



## THE CALIFORNIA INSTITUTE FOR FEDERAL POLICY RESEARCH

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# California Capitol Hill Bulletin

**Volume 10, Bulletin 14 – May 15, 2003**

*To expand communications between Washington and California, the California Institute provides periodic faxed bulletins regarding current activity on Capitol Hill which directly impacts our state. Bulletins are published weekly during sessions of Congress, and occasionally during other periods. The e-mail edition is made possible in part by in-kind contributions from Sun Microsystems and IBM Corp.*

### DELEGATION LETTER CIRCULATING SUPPORTING SCIENCE FUNDING

Reps. David Dreier (San Dimas) and Adam Schiff (Burbank) are circulating for signature a letter to Chair Don Young (AK) and Ranking Member David Obey (WI) of the House Appropriations Committee urging increased funding for the nation's science portfolio.

Citing the importance of the National Science Foundation (NSF), the National Aeronautics and Space Administration (NASA), the Department of Energy Office of Science (DOE), and the National Institutes of Health (NIH) to science research and exploration and homeland security, the letter urges that sufficient funding be provided in the FY04 appropriations to enable substantial increases for these agencies. The letter commends the increases in funding for biomedical and other science programs over the last several years, but states that increased funding for the physical sciences (chemistry, mathematics, physics, astronomy, and space exploration) are as essential to the nation's technological needs.

Members wishing to sign the letter should contact (ASAP) Pamela Franklin in Rep. Adam Schiff's office at 5-4176 or Todd Gillenwater in Rep. Dreier's office at 5-2305.

### RESOLUTION NAMING SPACE SCIENCE LEARNING CENTER IN CALIFORNIA GARNERS NEAR UNANIMOUS SUPPORT

Reps. Lucille Roybal-Allard (Los Angeles) and Dana Rohrabacher (Huntington Beach) have gathered nearly every California Member of Congress as a cosponsor for a resolution honoring the Columbia astronauts and supporting creation of a space science learning center at a closed manufacturing facility in Southern California. The former Rockwell International aerospace plant in Downey manufactured the space shuttle fleet, including both the Challenger and the Columbia.

The text of the resolution states that the space science learning center in Downey "should be designated as the Columbia Memorial Space Learning Center as a living memorial to the seven Columbia

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astronauts who died serving their country in the name of science and research; and the Federal Government should, along with public and private organizations and persons, continue to cooperate in the establishment of such a Center." Former Rep. Steve Horn had secured \$4 million in federal funding for the project during his tenure in the House.

Offices of Members wishing to sign on to the resolution should contact Victor Castillo with Rep. Roybal-Allard (5-1766) or Ruben V. Mitchell with Rep. Rohrabacher's Space Subcommittee (5-7858). Introduction is expected early next week.

## **MINETA TESTIFIES AT HOUSE HEARING REGARDING ADMINISTRATION'S SAFETEA PROPOSAL TO REAUTHORIZE TEA-21 TRANSPORTATION LAW**

On Thursday, May 15, 2003, U.S. Department of Transportation Secretary Norman Y. Mineta testified before the House Subcommittee on Highways, Transit and Pipelines regarding the Administration's proposal for reauthorization of the nation's highway and transit laws. The proposal, dubbed SAFETEA (the Safe, Accountable, Flexible, and Efficient Transportation Equity Act of 2003) had been provided to Congress the day before.

The proposal would provide \$201 billion for highway and safety programs and nearly \$46 billion for transit programs during the 6-year period from FY 2004 through FY 2009. It would replace TEA-21 (the Transportation Equity Act for the 21st Century), which will expire on September 30, 2003. Commenting that the proposal represents essentially level funding from TEA-21 levels, Subcommittee Chairman Tom Petri (WI) said that funding in the bill is inadequate and that \$375 billion would be a more appropriate 6-year spending level. Ranking Member William Lipinski agreed, and recalled comments by President Ronald Reagan outlining the value of increasing investments via gas taxes.

Secretary Mineta noted that the funding level was a historical high, and that the bill provided a greater federal focus on highway safety, doubling funding for safety programs. He also noted the proposal's prioritization of congestion, freight movement, and intermodal connectivity matters. He commented that, "Our proposal boosts investment in the nation's transportation system in a fiscally responsible manner." The Secretary concluded his comments by stating that the Administration "is committed to enacting a multiyear reauthorization bill this year." A number of key players have suggested the possibility of temporarily extending funding and then enacting a full bill at a later time.

Transportation & Infrastructure Committee Chairman Don Young (AK) commented that he supports a number of points in the Administration's bill, including the emphasis on moving freight through ports. Chairman Young, in comments later echoed by Rep. Earl Blumenauer (OR), also countered that while total funding appears to be slated for increase, the actual purchasing power of the funds is down. Rep. Nick Rahall (WV) expressed concern that the proposal to convert a number of programs to block grants will mar the original focus of the programs.

Rep. Ellen Tauscher expressed concern about the proposal to reduce the federal share of the New Starts transit program from 80 percent to 50 percent. She also urged incentives to reward supermatching counties (those that provide more than the minimum local matching funds for transit projects), and she urged revisions regarding operation of TIFIA for infrastructure financing. Secy. Mineta commented that the bill allows for state infrastructure banks (SIBs) and private activity bonds to deal with those needs.

Mineta noted that the Borders & Corridors program would be maintained. Federal Highway Administrator Mary Peters noted that the bill separates the Borders & Corridors program into two programs, and noted the existence of \$47 million committed for work on the nation's Southern borders.

Full Committee Ranking Member James Oberstar (MN) recalled that Mineta himself, working with the late Sen. Daniel Patrick Moynihan, created ISTEA, the initial system to boost the nation's focus on highway and transit funding. However, he lamented that the SAFETEA proposal is "inadequate" and

does not go far enough in funding. He emphasized a need to recapture lost highway trust fund (HTF) revenues that result from the favorable gas tax treatment given ethanol, and he also advocated "recapturing" funds by raising tax levels to compensate for the recent inflation-related decline in relative tax rates. He added, "if we can't get that done this year, then we should wait until next year and let the congestion and frustration build."

Rep. Oberstar also commented that, "the Alameda Corridor has been a boon to the Ports of Los Angeles and Long Beach, but it has been the death of Riverside." He noted that 30 trains per day use to run through the inland empire area before construction of the Alameda Corridor, but now that number has risen to 80 trains, and the average train has more cars now as well. In response, Rep. Oberstar advocated a bond scheme to benefit major projects -- those of \$2-3 billion or more in size. Advocating the Committee's expanded approach, he concluded, "But a \$37 billion per year proposal won't get us there, while a \$56-70 billion per year proposal will."

For details regarding the hearing, as well as a link to Secretary Mineta's testimony, see <http://www.house.gov/transportation/> .

### **ADMINISTRATION'S HIGHWAY AND TRANSIT BILL UNVEILED**

The Bush Administration's highway and transit reauthorization bill, SAFETEA (Safe, Accountable, Flexible, and Efficient Transportation Equity Act of 2003), would provide \$201 billion for highway and safety programs and \$46 billion for transit programs over six years. The bill would maintain the existing funding formulas for the Interstate Maintenance program, the National Highway System (NHS) program, and the Surface Transportation Program (STP), although it would make a few changes to set-asides for STP. The bill would retain the existing 90.5 percent rate of return in the minimum guarantee program.

In addition, the Department of Transportation reports that the bill "eliminates most discretionary highway grant programs and makes these funds available under the core formula highway grant programs." It adds, "States and localities have tremendous flexibility and certainty of funding under the core programs. Unfortunately, Congressional earmarking has frustrated the intent of most of these discretionary programs, making it harder for States and localities to think strategically about their own transportation problems."

The proposal would also restructure transit programs so that they fall into three primary areas, urbanized area formula grants (include the current formula grants and Fixed Guideway Modernization funds); Major Capital Investments (merging New Starts with non-fixed guideway corridor improvements, such as Bus Rapid Transit); and State Administered Programs, including the Rural, Elderly and Disabled, Job Access and Reverse Commute, and New Freedom Initiative programs. The Job Access and Reverse Commute and New Freedom Initiative programs would become a formula grant program. Discretionary transit funds would also be eliminated, rolling funding into formula and competitive grant accounts.

The Administration's proposal would change the formula for the Congestion Mitigation and Air Quality Improvement Program (CMAQ) to include areas with poor air quality due to particulate matter (PM). The Environmental Protection Agency is expected to designate "fine PM" areas (those exceeding maximum thresholds for particulate matter greater than 2.5 microns) in 2004. The new formula factor would be weighted in the same manner as is ozone in the current CMAQ formula. In 2002, California received \$292 million (or 21.3%) of the nation's \$1.4 billion in CMAQ spending. The state is likely to continue to receive a similar share of funds if the PM 2.5 factor is added. In addition, the proposal would stop adding future carbon monoxide (CO)-related funding for areas that are not part of a CO nonattainment or maintenance area.

The Administration proposes a new stand-alone program for Highway Safety Improvement, and it proposes \$1 billion per year in 2004, rising to \$1.5 billion in 2009. The funding formula would be identical to that for the STP, of which California received 9.6 percent in FY 2002.

For details regarding the Administration's SAFETEA bill, see the FHWA website's reauthorization page at <http://www.fhwa.dot.gov/reauthorization/safetea.htm> . For tables of nationwide funding levels proposed, see [http://www.fhwa.dot.gov/reauthorization/safetea\\_funding.htm](http://www.fhwa.dot.gov/reauthorization/safetea_funding.htm) .

## **WATER AND POWER SUBCOMMITTEE EXAMINES CALFED BUDGET**

The Water and Power Subcommittee of the House Resources Committee held a hearing on Thursday, May 15 to examine the cross-cut budget for the CALFED Bay-Delta water restoration project. The cross-cut budget, prepared by the Office of Management and Budget, details the federal, state, and local resources expended on CALFED and compares the total amounts spent on various program elements, such as water storage and ecosystem restoration over the last several years.

In his opening remarks, Subcommittee Chair Ken Calvert (Corona) pointed out that the cross-cut budget will help Congress understand the federal and state cooperation and coordination occurring in the CALFED process, and serve as a valuable tool for other multi-governmental projects, such as the Klamath Basin. Ranking Member Grace Napolitano (Norwalk) expressed concern over the Administration's support for the CALFED Record of Decision (ROD) because of statements that the Department of the Interior supported it "in concept." She also expressed concern over the proposed reductions in the Title XVI Reclamation Projects. During the hearing, she requested that Interior provide a report on the amount of new water that would be yielded through the anticipated water storage projects, and also on the amount of new water yield created through recycling

Jason Peltier, Special Assistant to the Assistant Secretary of the Interior, testified for the Administration. He detailed the federal, state, and local investments that have been made in the CALFED program over the last several years. For example, he pointed out that funding for ecosystem restoration has been \$249 million, that for drinking water \$35 million and for storage \$27 million. He stated that the cross-cut budget will allow Interior and other agencies to better coordinate the funding and implementation of CALFED projects, so that they can move ahead in a balanced manner. He also pointed out that although Interior is not a voting member of the CALFED governance authority, it is actively involved at every stage of the process while it awaits congressional reauthorization of the Bay-Delta project.

Patrick Wright, Director of the California Bay-Delta Authority also testified. He recommended to the Subcommittee that a CALFED cross-cut budget be included annually in the President's budget. He pointed out that the Bureau of Reclamation is the only federal agency that continues to make significant financial contributions to CALFED, although he testified that, as implementation of specific projects moved forward, other federal agencies fiscal resources should increase. The CALFED Authority strongly supports federal authorizing legislation that would provide the necessary federal funding to implement a balanced program in the future, Mr. Wright stated. He also supported a "Cross-Cut Appropriation" for the Bay-Delta Program, which would allocate appropriations for projects and programs to all Federal agencies implementing the Program, rather than funneling funding through the Bureau of Reclamation.

In his opening remarks, Rep. Devin Nunes (Pixley) expressed concern over the lack of new water storage that has been developed thus far. He noted especially the large discrepancy between the funds spent on ecosystem restoration and those for water storage. This concern was also expressed by Rep. George Radanovich (Mariposa) during his questioning. He pointed out that the whole purpose of the CALFED program was to keep all the stakeholders on the same timeline, and provide a balanced approach to all elements of the program, including ecosystem restoration and water storage. Instead, he

argued since 1995 a disproportionate share of funding has been put into restoration and no water storage projects are even being implemented at this point. At the current time, environmental impact statements are expected on at least three water storage projects (Sites Reservoir, Shasta, and Los Vaqueros) by the end of 2004. Design and construction, however, would not be completed until at least several years later. During questioning, Chairman Calvert requested that a report be prepared detailing for the subcommittee when the proposed water storage projects would be constructed.

Testimony of the witnesses can be obtained through the Committee's website at:  
<http://www.house.gov/resources> .

## **FINANCE SUBCOMMITTEE CONSIDERS FREE TRADE AREA OF THE AMERICAS**

The Senate Finance Subcommittee on International Trade held a hearing on Tuesday, May 13 to examine the status of negotiations on the Free Trade Area of the Americas (FTAA) and the upcoming Ministerial in Miami on the agreement.

The FTAA encompasses 34 countries in the Western Hemisphere with a population of over 800 million people. The decision to construct an FTAA was made in 1994, and completion of the negotiations are expected in 2005. The latest meeting of the FTAA negotiators will take place in Miami in November 2003, and the Administration hopes that this meeting will act as the springboard for the finalization of negotiations by January 2005.

Witnesses at the hearing included: Peter Allgeier, Dep. U.S. Trade Representative; Loren Yager, Dir. International Affairs and Trade, General Accounting Office; James Fendell, Pres. Association of Chambers of Commerce in Latin America; Craig Hill, Vice President, Iowa Farm Bureau Federation; John Audley, Sr. Assoc. and Dir. Of Trade, Equity and Development Program, Carnegie Endowment for International Peace; and Thea Lee, Asst. Dir. Of International Economic Policy, AFL-CIO.

Ambassador Allgeier testified on the history of the negotiations and briefed the subcommittee on their current status. He outlined the negotiating principles adopted by the countries and noted particularly that the negotiating countries had made the draft negotiating text available to the public for its edification and comment. Currently, all of the FTAA countries have now exchanged offers on agricultural and non-agricultural goods, and most have exchanged their offers on other trade provisions, according to Ambassador Allgeier. He also testified that the U.S. was successful in ensuring that the lowering of tariffs will begin immediately upon implementation of the FTAA, rather than follow the WTO model, where rates would be lowered over time.

Mr. Yager outlined the challenges that GAO believes the United States faces as co-chair of the final phase of FTAA negotiations. The GAO report found that the USTR has not added appreciably to its staff, despite the sharply increased workload. Secondly, "the goals of this phase—such as achieving improved market access for the 34 nations—are ambitious and will require serious, substantive trade-offs. Finally, the negotiations are proceeding on the same timeline as several other complex trade negotiations involving the United States. In fact, the resolution of a key issue, agricultural subsidies, has been linked to ongoing negotiations in the World Trade Organization. Currently, these negotiations are bogged down," GAO concluded. As a result, GAO recommended that the USTR intensify U.S. preparations for the Ministerial and regularly evaluate whether resources and plans are sufficient to carry out the tasks and mitigate the risks associated with its responsibilities as Co-Chair of the negotiations and host of the November ministerial. It also stressed that this evaluation should take into account the USTR's "(1) increased workload, (2) planning for the ministerial, (3) funding resources, and (4) security needs at the ministerial."

Testimony of all the witnesses can be obtained through the Committee's website at:  
<http://www.senate.gov/~finance>.

## **HOUSE COMMITTEE INITIATES HIGHER EDUCATION ACT DISCUSSION**

On Tuesday May 13th, the House Committee on Education and the Workforce held a hearing to examine the state of American Higher Education. Presenting testimony were three prominent members of the higher education community who discussed issues of accountability, affordability, accessibility, and quality in colleges and universities.

Referencing accountability, panelist Frank Newman of the Future's Project in Rhode Island acknowledged the success of the federal government in improving accessibility. He supported three areas of change for the committee's consideration: better information collection; funding for academic research through competitive grants; and a stronger focus on disadvantaged students. Panelist Charles Miller of the University of Texas, a crafter of the Texas academic achievement system, stressed the need for broader and more integrated measures to track student and institution accountability. Dr. Miller supports greater emphasis on policy-driven accountability systems by collecting more data on student learning and more institutional performance data.

Rep. Buck McKeon (Santa Clarita), Chair of the Subcommittee on 21st Century Competitiveness, reiterated his longstanding concerns about the high cost of tuition at colleges and universities, expressing concern for the 48 percent of qualified highschool graduates who are unable to attend college because of cost issues. He referred to a proposal he is preparing that would impose punitive sanctions on institutions that raise the cost of tuition too high within a three-year period. Rep. McKeon argued that he is normally opposed to federal controls, but escalating tuition costs and the 38 percent of the higher education budget the federal government has responsibility for overseeing justifies stronger action. Rep. McKeon expressed particular dissatisfaction with lack of course transferability. Dr. Newman responded by discouraging what he called unnecessary governmental intervention, cautioning committee members not to regulate institutions of higher learning when other options, such as the use of competitive efforts to control costs, are available.

This marks the first in a series of committee hearings to lay the groundwork for the reauthorization of the Higher Education Act slated for renewal in the near future. To view testimony or other information from this hearing visit the House Committee on Education and the Workforce website at:

<http://edworkforce.house.gov/> .

## **HOUSE PASSES \$550 BILLION TAX CUT; SENATE PASSES 3-YEAR DIVIDENDS BREAK**

By a vote of 222-203 on Friday, May 9, 2003, the House passed a \$550 billion, 11-year tax cut plan, H.R. 2, the Jobs and Growth Reconciliation Tax Act of 2003. The final version of the bill is significantly less than the President's proposed \$726 billion package, but \$200 billion more than the \$350 billion plan that the Senate is considering.

The House bill calls for a 15 percent maximum rate on dividends and capital gains. The dividends rate applies only to U.S. companies. The phase-in of the income tax rates passed in 2001 would be accelerated. The current 27, 30, 35, and 38.6 percent rates would drop to 25, 28, 33, and 35 percent, respectively. The plan also accelerates the phase-in of the expansion of the lowest tax brackets, and increases the standard deduction for married taxpayers filing jointly to alleviate the "marriage penalty." The child tax credit would increase from \$600 to \$1,000 through 2005 under the plan, and the Alternative Minimum Tax exemption would increase by \$15,000 for joint filers.

In business tax breaks, the House bill increases the annual deduction of investment expenses to \$100,000, from the current \$25,000 level, and broadens the eligibility of qualified businesses. The provision would expire in 2007. The plan also includes a larger depreciation for all businesses, increasing from 30 percent to 50 percent the amount of capital expenses that can be written off in the first year.

Capital expenses incurred before 2006 are eligible for the increased write-off. Finally, the net operating loss carryback provisions are expanded.

The Senate began consideration of its bill, S. 1054 the week of May 12, with numerous amendments proposed to the bill. Because of the budget reconciliation provisions included in the FY04 Budget, amendments in the Senate must remain revenue-neutral to retain the \$350 billion limit. The bill on the Senate floor includes about \$420 billion in tax cuts, \$20 billion in assistance to the states, and \$90 billion in tax increases to offset the cuts. Of the \$20 billion in state assistance, \$10 billion would be allocated to increase the federal share of Medicaid payments, which would benefit California. The House bill has no comparable provision providing for state aid. The most contentious amendment considered in the Senate was one to phase-in the Administration's proposal to eliminate all taxes on dividends over four years, and then sunset the provision at the end of the fourth year. The vote on the amendment was 51-50, requiring the affirmative vote of Vice President Cheney to break the 50-50 impasse. The Senate hopes to complete work on S. 1054 by the end of this week.

## **DAVIS UNVEILS REVISED BUDGET PLAN**

California Governor Gray Davis put forth a revised budget plan on Wednesday, May 14, 2003, which relies heavily on borrowing and increased taxes. As he unveiled his May budget revise, the Governor simultaneously announced that the budget deficit has grown to \$38.2 billion, an increase of \$3.6 billion from earlier estimates of \$34.6 billion.

The amended budget proposal provides for \$18.9 billion in cuts, which is approximately \$2 billion less than the January budget's request for \$20.7 billion in cuts and savings. Similarly, the May revision calls for substantially less costs to be shifted to local governments. The plan shifts \$1.7 billion in services funding for the local governments to pick up, instead of \$8.3 billion as proposed in January. In addition, the revised budget blueprint calls for \$6.9 billion in fund shifts, transfers and loans, and includes proposals to borrow \$10.7 billion to help alleviate the current year's shortfall.

Under the revised budget, the \$10.7 billion borrowed would be stretched out over five-years, with the intention of paying the incurred debt off with the revenue collected from a new half-cent sales tax increase. Finance Director Steve Peace, and Wall Street alike, have warned the state that borrowing in the plan is dependent on the sales tax increase, with the latter refusing further loans to California without new sales taxes to back it up. The new plan includes several increased taxes in addition to the half-cent sales tax increase mentioned above. The new taxes include: higher vehicle license fees that the administration can enact on its own, a new tax on cigarettes, and higher income taxes for high earners.

Overall, the revised budget plan eases up on initial cuts to social services, education and other affected funding. The Department of Health and Human Services would receive \$21.1 billion under the May revise, an increase of \$5.9 billion over the amount requested in January. The Governor's revised proposal rescinds plans to lower the eligibility level for low-income Medi-Cal parents by 39 percent of the Federal Poverty Level, as well as eliminating proposals to reduce CalWORKS, cash welfare grants, and Supplemental Security Income/State Supplemental Payments (SSI/SSP) by 6.2 percent and 6 percent respectively. The Revise maintains the suspended cost-of-living adjustments for CalWORKS recipients recommended in January.

The revised budget also increases funds for public schools by \$1.7 billion from the original proposal in January -- fully funding Proposition 98 and increasing K-12 per pupil funding by \$231 per student to \$6,869. The amount for Higher Education services is increased by about \$300 million from the original January total.

Other actions include an \$855 million reduction in state employee compensation funds, a reduction of \$88.1 million in the Department of Housing and Community Development funding and the shift of \$1.045 billion from the Traffic Congestion Relief Fund (TCRF) to the General Fund in loans.

## **BRIEFING EXAMINES WORKFORCE ISSUES**

On Friday, May 9, 2003, the Population Resource Center in association with the Northeast-Midwest Congressional Coalition, the Association of Community College Trustees, and the California Institute for Federal Policy Research held a briefing titled “*Training a Workforce – What Will Keep America Working Into the 21<sup>st</sup> Century?*”.

Ms. Judith A. Himes, Associate Director of the Population Resource Center, offered opening remarks and welcomed the participants. A panel of presenters, moderated by Rep. Danny K. Davis (IL), included Mr. John G. Haaga, Director of Domestic Programs, Population Reference Bureau; Mr. Anthony Carnevale, Vice President for Assessment, Equity and Careers, Educational Testing Service; and Mr. Tony Girifalco, Executive Vice President, Delaware Valley Industrial Resource Center.

All presenters and Rep. Davis spoke about the problem of unemployment in the U.S. The briefing examined workforce projections for the future from educational, regional, and statistical perspectives. Mr. Haaga outlined three profound changes that affect the workforce: 1) increasing racial and ethnic diversity; 2) increasing diversity in family and economic structure; and 3) the aging of the population that makes up the workforce in the U.S. Mr. Carnevale added that such changes are taking place in the biggest economy in the world, which not only has the most number of workers, but also utilizes its workforce completely. He also offered labor estimates for the upcoming years, including a projected shortage of skilled (some education) workers, which is expected to grow to 15 million people by the year 2020. Echoing Mr. Carnevale’s presentation, Mr. Girifalco spoke about the shortages of labor and the needs of the business community on local and regional levels. All panelists concluded that a well-educated and expanding workforce is the key ingredient for future economic success.

For more information about this briefing, please visit the Population Resource Center’s website at: <http://www.prcdc.org> .

## **SENATE AGRICULTURE COMMITTEE GETS AN UPDATE ON 2002 FARM BILL IMPLEMENTATION**

The Senate Agriculture, Nutrition, and Forestry Committee heard U.S. Department of Agriculture Secretary Ann M. Veneman’s testimony on the implementation of the 2002 Farm Bill on Wednesday, May 14, 2003. The hearing coincided with the one-year anniversary of the Farm Bill, which President Bush signed into law on May 13, 2002. A similar hearing was held on April 10, 2003 by the Subcommittee on General Farm Commodities of the House Committee on Agriculture (See, [Bulletin, Vol.10, No.10 \(4/11/03\)](#)).

Opening remarks by the Chair Thad Cochran (MS), Ranking Member Tom Harkin (IA), and Senators Norm Coleman (MN), Kent Conrad (ND), and Michael Crapo (ID), included both praise for Secretary Veneman’s efforts in implementing the bill as a whole and reprimand for lack of accomplishment in some individual areas.

Secretary Veneman offered remarks about the challenges the Department has met and the accomplishments it has achieved in implementing the 2002 Farm Bill. She testified that the Department has implemented 500 separate actions since the bill was enacted despite the late passage of the bill with many provisions applicable in the same year. She stated that the Department has made extensive efforts to keep the general public and stakeholders informed about the progress of implementation, and thanked

Congress for providing \$55 million for implementation of the Farm Bill and \$70 million for the Agricultural Assistance Act of 2003.

Speaking about specific programs, Secretary Veneman testified that the Department has thus far issued \$8 billion in new commodity program payments, which has helped to provide immediate relief to producers dealing with financial stress. In addition, she stated that the Department has been engaged in efforts to improve access to overseas markets and expand trade through a vigorous trade negotiations agenda.

The Secretary touched upon specific title and provision implementation. With respect to the Commodity Programs, including direct and counter-cyclical payments, marketing assistance programs, dairy price support, the Milk Income Loss Contract Program (MILC), and others, Secretary Veneman noted that key programs have been implemented and the mandated Commission on Application of Payment Limitations has been established. She also reported that rulemaking for conservation programs, reauthorized in the 2002 Farm Bill, has been completed. In addition, the Secretary commented that the Department has used Farm Bill funds to increase funding levels for market development programs, the Foreign Market Development Cooperator Program, and the Market Access Program, all of which aim to enhance trade.

Implementation of the Rural Development title of the Farm Bill has involved awarding \$700 million in loans and grants for improving the economic opportunities and quality of life for rural areas, according to the Secretary's testimony. She also argued that implementation has been successful with respect to other titles of the Farm Bill, such as those that concern nutrition, research, forestry, and energy.

Switching her attention to disaster assistance, the Secretary updated the Committee on the status of the Agricultural Assistance Act of 2003. She informed the Committee that the Department has so far paid nearly \$4 billion for losses incurred during the 2002 crop year through the Federal Crop Insurance Program, and continues to provide assistance to the many producers affected by drought and related conditions in 2001 and 2002.

For more information about this hearing or to get Secretary Veneman's full testimony, please visit the Senate Committee on Agriculture, Nutrition, and Forestry's website at <http://agriculture.senate.gov>.

## **CALIFORNIA STILL SMOGGIEST STATE ACCORDING TO REPORT**

Being home to nine out of the nation's top 10 worst ozone-ridden counties, the prevalence of smog in California exceeds the levels of other states, according to the American Lung Association's Annual 2003 State of the Air report. The report, released in late April using EPA data on how often counties and metropolitan areas exceed federal health standards for ozone, shows that the number of California residents breathing unhealthy air has grown by at least four million over that recorded last year.

Smog or ground-level ozone, caused by the sun's heating of tailpipe emissions containing hydrocarbons and nitrogen oxides, is known to cause shortness of breath and asthma among children. It is monitored and regulated by Air Quality Management Districts, which have determined that the five most ozone polluted counties are San Bernardino, Fresno, Kern, Tulare and Riverside.

The report also examines the level of smog in metropolitan areas. It names Los Angeles as the smoggiest city in America, with Fresno, Bakersfield and Visalia rounding out the top four. The good news, however, is that San Francisco remains among the nation's largest cities with the best air, while Orange County's air quality levels improved slightly.

Some analysts have spoken out in opposition to the report, arguing that the numbers are exaggerated and skewed to not take into consideration significant improvements in air quality. For instance, California's air quality has improved by 24 percent since the 1980s, double the national rate. On the other

hand, smog and air quality remain a major problem in cities, with Los Angeles alone registering 106 days of substandard air between 1999 and 2001.

For more information on this report, visit the American Lung Association website at <http://www.lungusa.org> .