To expand communications between Washington and California, the California Institute provides periodic news bulletins regarding current activity on Capitol Hill and other information that directly impacts the state. Bulletins are published weekly during sessions of Congress, and occasionally during other periods.

**APPROPRIATIONS: HOUSE & SENATE APPROPRIATIONS ADVANCE FY15 AGRICULTURE FUNDING**

On Tuesday, May 20, 2014, both the House and Senate appropriators marked up and passed spending bills for Agriculture, Rural Development, Food and Drug Administration, and Related Agencies for fiscal year 2015 within their Agriculture Subcommittees. The full Senate panel approved its subcommittee’s bill by a 30-0 vote on Thursday, May 22.

The Senate subcommittee bill recommends $20.58 billion in discretionary funding and $20.575 billion of total funding. The bill also includes $100 million in disaster relief spending. Discretionary funding is $90 million below the fiscal year 2014 enacted level but $228 million above the budget request. On the other hand, the House subcommittee bill would provide $320 million more in allocations for discretionary spending than the Senate draft bill for the Agriculture Department, the Food and Drug Administration, and it would include funding for Commodity Futures Trading Commission. The measure would provide a total $142.5 billion for Agriculture mandatory and discretionary spending, $1.5 billion less than President Obama's request and $3 billion less than 2014 enacted levels.

The House bill would provide $82.3 billion in required mandatory spending for the Supplemental Nutrition Assistance Program, formerly known as food stamps, which is $81 million more than 2014 enacted levels and $2 billion less than the president’s budget request. WIC would see a $93 million decrease and would receive $6.6 billion in discretionary funding under the measure; the Senate bill would provide similar funding levels for WIC.

A hotly debated issue is new nutritional standards for school lunches, which some schools have claimed cost too much to implement within the given time frame. The House Bill provides for a waiver to be established for schools that are struggling financially to meet these new requirements, while the bill under consideration by the Senate does not. Also, the Senate base bill does not include contentious provisions to add fresh white potatoes to the Women, Infants and Children supplemental nutrition program as the House bill does.
Another potentially contentious issue will be funding for conservation and energy programs authorized in the 2014 Farm Bill. The House draft bill proposes cutting more than 1 million acres from the Conservation Stewardship Program, over $200 million from the Environmental Quality Incentives Program, $60 million from the new Agricultural Conservation Easement Program, and funding for the Rural Energy for American Program by 40 percent.

On the food safety front, the House bill calls for $25 million to implement a 2011 food safety law, compared to the $23 million provided for in the Senate bill. Both figures are far less compared to the roughly $200 million requested by President Barack Obama or the $150 million figure reported by the Food and Drug Administration as the minimum needed.

For the full Senate Appropriations markup of the agriculture spending bill, please visit: http://www.appropriations.senate.gov/hearings-and-testimony/full-committee-markup-allocations-milconva-agriculture


**APPROPRIATIONS: HOUSE COMMITTEE REPORTS FY15 TRANSPORTATION/HUD FUNDING**

In the fourth full committee mark up of a spending measure, on May 21, 2014, the House Appropriations Committee approved the fiscal year 2015 Transportation, Housing and Urban Development funding bill on a vote of 28-21. It is the first spending measure that was not advanced on a voice vote. The legislation includes funding for the Department of Transportation, the Department of Housing and Urban Development, and other related agencies, and reflects an allocation of $52 billion in discretionary spending – an increase of $1.2 billion above the fiscal year 2014 enacted level and a decrease of $7.8 billion below the President’s budget request. According to committee documents, however, given the reduction in offsets caused by a decline in Federal Housing Administration receipts, the program level within the bill is more accurately $1.8 billion below the current level. Within the legislation, funds are targeted toward transportation, infrastructure, and housing programs of national need and significance that have the biggest impact on Americans and communities across the country, Chairman Harold Rogers said. However, many members of the committee are concerned about certain cuts they say go too far, including a $200 million cut to Amtrak’s capital grant and a $500 million cut to a Transportation Department grant program, as well as insufficient funding for affordable housing, rental assistance, and other means of combating homelessness. The bill also does not contain any funding for high speed rail projects.

Some members offered amendments to the bill to allow transit and passenger rail projects to receive funding under the Transportation Department’s TIGER grant program, but these amendments were rejected. The TIGER grant program would get $100 million, but would restrict funding for only road, bridge, freight rail and port projects. The bill would also not fund the President’s $500 million request for the Highway Trust Fund, and instead keeps funding for highway obligations relatively flat.
The committee recommends $15.5 million less than the President’s budget request for highway traffic safety grants, and $750,000 for railroad safety, equal to the President’s request.

The measure calls for $1.78 billion for capital improvements for local public housing authorities to maintain safe and usable conditions in older units, which is roughly equivalent to sequestration level and below the fiscal 2014 enacted level of $1.88 billion. The House bill would provide an operating budget of $4.4 billion, the same as in 2014. The Transportation-HUD bill would make a $300 million cut to the HOME investments block grant program, which provides funding to qualified local governments and nonprofits for rental aid to people, construction of low-income rental housing, homebuyer assistance and rehabilitation of owner-occupied housing.

The following amendments to the bill were adopted by voice vote in the full committee: a manager’s amendment; Rep. Adam Schiff’s (Burbank) amendment adding language to the report directing HUD to evaluate and report on the effect of voucher portability on costs to certain Public Housing Authorities; and an amendment increasing funding for the U.S. Interagency Council on Homelessness by $1 million, offset by a reduction from the HUD Information Technology account.

For the full report on the bill by the House Appropriations Committee, please visit: http://appropriations.house.gov/uploadedfiles/hrpt-113-hr-fy2015-thud.pdf

**RESOURCES: HOUSE & SENATE PASS WRRDA CONFERENCE REPORT**

On May 20, 2014, the House passed the conference report to HR 3080, The Water Resources Reform and Development Act of 2014 (WRRDA), in a 412-4 vote; the Senate approved the report by 91-7 on May 22nd. The overwhelmingly bipartisan bill authorizes 34 Army Corps of Engineers projects aimed at preventing or mitigating the effects of floods, restoring ecosystems, and maintaining navigation routes for commerce. California projects include the Orestimba Creek Flood Risk Management Project in West Stanislaus, the American River Watershed in the Natomas Basin, the Sutter Basin Project, and the San Clemente Shoreline Project in Orange County.

The conference report authorizes critical flood control and coastal hurricane protection projects across the country, including rebuilding the levees in the Natomas Basin of Sacramento. Of the 100,000 miles of levees across the country, almost 85 percent of these are locally owned, operated, and maintained – making it extremely difficult to collect information about the levees or estimate their reliability and leaving the public at risk if a levee fails. The conference report aims to enhance the safety of the nation’s levees, establishing a National Levee Safety Initiative that promotes consistent safety standards and effectively communicates to the public the risks of living behind a levee.

The bill also introduces an authorization process that retains congressional authority without using earmarks; instead of requesting federal support directly from lawmakers, as was the case with the 2007 authorization, local sponsors of projects would present to their regional Army Corps of Engineers post for review. After positively reviewing a project, the Corps would submit annual reports to Congress, which will hold hearings on the projects. Among other aims of the bill are a cap on the completion time for feasibility studies of three years, a streamlined environmental review and permitting process, and greater participation by non-federal interests in water resource development and operation.

A Congressional Budget Office report estimates that the bill would authorize $12.3 billion over the next decade – $5.4 billion through fiscal 2019 and $6.9 billion over the 2020-2024 period, including the costs of: the Title I expansion that clarifies the Corps’ authority to control invasive aquatic species, implement flood control and environmental protection projects, and assist Indian tribes with water resources projects; the Title III direction to the Corps to consult with the Federal Emergency Management Agency to develop a levee safety program; the reauthorization of the Dam Safety
Program; the Title VII authorization of the construction of 34 new water-related projects and increased total costs allowable for construction of eight existing projects; the Corps’ increased responsibilities for maintaining ports and harbors; and pilot projects to be implemented by the EPA and the Corps to provide loans and loan guarantees to nonfederal entities, including states and local governments, to invest in water infrastructure projects. Although the bill would deauthorize at least $18 billion in previously authorized projects, the CBO expects that this will not have a budgetary effect because no additional construction is currently planned for these projects.

For more information about the conference report, please visit: http://transportation.house.gov/wrrda/

**CRIMINAL JUSTICE: HOUSE PASSES FIVE ANTI-TRAFFICKING BILLS**

On May 20, 2014, the House passed five anti-human trafficking laws that recently came out of the House Judiciary, Ways and Means, and Foreign Affairs Committees. According to the Federal Bureau of Investigation (FBI), sex trafficking is the fastest-growing business of organized crime and the third-largest criminal enterprise in the world. One organization estimates that child sex trafficking in the U.S. is a $9.8 billion industry. As reported previously, the National Association of Counties conducted a survey to identify the scope of the commercial exploitation of children under the age of 18 for sex, and found that the problem is particularly rampant in large counties. Los Angeles County, like other California counties, has taken steps to combat this problem through public awareness campaigns and has made use of a federal grant to train over 5,000 judges, attorneys, community partners, and other stakeholders who are likely to come into contact with victims to help them connect with housing, education, medical, and mental health support services.

H.R. 3530, the Justice for Victims of Trafficking Act, was passed by the House by a 409-0 vote. Sponsors say the bill is designed as a comprehensive response to the growing crime of minor sex trafficking. Among other things, this legislation addresses victim services and provides additional resources to law enforcement through the new victim-centered grant program; helps to facilitate these investigations by providing that sex trafficking and other similar crimes are predicate offenses for state wiretap applications; addresses the demand side of this crime by clarifying that under existing law, it is a Federal crime to solicit or patronize for sex minors, or adults who are involved in the sex trade through force, fraud, or coercion; and reauthorizes the funding stream for Child Advocacy Centers, which are often the first line of service providers for the victims of this and other crimes.

For more information on this bill, please visit: http://beta.congress.gov/bill/113th-congress/house-bill/3530?q=%22search%22%3A[hr3530%22]

H.R. 3610, the Stop Exploitation Through Trafficking Act was passed by voice vote. A previous version of the bill would have required each state, within three years, to enact “Safe Harbor Laws” that treated minors engaged in commercial sex acts as victims of trafficking rather than as criminals guilty of prostitution, or otherwise have Edward Byrne Memorial Justice Assistance Grant Program funds withheld. Instead, the amended version of the bill as passed in the House would let the Justice Department give preference for community policing grants to applicants from states with safe harbor laws. The bill also authorizes the U.S. Marshals Service to assist other law enforcement agencies in finding missing children.

For more information, please visit: http://beta.congress.gov/bill/113th-congress/house-bill/3610?q=%22search%22%3A[hr3610%22]
H.R. 4225, the Stop Advertising Victims of Exploitation Act amends Title 18 of the U.S. Code to provide a penalty for knowingly selling advertising that offers certain commercial sex acts, and was passed by a 392-19 vote.

For more information, please visit:
http://beta.congress.gov/bill/113th-congress/house-bill/4225?q=%22search%22%3A[%22hr4225%22]

H.R. 4058, the Preventing Sex Trafficking and Improving Opportunities for Youth in Foster Care Act was passed in the House by a voice vote. The bill amends part E (foster care and adoption assistance) of title IV of the Social Security Act to require the state plan for foster care and adoption assistance to demonstrate that the state has developed policies and procedures for identifying and screening, and for determining appropriate state action and services with respect to, children over whom the state has reasonable cause to believe are victims of sex trafficking or a severe form of trafficking in persons, or are at risk of being such victims. States would also be required to document instances of sex trafficking, report these cases to law enforcement and the National Center for Missing and Exploited Children (NCMEC), and report data to the U.S. Department of Health and Human Services (HHS) so this information can be used to better prevent sex trafficking in the future.

For more information, please visit:
http://beta.congress.gov/bill/113th-congress/house-bill/4058?q=%22search%22%3A[%22hr4058%22]

HR 4573, the International Megan’s Law to Prevent Demand for Child Sex Trafficking was also passed by voice vote. The bill aims to protect children from sex trafficking in tourism by providing advance notice of intended travel by registered child-sex offenders outside the United States to the government of the country of destination and requesting foreign governments to notify the United States when a known child-sex offender is seeking to enter the United States.

For more information on this bill, please visit:
http://beta.congress.gov/bill/113th-congress/house-bill/4573?q=%22search%22%3A[%22hr4573%22]

INTELLECTUAL PROPERTY: HOUSE ENERGY & COMMERCE TAKES UP PATENT TROLL ISSUE

The House Energy and Commerce Subcommittee on Commerce, Manufacturing and Trade held a hearing on Thursday, May 22, 2014 on a bill to enhance Federal and State enforcement of fraudulent patent demand letters.

Witnesses included: Rob Davis, Counsel, Venable LLP, on behalf of Stop Patent Abuse Now Coalition; Lois Greisman, Associate Director, Bureau of Consumer Protection, on behalf of Federal Trade Commission; and Alex Rogers, Senior Vice President and Legal Counsel, Qualcomm.

The hearing focused on draft legislation to addresses the growing problem of so-called patent “trolls” sending false or deceptive written communications seeking compensation for alleged infringement of a patent. The draft prohibits an enumerated list of false and misleading statements in such communications. It also requires the communications to provide enumerated disclosures in order to help recipients respond appropriately. It would also replace various State laws with a single Federal regime enforced by the Federal Trade Commission and subject to civil penalties. Additionally, State Attorneys General would be authorized to enjoin violations and seek compensatory damages on behalf of the recipients who suffered actual damages as a result of a violation.
Ms. Greisman testified that the Commission’s Section 5 authority under the Federal Trade Commission Act can and should be used to take action with respect to demand letters where appropriate. However, she cautioned, that even if its authority is enhanced, the FTC will not be in a position to address the broader and more complex issues that underlie many businesses’ grievances regarding patent demands. These issues include the broad scope of many patents, the ease with which patent infringement claims can be asserted, and the cost of defending against such claims, which some businesses report as prohibitive.

She testified that the bill’s provisions giving the FTC greater civil penalty authority with respect to abusive patent demand letters is “of potential benefit and may deter some bad actors.” The Commission also supports the language in the draft bill that contains a “savings clause” that preserves the Commission’s existing authority to seek relief other than civil penalties under its existing Section 5 authority.

Mr. Rogers cautioned the Committee to ensure that its efforts to address the problem do not inadvertently harm legitimate patent enforcement practices. “A demand letter law that is too broad or too punitive may deter appropriate and useful efforts to provide notice of patent infringement activity and runs the risk of undermining incentives to innovate,” he said.

He urged that the “Committee’s demand letter legislation should draw a clear line between deceptive shakedown scenarios warranting FTC enforcement and routine individualized patent correspondence between companies, the vast majority of which is legitimate. FTC enforcement authority granted by the bill should be limited to those situations in which the sender has engaged in a pattern or practice of mailing bad faith demand letters to consumers, end users, or other similarly situated letter recipients likely to lack a familiarity with patent law or the resources necessary to evaluate and respond to a demand letter.”

For more information, go to:

BIOTECHNOLOGY: HOUSE SMALL BUSINESS ASSESSES SBIR AND STTR

On Wednesday, May 21, 2014, the House Small Business Committee held a hearing titled "Oversight of the Small Business Innovation Research and Small Business Technology Transfer Programs." The purpose of the hearing was to examine the programmatic changes to both the Small Business Innovation Research (SBIR) and the Small Business Technology Transfer (STTR) following the enactment of the National Defense Authorization Act of 2012, the first full reauthorization of the SBIR and STTR Programs in 11 years. In the first of two hearings on the subject, witnesses provided private sector perspectives on these changes.

Witnesses included: John Clanton, CEO, Lynntech Inc., College Station, Texas; Cartier Esham, Executive Vice President, Emerging Companies, Biotechnology Industry Organization, District of Columbia; Robert Schmidt, Chairman, Cleveland Medical Devices Inc., Cleveland Ohio, representing Small Business Technology Council; David H. Finifter, Emeritus, Professor of Economics and Research Professor of Public Policy, College of William and Mary, Williamsburg, Va.

Created in 1982, the SBIR program was designed to increase the participation of small, high tech firms in the federal R&D endeavor, helping to stimulate innovative new technologies to help federal agencies meet their needs in a wide variety of areas, including health, energy, and defense. Although smaller, the STTR program is also an important program that expands R&D funding opportunities for small firms, and promotes public/private sector partnerships, including joint venture opportunities for small businesses and the nation's network of nonprofit research institutions. According
to Chairman Graves (MO), “The primary goals when crafting this reauthorization legislation were to increase commercialization of SBIR funded research, to promote greater participation from a wider array of small businesses, and to increase the end use of the technology developed through the SBIR program by federal agencies. This is especially critical in the Department of Defense where technologies developed are often war-fighter focused and lack a specific market in the private sector.”

Dr. Cartier Esham, Executive Vice President of Emerging Companies of the Biotechnology Industry Organization (BIO) in Washington, DC, said, “SBIR plays a critical role in supporting small biotech companies and funding their early-stage research as they navigate the ‘valley of death,’ a critical time when the scientific concepts have shown promise but the development is not far enough along to attract later-stage investors that could fund expensive clinical trials. Biotech innovators and entrepreneurs use these funds to speed the delivery of the next generation of medical breakthroughs – and, one day, cures – to patients who need them.” The vast majority of BIO’s members, about 90%, are pre-revenue companies whose research is still in the lab or the clinic and so must rely on venture capital and other resources other than product sales to fund their research. The reforms allowed majority venture-backed companies to once again be able to participate in the SBIR program and modified affiliation rules so that SBIR applicants will not be affiliated with their investors’ portfolio companies simply on the basis of shared investors.

Robert Schmidt testified on behalf of the Small Business Technology Council, saying, “With reauthorization 30 months ago SBIR companies expected to see the help and support signed into the law to transition their SBIR technology. Despite strong direction by Congress and the requirement for reporting, goals and incentives to help transition their technology, there has been little progress. Today, 30 months later, there are no implementing regulations, no goals, no incentives and no leadership. As a recent DOD IG report found, there are still no reporting requirements for prime contractors or the Government Agencies on how many technologies are being transitioned.” He went on to posit that funding the testing and development of new products that lower health care costs, improve the performance of the military, produce low cost energy, and help the economy is one of the best investments that Congress can make in America’s future. “If jobs are desired, SBIR is the best place to invest R&D dollars,” he concluded.

For more information, please visit:

**CALIFORNIA: GOV. BROWN RELEASES 2014-15 MAY REVISION**

On May 13, 2014, Governor Jerry Brown released the 2014-15 May Revision to his annual state budget proposal, reflecting an expected multibillion dollar surplus. Though the administration notes this is a relatively modest surplus, and is matched by increased costs of healthcare, drought, and other programs, it will be the first surplus in several years for the state. The governor is proposing $8 billion in increased spending in a multiyear plan, with $670 million earmarked to expanded benefits under Medi-Cal. Governor Brown's proposal continues to prioritize building reserves and paying down debts, including a new proposal to fully pay the unfunded liability for the teachers' pension system over about 30 years by requiring school and community college districts to pay about 70% of the costs, the state paying around 20%, and teachers the remaining 10%. The proposal includes $142 million in drought-related expenditures, including $66 million more for Cal Fire, which has already responded to twice as many wildfires this year than is historically typical, and $160 million instead of $100 million to fund trial court operations.

The Legislative Analyst's Office (LAO), the nonpartisan fiscal and policy advisor to the California Legislature, recently released an independent analysis of the May Revision. While not
significantly different given the size of the state budget, the LAO predicts $2.5 billion more in state revenues for May than the Administration does, primarily due to differences in predictions about capital gains taxes. Additionally, the LAO projects over $700 million more in local property taxes for school districts. If the Legislature were to adopt the LAO's higher revenue forecast and property tax estimates, General Fund spending under Proposition 98 would increase $2.7 billion, relative to the administration's May forecast. Assuming that the administration's non-Proposition 98 spending estimates are accurate, this would leave around $500 million available for building reserves, paying down more debts, and/or other state priorities, the LAO reported.

In their November 2013 Fiscal Outlook publication, the LAO recommended that the Legislature prioritize its preparations for the state’s next budget downturn by building reserves and paying down debts, as well as begin efforts to address the state’s large retirement and other liabilities, especially CalSTRS (the pension system for teachers). They report favorably that the Governor’s budget plan largely aligns with these priorities, and posit that under the Governor's approach, the state would improve its chances of managing the next significant state revenue downturn with little in the way of the drastic budget cuts required during the last few recessions.

For the Governor's full budget summary, please visit:
http://www.ebudget.ca.gov/FullBudgetSummary.pdf

For an overview of the Governor's budget by the LAO, please visit:
http://lao.ca.gov/reports/2014/budget/may-revision/overview-may-revision-051614.pdf