APPROPRIATIONS: HOUSE PASSES DHS FUNDING BILL, AMENDMENTS ON IMMIGRATION PROVOKE VETO THREAT

On Tuesday, January 13, 2015, the House considered H.R. 240, the Department of Homeland Security Appropriations for FY 2015. The “Cromnibus” appropriations bill of last year’s lame duck Congress funded the Department of Homeland Security (DHS) only through the end of February 2015 in response to President Obama's Executive Actions on Immigration. Five amendments aimed at barring funding for the executive actions on immigration were considered as part of the bill. The bill passed with a final vote of 236-191. All dissenting votes came from House Democrats.

If passed by the Senate and approved by President Obama, H.R. 240 would provide $39.7 billion in discretionary spending to DHS. The Transportation Security Administration would receive $4.8 billion. Immigration and Customs Enforcement would be allocated $5.96 billion and Customs and
Border Protection would be appropriated $10.7 billion. The bill would fully fund the Federal Emergency Management Agency, providing $7 billion for disaster relief. The bill also includes $1.5 million for state and local grants. For a California Institute report on the Administration's Budget Request for DHS for FY15, please visit: http://www.calinst.org/pubs/FY15DHS.pdf.

The House consideration included five amendments restricting the use of DHS funds. Amendment 1 (Aderholt) would block funding for the November 20, 2014 Executive Actions and other enforcement priorities issued by prosecutorial discretion in 2011 and 2012. In addition, the amendment would prevent those who qualify under the November 20, 2014 Executive Actions from receiving federal benefits. Amendment 2 (Blackburn) would prohibit funding for the renewal or reconsideration of Deferred Action for Childhood Arrival (DACA) applications. The Blackburn Amendment was the most controversial, since it would make previous DACA recipients and applicants, young people who grew up in the United States, once again eligible for deportation. Amendment 3 (DeSantis) would prioritize funding for the additional removal of unlawfully present individuals convicted of domestic violence, sexual abuse, child molestation, or child abuse or exploitation. Amendment 4 (Salmon) is a Sense of Congress statement that the Executive Branch should not disadvantage the hiring of U.S. citizens and those lawfully present in the United States. Amendment 5 (Schock), also a Sense of Congress statement declares that the Executive Branch should not disadvantage the hiring of U.S. citizens and those lawfully present in the United States. All amendments were agreed to by recorded vote, mostly along party lines.

The addition of the immigration amendments makes the future of the bill in the Senate more difficult, as 60 votes are needed to pass the bill there. President Obama has also threatened to veto any bill that fails to fund his recent executive actions.


ENERGY: CCST REPORT ON CALIFORNIA "FRACKING" RELEASED

On January 14, 2015, the California Council on Science and Technology (CCST) released the first of three volumes assessing well stimulation, including hydraulic fracturing, in a report entitled "Well Stimulation Technologies and their Past, Present, and Potential Future Use in California." The three-volume study is required under SB 4 (Pavley) of 2013 in order to determine the risks and benefits of well stimulation technologies in the state. CCST is a nonpartisan, not-for-profit corporation established in 1998 via a unanimous vote in the California Legislature.

Well stimulation enhances oil and gas production by increasing the permeability of reservoir rocks. Hydraulic fracturing, also known as fracking, uses a high-pressure fluid in a well to create fractures in the rock and then props the fractures open by injecting sand so they remain permeable after the high pressure ceases. Hydraulic fracturing has been the main type of well
stimulation used throughout the state. Available data suggest that present-day hydraulic fracturing practices in California are different from other states such as Texas and North Dakota, primarily because of differences in the geology of the petroleum reservoirs. Consequently, the practices and impacts of hydraulic fracturing in other states do not directly apply to current hydraulic fracturing in California.

California produces only one-third of the petroleum it consumes. The study finds that hydraulic fracturing has facilitated about 20% of oil and gas production in California since 2001. The majority of the state's hydraulic fracturing, 96%, occurs in the southwestern portion of the San Joaquin Basin. Most natural gas reservoirs and offshore production take place without hydraulic fracturing.

Volumes II and III will be released in July 2015.

The full report and executive summary can be viewed at:

STATE BUDGET: LAO RELEASES OVERVIEW REPORT ON 2015-16 BUDGET

The California Legislative Analyst's Office (LAO) released the "2015-2016 Overview of the Governor's Budget" on Tuesday, January 13, 2015. The budget package proposes $158.8 billion of spending, $113.2 billion from the General Fund and $45.5 billion from Special Funds. The Administration projects to end 2015-2016 with $3.4 billion in total reserves, including $2.8 billion in the Budget Stabilization Account and $532 million in the state's traditional budget reserve. The Governor's budget plans to pay down state debt, invest in education, navigate federal uncertainty in health and human services, and allocate resources for environmental protection.

As proposed, the plan would pay down the remaining $992 million in school and community college deferrals, provide an additional $4 billion for K-12 Local Control Funding, and increase base funding by $119 million for the California State University and the University of California. K-12 Proposition 98 funding would increase $640, or 7.2 percent, per pupil.

The Health and Human Services aspect of the budget is subject to uncertainty due to recent federal actions, such as new labor regulations for In-Home Supportive Services (IHSS) and Department of Developmental Services (DDS) workers and the Executive Actions on Immigration, which could newly qualify some undocumented immigrants for state Health and Human Services Agency (HHS) programs like Medi-Cal. The budget proposes 2015-16 Medi-Cal spending of $18.6 billion from the General Fund, a 4.3 % increase over revised 2014-15 spending, and assumes a Medi-Cal caseload of $12.2 million.

In terms of environmental protection, the budget would allocate $532.5 million of the Proposition 1 water bond passed by the voters in 2014, assume $1 billion of cap-and-trade auction revenues, and spend $115 million ($93.5 million General Fund) for drought response.

The state's retiree health liability is the largest remaining unaddressed liability. The governor proposes to address the issue through bargaining.

For the complete LAO report, please visit:

ENVIRONMENT: CCST RELEASES CARBON CAPTURE REPORT

On January 9, 2015, the California Council on Science and Technology released a report entitled, "Electricity from Natural Gas with CO2 Capture for Enhanced Oil Recovery: Emission accounting under Cap-&-Trade and LCFS." California's target is to reduce greenhouse gas emissions by 80% below 1990 levels by 2050, which largely depends upon CO2 capture and storage (CCS). The CCS
process captures waste carbon dioxide from gas-fired power plants before it is released into the atmosphere. The report evaluates energy systems that sell the captured CO2 into an enhanced oil recovery market, where the captured CO2 is used for CO2 enhanced oil recovery (CO2-EOR). CO2-EOR is used in the production of crude oil to inject carbon dioxide into an oil field in order to facilitate oil recovery. It is just one of the technologies identified as carbon capture utilization and storage (CCUS).

According to the report summary, "CCUS appears to advance the public interest through the joint effects of: (I) delivering near term reductions in aggregate emissions and fuel CI (carbon intensity); (ii) building technology, infrastructure, and management systems to advance long term policy objectives; and (iii) supporting established climate policy frameworks." However, the report also identifies regulatory uncertainties, such as credit allocation under the state's cap-&-trade program for CCUS that requires participation across several industries, including natural gas suppliers, power plants, crude oil producers, and refineries. Additional concerns, such as "double counting" under cap-&-trade and low carbon fuel emission standards are also addressed in the report.


**RESOURCES: LAO EXAMINES STATE GOALS FOR SACRAMENTO-SAN JOAQUIN DELTA**

On January 15, 2015, the Legislative Analyst's Office (LAO) released a report entitled "Achieving State Goals for the Sacramento-San Joaquin Delta." Nearly one-quarter of the state's cropland is irrigated with Delta water, and 25 million Californians (about two-thirds of the state's population) rely on Delta water for part or all of their drinking water, particularly in Southern California. Additionally, the Delta supports 700 species of fish and wildlife important to the biodiversity of the region.

While the Legislature has expressed the importance of maintaining water supply reliability and ecosystem restoration, these coequal goals raise additional issues for legislative consideration.

"The Delta faces several significant problems, including (1) declining health of the Delta's ecosystem, (2) restrictions on water supply, (3) worsening water quality, and (4) the failure of Delta levees," explains the report. In order to address the concerns, the study explores various opportunities for legislative consideration, including the uncertainty of funding sources, analysis of competing demands for water, and other issues.

For a full copy of the report, please visit: [http://lao.ca.gov/Publications/Detail/3158](http://lao.ca.gov/Publications/Detail/3158).