has led to a higher demand for rentals. In California, 31% of renters pay more than half of their income for housing (the third highest rate in the nation), compared to the national average of 27.9%. The median gross rent of $1,140 was the third highest in the nation, while the median renter income was the fifth highest at $36,000. The rentership rate in California is 45%, nearly ten percentage points higher than the national average.

For the full report, please visit:
http://www.jchs.harvard.edu/sites/jchs.harvard.edu/files/jchs_americas_rental_housing_2013_1_0.pdf

ENVIRONMENT: CALIFORNIA RELEASES CLIMATE CHANGE REPORT

The week of December 9, 2013, Governor Brown's administration released the draft “Safeguarding California Plan” to outline key actions needed to ready the state for the impacts of changing climate. According to a press release from the California Natural Resources Agency, the plan is intended to help lessen the impacts and cope with changes brought about by extreme weather, rising sea levels, and decreasing snowpack that will touch every part of life in California over the next century.

“Thoughtful, early actions will clearly make a major difference in California’s ability to maintain livable and productive communities,” said California Natural Resources Secretary John Laird. “By planning and building a more flexible power grid, modernizing our water delivery system, and finding ways to make each region more self-reliant, we can save lives and money in the future.”

“California’s entire agricultural economy is reliant on the unique climates throughout our state,” said California Food and Agriculture Secretary Karen Ross. “There is wide consensus that we need to
take action or some of our most valuable industries will suffer incalculable losses. As leaders, it is our
duty to chart a better course for the future.”

The Safeguarding California Plan provides policy guidance for state decision makers, and is part
of the state’s coordinated efforts to reduce impacts and prepare for climate risks. This plan, which is an
update to the 2009 California Climate Adaptation Strategy, highlights climate risks in nine sectors,
discusses progress to date, and makes sector-specific recommendations. The nine areas the report
outlines for improvement include: (1) urban water use plans, (2) smart grid connectivity, (3) reduction
of heat-related illnesses that are responsible for hospitalizations and death, (4) reducing carbon output,
(5) habitat connectivity for increased chances of species adaptation, (6) forest and other habitat
resilience, (7) scientific study to highlight and understand risks, (8) assess adequacy of emergency
responders, and (9) cooperation between local, state and federal government.

Download the draft Safeguarding California Plan here:
http://resources.ca.gov/climate_adaptation/docs/Safeguarding_California_Public_Draft_Dec-10.pdf

For more information about California’s efforts to safeguard the state from a changing climate
and to find out how to comment on the plan, please visit: http://resources.ca.gov/climate_adaptation/