SOCIAL SERVICES: SENATE TAKES UP UNEMPLOYMENT COMP EXTENSION

The Senate moved to consider an extension of federal unemployment compensation benefits (S. 1845) on January 7, 2014 by voting 60-37 to invoke cloture. The length of the extension, however, is still unknown as several Senators advance different proposals on whether and how to offset the costs of an extension and its length. A three-month extension is estimated to cost about $6.4 billion.

Among the proposals offered was one by Senate Minority Leader Mitch McConnell (KY) to pay for the extension by eliminating the individual coverage mandate under the Affordable Care Act (“ObamaCare”). Senate Majority Leader Harry Reid (NV) declared this proposal “a non-starter.”

Other members from both sides of the aisle are promoting extending the benefits for a full year and Leader Reid had indicated a willingness to go along with that plan. The full year extension, however, would cost over $26 billion and Republicans are expected to push for that to be paid for by cutting other government programs. Proposals on how to pay for a year extension range from eliminating the ability of individuals on federal disability from also receiving unemployment benefits to tightening anti-fraud requirements for the child tax credit to keep undocumented immigrants from claiming the credit.

Discussions on exactly what and how to accomplish an extension are expected to continue in the Senate over the next few days, at least. Should the Senate reach a deal, it then becomes a question of whether the House will accept it. Speaker John Boehner (OH) has said the package must be fully paid for with other cuts.

The expiration of the federal supplemental benefits on December 28, 2013 left 1.3 million Americans, including over 200,000 in California, without any unemployment compensation benefits. Those numbers will continue to grow weekly as long as the benefits are not restored.

Further consideration in the Senate is expected on Monday, January 14th.
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
Assn of California Water Agencies
Bay Area Economic Forum
California Association of Realtors
CA Council Science & Technology
California Farm Bureau Federation
California Federation of Teachers
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

NASA: SENATE PASSES & SENDS PRESIDENT BILL HONORING ARMSTRONG & DRYDEN

By unanimous consent on January 8, 2014, the Senate passed H.R. 667, sponsored by Rep. Kevin McCarthy (Bakersfield). The bill was co-sponsored by Reps. Buck McKeon (Tujunga), Ken Calvert (Corona), Dana Rohrbacher (Costa Mesa), and Adam Schiff (Burbank).

The bill redesignates: (1) the National Aeronautics and Space Administration (NASA) Hugh L. Dryden Flight Research Center in Edwards, California, as the "NASA Neil A. Armstrong Flight Research Center," and (2) the National Aeronautics and Space Administration Western Aeronautical Test Range in California as the "NASA Hugh L. Dryden Aeronautical Test Range."

The bill passed the House on February 25, 2013 under suspension of the rules by a vote of 394-0, with one member voting Present.

It now goes to the President, who is expected to sign the bill.

CALIFORNIA: GOVERNOR BROWN TO RELEASE 2014-15 BUDGET

On January 10, 2014, Governor Jerry Brown will release his $106.8 billion state budget proposal. The proposal includes increased state spending on schools, healthcare and welfare for poor Californians, as well as a proposed $1.6 billion rainy day fund that will be used as a buffer against future economic turmoil.

Nearly $10 billion more for schools and community colleges than was previously anticipated is included in the proposal. Citing a “strong commitment to schools” after years of a “drought,” the proposal raises K-12 spending in next year’s state budget 8.5 percent on average per student and will pay down $6 billion of late payment to schools. Higher education will also see a boost in funding—the University of California, California State University and the state’s community colleges will collectively receive an additional $839 million in 2014-15, raising their total state allocation to $24.3. The budget states: “Increased funding must be tied to getting students their degrees in a timely manner, not just admitting more students.”

Brown also proposes $670 million to expand Medi-Cal benefits, including those for mental health, substance use disorder, adult dental, and specialized nutrition services. The proposal would also fund a 5% grant increase under CalWORKs to remove barriers to employment, including the cost of childcare for low-income families.

The proposal includes the release of the state’s five-year infrastructure plan for the first time since 2008. Deferred maintenance costs for existing assets would have new funding, including $815 million for critical deferred maintenance in state parks, highways, local streets and roads, K-12 schools, community colleges, courts, prisons, state hospitals, and other state facilities.

Despite new spending, Brown cites certain budgetary challenges, including nearly $218 billion in unfunded retirement liabilities and billions more in other outstanding obligations and debts. “The state’s fiscal history is riddled with budgets that made permanent obligations—both spending increases and tax cuts—based on temporary revenue increases," the governor's proposal says. "After these spikes
in revenues disappeared—as they always do—the state was forced to cut programs and raise taxes. This budget seeks to avoid this unproductive boom-and-bust cycle.”


To view Governor Brown’s press conference, please visit: http://calchannel.granicus.com/MediaPlayer.php?view_id=7&clip_id=1702

**EDUCATION: HOUSE SCIENCE COMMITTEE HOLDS HEARING ON STEM INITIATIVES**

On Thursday, January 9, 2014, the Subcommittee on Research and Technology of House Science, Space and Technology Committee held a hearing to review science, technology, engineering and mathematics (STEM) education initiatives developed and conducted by private organizations to learn what is being done by these organizations and industry to support STEM education and to ensure the federal government can leverage rather than duplicate these initiatives. The Administration's fiscal year 2014 (FY 14) budget request proposed over $3 billion across over thirteen different agencies of the federal government for science, technology, engineering and mathematics (STEM) education, a 6.7 percent increase over FY12 enacted levels. Despite this level of federal spending, a survey by the Organization for Economic Cooperation and Development reported last month that American students continue to rank in the bottom half of the 34 nations surveyed in terms of math and science performance. The first panel of witnesses discussed the innovative projects and programs taking place at their private sector businesses and educational institutions to improve student performance in these areas and ultimately increase the nation's global competitiveness.

Witnesses included: Dean Kamen, Founder, For Inspiration and Recognition of Science and Technology, and President, DEKA Research and Development Corp.; Hadi Partovi, Founder and CEO, Code.org; Kemi Jona, Director, Office of STEM Education Partnerships, and Research Professor, Learning Sciences and Computer Sciences, Northwestern University; Phillip Cornwell, Vice President for Academic Affairs, Professor of Mechanical Engineering, Rose-Hulman Institute of Technology.

As a leader in an academic setting, Professor Cornwell stated that increasing the graduation rate of the students who currently enter college with a desire to study a STEM field and increasing the number of students in K12 interested in a career in STEM are the two most important aspects to increasing the number of STEM educated professionals in the United States. He cited the fact that the average 6 year graduation rate for students who enter college with an expressed interest in studying engineering is less than 50%, and that improving this number by just 10% would produce around 100,000 new engineers in 6 years. To support retention rates, Professor Cornwell suggested that the federal government could "offer incentives for companies to provide meaningful internships early in students' education, that is, after the first and second year. No such incentive should be necessary for upper level students... [as well as] differentiate student loan rates based on schools' graduation rates and on student majors."

Also hailing from an academic setting, Professor Jona outlined in detail the successes of three university, school, industry, and community partnership models in engaging industry partners in STEM education initiatives for K-12 teachers and students. In his view, the key element missing from the recent discussions about the proper role of federal STEM policy and funding is "a recognition of the importance of creating robust dissemination mechanisms that support the scalability and sustainability of those high quality STEM education programs developed with federal or private sector support....To really engage students with high quality STEM education, we need the leadership and support of both
the federal government and the private sector to create the distribution platform for STEM education resources."

Hadi Partovi testified in support of the proposed Computer Science Education Act (H.R. 2536), which includes what he called "modest, no-cost changes to the Elementary and Secondary Education Act" and would make "simple changes to federal law to ensure computer science is at the table when local education decisions are being made. It is an important first step Congress can immediately take to improve student access to K-12 computer science education, and will empower local educational agencies to meet the enormous demand for computer science..." Dean Kamen also emphasized the importance of engaging K-12 students in STEM education and highlighted how his nonprofit FIRST (Foundation for Inspiration and Recognition of Science and Technology) has been successful in providing fun, hands-on, after-school programs and competitions that connect the concepts students study in the classroom to real-world experiences and applications.

For more information, please visit: http://science.house.gov/hearing/subcommittee-research-and-technology-hearing-private-sector-programs-engage-students-stem

**HEALTH: HOUSE SUBCOMMITTEE EXAMINES HEALTH EXTENDERS AND SUSTAINABLE GROWTH RATE**

On January 9, 2014, the Health Subcommittee of the House Energy and Commerce Committee held a hearing titled "The Extenders Policies: What Are They and How Should They Continue Under a Permanent SGR [Sustainable Growth Rate] Repeal Landscape?" In July 2013, the Committee unanimously approved a bipartisan proposal to address the flawed Medicare physician payment formula. The hearing explored expiring Medicare, Medicaid, Children’s Health Insurance Program (CHIP), and human services provisions (typically called “extenders”) that are typically considered as part of short-term Medicare physician payment formula patches or in similar health-related legislation. Members heard from expert witnesses regarding the value of certain extenders in improving Americans’ health and reducing federal costs and received recommendations on how such policies could be improved for future consideration.

The list of “extenders” discussed during this hearing was limited to those major health-related provisions that expire during the current fiscal year and/or typically have been included in previous short-term Medicare physician payment proposals, including: Floor on Geographic Adjustment (or GPCI) for Physician Fee Schedule; Ambulance Transitional Increase & Annual Reimbursement Update; Therapy Cap Exceptions Process; Special Needs Plans; Medicare Reasonable Cost Contracts; National Quality Forum (NQF); Qualifying Individual (QI) Program; Transitional Medical Assistance (TMA); Medicare Inpatient Hospital Payment Adjustment for Low-Volume Hospitals; Medicare-Dependent Hospital (MDH) program; Medicaid and CHIP Express Lane Eligibility; Children’s Performance Bonus Payments; Child Health Quality Measures; Outreach and Assistance for Low Income Programs; Family-to-Family Health Information Centers; Abstinence Education; Personal Responsibility Education Program; Health Workforce Demonstration Program; The Maternal, Infant, and Early Childhood Home Visiting Programs; and Special Diabetes Program.

Witnesses included: Glenn M. Hackbarth, Chairman, Medicare Payment Advisory Commission; Diane Rowland, Chairwoman, Medicaid and Children's Health Insurance Program Payment and Access Commission; Michael Lu, Associate Administrator, Maternal and Child Health Bureau, Health Resources and Services Administration; and Naomi Goldstein, Director, Office of Planning, Research and Evaluation, Administration for Children and Families.
On behalf of the Medicare Payment Advisory Commission, a Congressional support agency that provides independent, nonpartisan policy and technical advice to the Congress on issues affecting the Medicare program, Glenn Hackbarth reviewed the Commission’s findings and recommendations where available on the following temporary Medicare payment policies: Rural hospital add-on payments (set of principles provided to guide policy to better target Medicare’s assistance to low-volume, isolated providers), Medicare floor for physician work—GPCI (Commission recommends that Medicare payments for the work effort of physicians and other health professionals be geographically adjusted), Medicare therapy caps exceptions process (recommendations include improving physician oversight and program integrity, ensuring access to care while managing Medicare’s costs, and strengthening management of the therapy benefit in the long-term), Medicare ambulance add-ons (recommendations include allowing the three temporary ambulance add-on policies to expire, and directing the Secretary to rebalance the relative values for ambulance services), and Medicare Advantage special needs plans (recommendations include a targeted approach to reauthorizing specific subsets of special needs plans while allowing others to expire).

Other experts outlined other extender s in a similar manner, highlighting their impacts and providing recommendations for whether Congress should reauthorize, reform, or otherwise allow these provisions to expire.

For the complete recommendations of each witness and other information, please visit: http://energycommerce.house.gov/hearing/extenders-policies-what-are-they-and-how-should-they-continue-under-permanent-sgr-repeal-landscape.

REPORT: RAND RELEASES REPORT ON AUTONOMOUS VEHICLES

In November 2013, the California Institute reported on a hearing conducted by the Subcommittee on Highways and Transit of the House Transportation and Infrastructure Committee entitled “How Autonomous Vehicles Will Shape the Future of Surface Transportation.” The hearing was intended to provide policymakers with a better understanding of the role of the federal government in preparing for the advent of cars with increasing automated capabilities, including those that are completely self-driving. This week, the RAND Corporation published a report, “Autonomous Vehicle Technology: How to Best Realize Its Social Benefits,” that further supports the testimony of witnesses at that hearing, namely that while autonomous vehicles provide the promise of many social benefits, public policy must keep pace with the emergence of the technology in order to maximize the benefits and minimize risks.

“Our research finds that the social benefits of autonomous vehicles—including decreased crashes, increased mobility and increases in fuel economy—will outweigh the likely disadvantages,” said James Anderson, lead author of the study and a senior behavioral scientist at RAND. The study, intended as a guide for state and federal policymakers, explores communications, regulatory challenges and liability issues raised by autonomous vehicle technology. California is one of a handful of states that has already passed preliminary regulation regarding autonomous vehicles.

The study suggests that cars and light vehicles equipped with autonomous driving technology will likely reduce crashes, energy consumption and pollution, as well as cut costs associated with congestion. According to the Insurance Institute for Highway Safety, nearly a third of all crashes could be prevented if all vehicles had forward collision and lane-departure warning systems, side-view (blind spot) assistance and adaptive headlights. And as of March 2013, Google had logged more than 500,000 miles of autonomous driving on public roads with its driverless car without incurring a crash. Furthermore, people with disabilities would have increased mobility, and commuters could use their time more productively during transit.
A potential negative effect of this technology is the possibility of encouraging greater travel and an overall increase in total vehicle miles traveled, leading to more congestion. Also, if autonomous vehicle software becomes standardized, a single flaw could lead to many accidents. Internet-connected systems could be vulnerable to hackers, leaving the potential to wreak havoc on the nation’s transportation system. Consumers will also have an interest in privacy protections in regards to the data collected and transmitted in the usage of their personal vehicles.

The RAND report outlines four key policy recommendations: (1) policymakers should avoid passing regulations prematurely while the technology is still evolving; (2) distracted-driving laws will need to be updated to incorporate autonomous vehicle technology; (3) policymakers should clarify who will own the data generated by this technology and how it will be used, and address privacy concerns; (4) regulations and liability rules should be designed by comparing the performance of autonomous vehicles to that of average human drivers and the long-term benefits of the technology should be incorporated into determinations of liability.

For the House Highways and Transit Subcommittee hearing, please visit: http://transportation.house.gov/calendar/eventsingle.aspx?EventID=357149

For the full RAND Report, please visit: http://www.rand.org/pubs/research_briefs/RB9755.html

**REPORT: BEACON ECONOMICS RELEASES REPORT ON CALIFORNIA TRADE**

In their monthly analysis of California’s international trade activity, consulting group Beacon Economics reported that in November, California exports have jumped to pre-recession levels. The report analyzes data released by the U.S. Census Bureau’s Foreign Trade Division to pinpoint important trends in the state’s import/export industry and identify potential effects on the state’s economy. California-based companies shipped $15.22 billion worth of merchandise in November, up 14% from a year earlier, compared to a 5.9% increase in total U.S. merchandise exports in the same period.

The uptick in California was led by a solid $1.38 billion jump in manufactured exports, which rose by 16.8% to $9.63 billion compared to November 2012. Meanwhile, the state's exports of non-manufactured goods (chiefly agricultural produce and raw materials) totaled $2.45 billion, up $489.7 million (25%) from November 2012. Re-exports were comparatively unchanged, from $3.12 billion in November 2012 to $3.14 billion this past November, an increase of just 0.6%.

California's year-to-date $153.53 billion merchandise export trade for 2013 represents a $5.19 billion increase compared to the $148.34 billion recorded in 2012.

The uptick in manufactured exports is also helping to bolster California's overall economy. "After a slow start relative to the rest of the nation, California stepped up and added 4,300 new manufacturing positions over the past year," said Jordan Levine, Beacon Economics' Director of Economic Research. "It's a positive sign after several decades of decline associated with the loss of much of our aerospace industry in the 1990s and the technological change that has accompanied the computer age."

Because significant variations may occur as the result of unusual or exceptional one-off trades, month-to-month analyses may not necessarily be indicative of underlying trends. For that reason, Beacon Economics provides a comparison of the latest three months for which data are available with the corresponding period in the previous year; they found that California's merchandise exports during the September-November period of 2013 totaled $44.35 billion, an increase of 10.7% over the same period in 2012.

Computer and Electronics Products remains the single largest category of California exports, accounting for $11.01 billion in shipments in the latest three-month period. However, growth in this category was comparatively slow at just 1.5% growth over the same period a year earlier. On the other
hand, exports of Transportation Equipment increased by 12.8% to $4.80 billion, largely powered by a resurgence of exports from the civilian aerospace sector. Other sizable gains were recorded in the latest three-month period for farm produce, up 18.1% to $4.50 billion, and processed food products, up 17.8% to $2.71 billion. Similarly, exports of petroleum products rose 21.2% to $1.76 billion.

Mexico remained California's single largest export market during the latest three-month period, with the value of exports edging up by 5.0% to $6.25 billion. Exports to Canada were up 12.2% to $5.21 billion, while shipments to China surged by 19.9% to $4.08 billion. Japan (up 5.2% to $3.34 billion) and Hong Kong (up 10.5% to $2.32 billion) rounded out California's “Top Five” export destinations in the latest three-month period. Regionally, California's exports to the Asia Pacific region (including Australia and New Zealand) grew by 13.7% to $17.49 billion. And despite Europe's austerity measures, exports to the European Union nonetheless rose by 9.6% to $7.35 billion. California exports to Latin America and the Caribbean (excluding Mexico) increased by 5.3% to $2.53 billion, while exports to India rose 15.5% to $1.06 billion. California's export trade with sub-Saharan Africa was comparatively negligible at $207.6 million over the past three months.

California currently accounts for 10.9% of total U.S. merchandise exports. Not surprisingly, its share of U.S. exports to markets in the Asia Pacific region is larger (16.8%) than that of any other state.

Seaports are generally regarded as the state’s principal international trade gateways. However, on a dollar-value basis, more of California’s merchandise export trade in the latest three quarters went by air (45.1%) than by sea (32.1%). Another 22.8% of the state’s exports of goods travels overland by truck or rail to Canada and Mexico.

Beacon Economics' outlook for the winter months remains upbeat. "The resourcefulness and performance of California exporters lead us to stand a bit against the tide of many major forecasting organizations who have been cautioning about the effects of slowing global economic growth," O'Connell said.

For the full Beacon Economics report, please visit: https://beaconecon.com/products/trade_report