



THE CALIFORNIA INSTITUTE FOR FEDERAL POLICY RESEARCH

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California Capitol Hill Bulletin

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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.

ENERGY: HOUSE ENERGY EXAMINES MODERNIZING ENERGY & ELECTRICITY DELIVERY SYSTEMS

The Energy Subcommittee of the House Energy and Commerce Committee held a hearing on Wednesday, February 15, 2017 to explore the topic of "Modernizing Energy and Electricity Delivery Systems: Challenges and Opportunities to Promote Infrastructure Improvement and Expansion." The hearing consisted of two panels of witness testimony, each followed by questions and answers. The first panel included: Lonnie Stephenson, International President of the International Brotherhood of Electrical Workers; Ganesh Bell, Chief Digital Officer and General Manager of Software and Analytics at General Electric; Michael Howard, President and CEO of the Electric Power Research Institute; and Steve Hauser, CEO of the GridWise Alliance. The second panel included: Terry O'Sullivan, General President of Laborers' International Union of North America; Rex Ferry, Owner and CEO of VEC Inc. testifying on behalf of the National Electric Contractors Association; Kim Kann, Citizen; Chad Harrison, Councilman at Large of the Standing Rock Sioux Tribe; and Joey Mahmoud, Project Director of the Dakota Access Pipeline .

The hearing was held to evaluate barriers toward the modernization of energy infrastructure in the U.S. During his opening statement, Subcommittee Chairman Fred Upton (MI) spoke about the nation's aging energy infrastructure and other challenges such as changes in our portfolio of energy sources and bottlenecks in the energy transportation system.

The first panel focused on the need to modernize the electric grid and develop solutions to strengthen security, improve efficiency, and reduce costs. Most individuals on the panel spoke about the need for a modernized or "smart" grid that integrates a myriad of distributed resources requiring a two-way flow of power, an increase in sensors that enable increased information, and communications to facilitate management and optimization of the grid. Mr. Howard emphasized that technology, policy, regulation, and business models must all advance together in order to realize

CONTENTS:	
Energy: House Energy Examines Modernizing Energy & Electricity Delivery Systems.	1
Endangered Species: Senate Looks Into Modernizing ESA.	2
Energy: House Science Subcommittees Review DOE Loan Guarantee Program.	3
Disaster Preparedness: House Homeland Security Subc. Examines FEMA.	4
Demographics: House Subcommittee Assesses "The Geography of Poverty".	5
Justice: House Subcommittee Looks At Juvenile Justice Reform.	6
Social Programs: House Agriculture Examines SNAP Issue.	7
Environment: House Energy Subcommittee Looks At Environmental Laws.	8

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such an integrated energy network. Mr. Bell spoke in his testimony about impediments to this vision such as a shortage of technical talent in the workforce and the grid's vulnerability to cybersecurity threats, but noted that neither should stop work toward the goal of a smart grid.

The second panel focused on the need to modernize our transportation, storage, and distribution infrastructure, including pipelines. Mr. Ferry testified about the need for a national energy plan that addresses energy needs, ensures energy independence, and grows the economy. He hopes Congress will enact "a comprehensive energy strategy that promotes development of all available energy resources including upgrading and modernizing transmission lines, increasing domestic oil, expanding natural gas exploration, investing in nuclear power, and further investments in clean and renewable energy sources." However, he noted several challenges in his testimony including transportation challenges, regulatory burdens, and access to credit. Mr. O'Sullivan, representing the Laborer's International Union of North America, spoke about how investing in energy infrastructure creates quality jobs.

The second panel also included various perspectives relating to the Dakota Access Pipeline project.

For the full hearing, please see:
<https://energycommerce.house.gov/hearings-and-votes/hearings/modernizing-energy-and-electricity-delivery-systems-challenges-and> .

ENDANGERED SPECIES: SENATE LOOKS INTO MODERNIZING ESA

On Wednesday, February 15, 2017, the Senate Environment and Public Works Committee held a hearing on the "Modernization of the Endangered Species Act." Witnesses included: the Honorable David D. Freudenthal, former Governor of the State of Wyoming;

Mr. Gordon Myers, Executive Director of the North Carolina Wildlife Resources Commission and President of the Southeastern Association of Fish and Wildlife Agencies; Mr. James Holte, President of the Wisconsin Farm Bureau Federation; Ms. Jamie Rappaport Clark, President and CEO of Defenders of Wildlife; and the Honorable Daniel M. Ashe, President and CEO of the Association of Zoos and Aquariums. The hearing was held to examine potential revisions of the Endangered Species Act (ESA) from the perspective of several stakeholders.

Mr. Freudenthal testified that, while he shares a general unease with the federal government, "protection of endangered or threatened species is an appropriate and necessary role for the federal government." The initial ESA granted broad authority to the executive branch. However, over time, he said, the mix of regulations, court decisions, policy guidance, and agency actions has morphed the ESA into a "nearly unworkable system." His testimony included several examples of specific cases as well as recommendations for ESA reform.

Mr. Myers provided six improvements to the ESA that are a priority to the Association of Fish and Wildlife Agencies. Among them are: increasing the opportunities for state fish and wildlife agencies to take a more formal and active role in ESA implementation; restoring the distinction between threatened and endangered species; and adjusting the listing process decisions to a more

realistic time frame in order to appropriately utilize the best available science and improving the quality of petitions submitted that should also reflect the best available science. Mr. Myers also advocated for requiring teams to develop science-based recovery plans for listed species. The fifth recommendation highlighted during his testimony was relocating critical habitat designation to recovery plan development and giving the Secretary more discretion to designate or not designate critical habitat. Finally, Mr. Myers advocated for more specificity and flexibility in the delisting process to alleviate lengthy and unnecessary burdens on local communities.

Mr. Holt spoke about the gray wolf, a species protected by the ESA, and the impact it has on farms in Wisconsin. He believes that ESA reforms should include a focus on species recovery and habitat conservation that respects landowners and prioritizes basic human needs over those of endangered species.

Ms. Rappaport Clark emphasized in her testimony her belief that the ESA is not broken and does not need to be fixed or modernized. She believes that the ESA is already flexible and that administrative reforms have only made it work better. She noted that fully funding the ESA is the most important step toward improving its effectiveness.

Mr. Ashe said that the Association of Zoos and Aquariums and its members fully support the ESA. He discussed the role of zoos and aquariums in helping bring several species back from the brink of extinction as well as inform the public of the need for conservation. He believes that the agencies responsible for carrying out the mandates of the ESA should receive the necessary funding, human resource capacity, and regulatory flexibility to succeed in their mission.

To watch the full hearing, visit:

<https://www.epw.senate.gov/public/index.cfm/hearings?ID=72694EEF-F5BB-40CC-A382-1E8B6F7CA28C> .

ENERGY: HOUSE SCIENCE SUBCOMMITTEES REVIEW DOE LOAN GUARANTEE PROGRAM

On Wednesday, February 15, 2017, the Subcommittee on Energy and Subcommittee on Oversight of the House Science, Space, and Technology Committee held a joint hearing on "Risky Business: The DOE Loan Guarantee Program." Witnesses at the hearing included Diane Katz, Senior Research Fellow in Regulatory Policy in the Heritage Foundation's Thomas A. Roe Institute for Economic Policy Studies; Chris Edwards, Director of Tax Policy Studies at the Cato Institute; Dan Reicher, Executive Director of Stanford University's Steyer-Taylor Center for Energy Policy and Finance; and Ryan Yonk, Assistant Research Professor in the Department of Economics and Finance and Research Director of the Institute of Political Economy at Utah State University. The hearing was held to review the efficacy of and need for the Department of Energy's (DOE) Loan Guarantee Program established by the Energy Policy Act of 2005. The loan program was designed to provide federal support to high-risk, innovative, clean energy technology.

Mr. Reicher believes that "the [loan guarantee program] is carrying out its Congressionally-directed mission very capably, both helping to commercialize important energy and transportation technologies and managing the related investment portfolio successfully." In addition, he notes the need for such assistance due to the fact that the Chinese government and private sector have a well-organized plan to dominate the energy technology industry. In doing so, China will gain the ability to impose their economic and environmental beliefs on other countries. There are several emerging areas of need for loan guarantee support, according to Reicher's testimony, such as electricity transmission and storage projects, carbon capture and storage projects, advanced

transportation vehicle manufacturing, and advanced nuclear technologies. He also said that the program is effective, citing its roughly two percent loss ratio, which is "less than just about every U.S. money center bank."

Ms. Katz argued in her testimony that, "with a market cap exceeding \$573 billion, Google does not need government loan guarantees from the Department of Energy. Ford Motor Company, with a market cap of \$50 billion, does not need government loans from the Department of Energy." These examples illustrate her point that the DOE finances projects through the loan guarantee program that benefit wealthy investors and industry titans, who do not need the assistance in her opinion. She also stated that some government loans extend 40 years and the growing burden of federal credit will affect generations to come without their consent. Katz also said that this sort of loan guarantee program often creates distortions in the market and does not deliver on intended benefits.

Along the same lines, Mr. Edwards testified that spending on applied energy technologies should be left to the private sector, and that tax reform would spur investment in both the conventional and renewable energy industries. Mr. Yonk believes that the DOE loan guarantee program has been used as a political tool, exposed taxpayers to unnecessary risk, diverted funding from alternative clean energy investments, and primarily benefitted large, politically connected corporations.

For the full hearing, please see:

<https://science.house.gov/legislation/hearings/joint-energy-subcommittee-and-oversight-subcommittee-hearing-risky-business-doe> .

DISASTER PREPAREDNESS: HOUSE HOMELAND SECURITY SUBC. EXAMINES FEMA

On Tuesday, February 14, 2017, the House Homeland Security's Subcommittee on Emergency Preparedness, Response, and Communications held a hearing entitled, "The Future of FEMA: Stakeholder Recommendations for the Next Administrator." Witnesses included: Captain Chris A. Kelenske, Deputy State Director of Emergency Management and Homeland Security at the Michigan State Police testifying on behalf of the National Governors Association; Chief John Sinclair, President and Chair of the Board at International Association of Fire Chiefs (IAFC); and Richard F. Bland, National Director of Policy, Advocacy and Development at Save the Children.

Captain Kelenske testified that the next FEMA Administrator should: embrace states as partners in emergency management; align investments to better match current threats, hazards, and capability gaps; and embrace innovative approaches for future policy development. Captain Kelenske also spoke during his testimony about several key areas that will require innovative solutions from FEMA, including cyber security and the disaster relief fund.

Chief Sinclair began by describing the challenges currently facing FEMA such as the increasing cost and variety of disasters the nation faces. From the perspective of the International Association of Fire Chiefs, he said, FEMA will need to respond with efforts to improve information sharing, strengthen the National Preparedness System, support federal efforts to improve public safety communications, and support mitigation efforts. Chief Sinclair also spoke about the need to nominate an individual with experience in fire and emergency service or emergency management disciplines to lead FEMA.

Mr. Bland described a report titled, "Still at Risk: U.S. Children 10 Years After Hurricane Katrina," which is an assessment of the disaster preparedness specifically related to children that

was created by the National Commission on Children and Disasters. The report is not limited to responses by FEMA and contains 11 chapters and 81 recommendations. At this time, Mr. Bland noted that nearly 80 percent of the recommendations in the report have not yet been met. Additionally, he stated that less than a tenth of one percent of all federal preparedness grants (one cent out of every \$10) go to children's safety.

Representatives questioned witnesses about topics relating to additional FEMA needs, technological adaptations, and the inclusiveness of disaster relief efforts such as planning for individuals with disabilities.

For more information, please see <https://homeland.house.gov/hearing/future-fema-stakeholder-recommendations-next-administrator/> .

DEMOGRAPHICS: HOUSE SUBCOMMITTEE ASSESSES “THE GEOGRAPHY OF POVERTY”

The Human Resources Subcommittee of the House Ways and Means Committee held a hearing on Wednesday, February 15, 2017 entitled "The Geography of Poverty." Individuals testifying included: Elizabeth Kneebone, Fellow at the Brookings Institution; Mark Partridge, Professor of the Department of Agricultural, Environmental, and Development Economics at The Ohio State University; William Leavy, Executive Director of the Greater West Town Project; Linda Thomas, Director of Client Services of the Greater West Town Project; and Tammy Slater, CEO of Goodwill Industries of Greater Nebraska. The hearing was held to explore the challenges of poverty across the country as the first step in addressing the issue with solutions.

Ms. Kneebone testified about trends she has seen in her research relating to poverty. She stated that, "In 2015, the most recent year for which we have data, 43.1 million people (or 13.5 percent of the population) were poor. Even after years of a sustained economic expansion, that number remains 5.8 million higher than before the recession began in 2007, and 11.5 million more than in 2000." Although poverty is often associated with large urban centers or rural communities, the poor population in smaller metropolitan areas grew at double the pace of the urban and rural poor populations between 2000 and 2015. Additionally, suburbs accounted for 48 percent of the total increase in the poor population during that time period. The issue of poverty, she concluded, is no longer one of only rural and urban areas.

Both Mr. Partridge and Ms. Slater testified about poverty trends in rural America and ways in which they believe the effects of poverty can be reduced. Mr. Partridge believes that economic development policies targeted toward rural communities should fall in one of two categories. The first is people-based, which directly supports poor people through education, training, or relocation grants. The second category is place-based, which provides places that have a high share of poor people with aid, such as infrastructure development and industry attraction mechanisms. Mr. Partridge believes that a mixture of several approaches should be used including "supporting more rural entrepreneurship, attracting families in their 30s and 40s to enjoy rural lifestyles, supporting regional collaboration, and implementing modestly-funded federal-state development organizations." Ms. Slater said that organizations have found success when they identify community assets, evaluate specific community needs, and customize solutions accordingly.

Mr. Leavy and Ms. Thomas spoke about the impact of poverty in urban communities and their experience using community-based job training to combat it. Their Chicago-based organization serves a disproportionate number of African American men, Mr. Leavy said. The Bureau of Labor Statistics reported in October 2013 that unemployment for Black men in Chicago stood at 24.5

percent, well over twice the rate for Latino men (11.1 percent); and three times the rate for White men (7.8 percent). Ex-offender status and lack of high school diploma are also factors for many of the individuals the organization serves. In spite of these challenges, the organization's job training programs consistently place 90 percent of graduates in quality full-time jobs, according to Leavy's testimony.

For the full hearing, visit:

<https://waysandmeans.house.gov/event/hearing-geography-poverty/> .

JUSTICE: HOUSE SUBCOMMITTEE LOOKS AT JUVENILE JUSTICE REFORM

The House Education and the Workforce Committee's Subcommittee on Early Childhood, Elementary and Secondary Education held a hearing on Wednesday, February 15, 2017 entitled, "Providing Vulnerable Youth the Hope of a Brighter Future Through Juvenile Justice Reform." At the hearing, committee members heard testimony from: Ms. Meg Williams, Manager of the Office of Adult and Juvenile Justice Assistance Division of Criminal Justice at the Colorado Department of Public Safety; Chief Patrick J. Flannelly, Chief of Police at the Lafayette Police Department; the Honorable Denise Navarre Cubbon, Judge at the Lucas County Juvenile Division; and Mr. Matt Reed, Executive Director of Safe Place Services at the YMCA of Greater Louisville.

In his opening statement, Chair Todd Rokita (IN) emphasized the scope of the juvenile justice system. He said, "Today, more than one million young men and women across the country are involved in the juvenile justice system. That includes children as young as ten all the way to those on the cusp of adulthood." He also noted that number does not include the countless others who are at risk of becoming involved with the system because of circumstances such as poverty, homelessness, or difficulties at home. The hearing was held, he said, to begin considering what steps Congress can take to help state and local leaders better serve vulnerable youth in their communities.

Ms. Williams testified that the federal government should understand that many federal agencies and organizations should be involved in juvenile justice through such things as health and human services, substance abuse and mental health services, work force development, and education. These partnerships, as well as an updated national vision for juvenile justice, are vital to success in the field, she stated.

Chief Flannelly spoke about juvenile recidivism, citing past studies that have shown that if a youth 14 years old or younger becomes a second-time offender, their likelihood of future encounters with law enforcement spikes to 77 percent. He said that this cycle damages public safety and drains public resources. In an attempt to combat this cycle, Indiana reallocated funding away from detention facilities and into community-based alternative programs. These programs engage the family, reassert personal responsibility, and coach parents in skills they need to change the young person's behavior. Research has shown, Flannelly said, that effective community-based alternatives to detention for low- or moderate-risk youth can significantly reduce the likelihood that the youth will get into trouble again. He believes that confinement should be reserved only for a small segment of juveniles who pose a public safety threat and cited a study that backs up that belief with efficacy research. Chief Flannelly also said that alternative programs are more cost-effective than confinement, which costs an average of \$88,000 per juvenile per year. The two Indiana programs he described save the public an average of \$16,000 and \$27,000 per youth treated.

Judge Navarre Cubbon spoke about her view from the bench and practices she believes reduce recidivism and enable youth to grow into productive members of their communities. She referenced cognitive research that shows that the human brain is not fully developed until age 25. Therefore, she believes that while young people may be guilty of committing offenses, "they should

be given the kinds of services that are appropriate to help them make changes in their lives, whether it is cognitive or family therapy, partnering with a meaningful adult, getting special education services, or addressing the causes and effects of trauma."

To watch the full committee hearing, visit the committee website at:
<http://edworkforce.house.gov/calendar/eventsingle.aspx?EventID=401263> .

SOCIAL PROGRAMS: HOUSE AGRICULTURE EXAMINES SNAP ISSUE

On Thursday, February 16, 2016, the House Agriculture Committee held a hearing on "Pros and Cons of Restricting SNAP Purchases." Witnesses included: Dr. Angela Rachidi, Research Fellow of Poverty Studies at the American Enterprise Institute; Dr. Diane Whitmore Schanzenbach, Director of the Hamilton Project and Senior Fellow of Economic Studies at the Brookings Institution; Ms. Leslie Sarasin, CEO of the Food Marketing Institute; Mr. John Weidman, Deputy Executive Director of the Food Trust; and Dr. Brian Wansink, Director of the Cornell University Food and Brand Lab.

Dr. Rachidi asked the Committee to support demonstration projects that test whether a sweetened beverage restriction in SNAP can improve the health of SNAP recipients. She stated that obesity and related health problems remain one of the most challenging public health issues of our time and a demonstration project to test a sweetened beverage restriction in SNAP could help support evidence-based policymaking.

Dr. Whitmore Schanzenbach stated her belief that additional restrictions on SNAP purchases will undermine the effectiveness and the efficiency of the program itself. Her research suggests that additional SNAP restrictions: "will be difficult to structure in practice, will be inefficiently targeted, and in many cases, such as a proposed ban of the purchase of soft drinks or sweetened beverages, would be unlikely to change consumption patterns." She believes that there are better policy options to promote healthy eating patterns.

Ms. Sarasin spoke about the logistical challenges of the SNAP transactional process from a food retail perspective. Specifically, she said, "Not only do such limitations appear incongruous to the policy positioning of a program designed to provide temporary assistance addressing hunger considerations, but they also would prove an administrative nightmare, increasing the cost of acceptance and slowing down checkout lines in an industry that historically has experienced only just more than a 1% profit margin and in which every second of delay affects profitability and ultimately the number of associates that can be hired and the prices in a store."

Mr. Weidman described and advocated for incentives that could encourage SNAP participants to try healthier food and that make healthier choices more affordable. He said that there is not a single solution to prevent diet-related diseases; however, a comprehensive approach that combines access, nutrition education, and SNAP incentives holds the most promise for success.

Dr. Wansink spoke about the behavioral science behind restrictions and incentives in programs like SNAP. He believes there is only one segment of SNAP participants that will change their eating habits based on new restrictions or incentives. For targeting that segment, he provided two suggestions. The first would be to provide SNAP participants with the choice between receiving unrestricted benefits or receiving an additional 25 percent of benefits, but with health restrictions on all of their SNAP benefits. The second proposal would be to work with retailers to show them how they can be even more profitable by making it convenient, attractive, and normal for SNAP participants to shop healthier.

For further information, please visit:
<http://agriculture.house.gov/calendar/eventsingle.aspx?EventID=3644> .

ENVIRONMENT: HOUSE ENERGY SUBCOMMITTEE LOOKS AT ENVIRONMENTAL LAWS

On Thursday, February 16, 2017, the House Energy and Commerce Committee's Environment Subcommittee held a hearing on "Modernizing Environmental Laws: Challenges and Opportunities for Expanding Infrastructure and Promoting Development and Manufacturing." Witnesses at the hearing were: Mr. Ross E. Eisenberg, Vice President of Energy and Resources Policy at the National Association of Manufacturers; Ms. Emily Hammond, Professor of Law at George Washington University Law School testifying on behalf of Center for Progressive Reform; Ms. Melissa Mays, Founder of Water You Fighting For?; the Honorable Jonathan F. Mitchell, Mayor of New Bradford, Massachusetts; Mr. Thomas M. Sullivan, Vice President of Small Business Policy at the U.S. Chamber of Commerce; and Mr. Kevin Sunday, Director of Government Affairs at the Pennsylvania Chamber of Business and Industry.

The hearing was held to examine challenges and opportunities for expanding infrastructure, economic redevelopment, and manufacturing by modernizing certain environmental statutes in the Subcommittee's jurisdiction, including the Clean Air Act, and the Brownfields provisions of the Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA).

Mr. Eisenberg testified that we are operating largely with policies designed to address the environmental challenges of a previous era. When agencies try to adapt laws written in the 1960s and 1970s to modern-day problems, they risk imposing requirements that are not legally justifiable, he said. He also spoke about the burden of regulation and said that several recent regulations threaten to set records for their compliance costs.

Ms. Hammond testified about the ways in which environmental laws have strengthened the country. Even economically, she stated, the environmental laws make sense. According to her testimony, the Office of Management and Budget reported that "from 2004 through 2014, the economic benefits of all of EPA's major rules exceeded the costs by a ratio of nearly 21 to 1." Additional benefit derives from better health and therefore productivity of citizens who can breathe clean air. She also discussed the White House's January 30, 2017 Executive Order on Reducing Regulation and Controlling Regulatory Costs, known as the "Two-for-One Order." She said that the policy is arbitrary and appears to direct agencies to count regulatory costs but not benefits.

Ms. Mays described her experience as a resident of Flint, Michigan during the water crisis. She illustrated through her testimony that there is a high human cost of neglecting infrastructure and employing weak environmental laws. It is vital, she said, that we update, strengthen, and enforce environmental regulations.

Mayor Mitchell focused his testimony on the reauthorization of the Brownfields Law and recommendations for improving the law. Mr. Sullivan testified about the Regulatory Flexibility Act and the importance of preventing "one-size-fits-all" federal mandates. Mr. Sunday provided several recommendations for reforms to the Clean Air Act such as encouraging performance-based approaches that reward states and industry for attaining air quality goals.

For the full hearing, see:
<https://energycommerce.house.gov/hearings-and-votes/hearings/modernizing-environmental-laws-challenges-and-opportunities-expanding> .