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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.

MOVIE & RECORDING INDUSTRIES WIN SUPREME COURT INTELLECTUAL PROPERTY BATTLE

The U.S. Supreme Court awarded the motion picture and music recording industries a major win this week in the decision announced in *MGM v. Grokster* (04-480), when it ruled unanimously that Grokster, and other internet file-sharing services can be held liable if they intend for their customers to use their software to illegally download and swap music recordings and movie videos.

Grokster and Streamcast Networks (the distributor of the Morpheus software and also a defendant in the case) distribute free software products that allow computer users to share electronic files through peer-to-peer networks, which allow computers to communicate directly with each other, rather than through central servers. Metro-Goldwyn-Mayer and other movie studios, recording companies and artists, sued Grokster and Streamcast for their users' copyright violations. The U.S. District Court granted Grokster's summary judgment motion, and that decision was upheld by the Ninth Circuit Court of Appeals.

The Supreme Court overturned the Ninth Circuit's decision and sent the case back to the lower court for trial. The Court held that: "One who distributes a device with the object of promoting its use to infringe copyright, as shown by clear expression or other affirmative steps taken to foster infringement, going beyond mere distribution with knowledge of third-party action, is liable for the resulting acts of infringement by third parties using the device, regardless of the device's lawful uses."

The decision gives the movie and recording industries another weapon to use to combat piracy of copyrighted works, which the companies estimate cost them billions of dollars per year.

\$146 MILLION CUT TO NIF FUNDING INCLUDED IN SENATE ENERGY APPROPRIATIONS BILL

In an amendment to the Energy and Water Fiscal Year 2006 Appropriations bill, Senator Pete Domenici (NV), the Chairman of the Water and Power Appropriations Subcommittee, proposed eliminating a significant portion of funding for the National Ignition Facility (NIF) at Lawrence Livermore National Laboratory. The amendment would delete \$146 million designated for completing

CONTENTS:

Movie & Recording Industries Win Supreme Court Intellectual Property Battle	1
\$146 Million Cut to NIF Funding Included In Senate Energy Appropriations Bill	1
Institute and PPIC Release Child Care Report from Ongoing Federal "Formula Grants and California" Series	2
Senate Passes FY 2006 Interior Appropriations Measure	
Ways And Means Committee Approves CAFTA ...	3
Senate Judiciary Continues To Examine Immigration Reform Alternatives	4
Transportation Gets Eighth Extension	4
LBL Astrophysicist Saul Perlmutter Briefs Congressional Staff on Dark Energy and the Expanding Universe	5
Several California Cities Among Fastest Growing in the Nation	5
Pew Hispanic Center Issues Report on Hispanic Voter and Voting Behavior	6

construction on NIF – a move many consider ill-advised given that NIF is already more than 80 percent finished. So far, the U.S. has invested \$2.8 billion for the technologically-sophisticated testing facility. NIF conducts experiments on subjects ranging from nuclear weapons to fusion energy by using 192 precisely calibrated lasers that beam through a single point. The nuclear weapon experiments are particularly important for maintaining the United States' aging nuclear arsenal while remaining compliant with the Nuclear Test-Ban Treaty, proponents of NIF argue.

Sen. Domenici has cut funding for NIF in the past, although funds were always restored on the Senate floor or in conference. He had never previously succeeded in excising all of the funding for NIF construction, however. Expressing concern over the proposed cuts, Governor Schwarzenegger sent a letter to Sen. Domenici and Sen. Harry Reid (NV), the Democratic Minority Leader and the Ranking Member on the Energy and Water Subcommittee. Representatives Richard Pombo (Tracy), Ellen Tauscher (Alamo), and Ken Calvert (Corona) also sent a letter to Senate Appropriations Chairman Thad Cochran and Ranking Member Robert Byrd to express their dismay over the proposed cuts. Supporters of NIF hope that funding will be restored when the bill goes to conference after it passes the full Senate.

Domenici, whose home state houses the competing nuclear testing facility at Los Alamos, may be using the cut in construction at NIF as a bargaining chip to bring more funding to Los Alamos. Both NIF and Los Alamos are run by the University of California, although U.C. must compete for the Los Alamos contract this year for the first time since the lab's inception during WWII.

INSTITUTE AND PPIC RELEASE CHILD CARE REPORT FROM ONGOING FEDERAL "FORMULA GRANTS AND CALIFORNIA" SERIES

On Thursday, June 30, 2005, the "Federal Formula Grants and California: Federal Child Care Programs" was released. The report, produced by the Public Policy Institute of California in collaboration with the California Institute for Federal Policy Research, is the ninth report in a series reviewing California's share of federal formula grant programs. The report was released just as Congress approved another short-term extension of the federal law that governs child care and welfare programs (see below article).

As part of welfare reform, Congress created the Child Care and Development Fund (CCDF) in 1997 to be the principal source of child care funding for disadvantaged families. Although CCDF aids 103,000 California households, overall, the state ends up with a disproportionately low share of federal child care dollars because of its larger proportion of poor children. California is home to 13 percent of the nation's children in poverty, yet in 2004 received only 10.7 percent (\$516 million) of CCDF allocations. The formulas for allocating funds are constrained by language that ignores recent surges in child care demand, as well as by formulas that link funding to income -- reducing money to states with high per capita incomes, like California, despite the fact that they also have high poverty.

"Federal Formula Grants and California: Federal Child Care Programs" outlines the structure of child care formula programs, compares California's funding levels with other states, explains how the formulas work, and discusses legislation in Congress that would affect future child care formulas. As California's list of children eligible for federal child care aid continues to exceed the supply of affordable child care, and more families "time out" of welfare assistance, limited federal resources could pressure state budget writers to further erode child care benefits. Despite this, it is important to consider how California fares in the context of the entire federal welfare umbrella: The state wins a generous 22 percent share of the nation's \$16.6 billion Temporary Assistance for Needy Families (TANF) grant, which dwarfs federal child care funding by more than three to one.

The report is available on PPIC's website at: <http://www.ppic.org> . It is linked from the California Institute's formula grants page, at <http://www.calinst.org/formulas.htm> .

CONGRESS APPROVES FURTHER EXTENSION OF WELFARE & CHILD CARE LAWS

On Wednesday, June 29, 2005, Congress approved and cleared for President Bush's signature the 10th extension of the 1997 welfare reform measure known as PRWORA, the Personal Responsibility and Work Responsibility Act since that law initially expired at the end of fiscal year 2002.

The extension legislation was sponsored by Rep. Wally Herger (Marysville), Chairman of the House Ways & Means Subcommittee on Human Resources. The extension will take effect to replace the prior bill (P.L. 109-4) that had maintained the programs through June 30. With the new legislation's passage, federal child care and welfare programs will be extended through the end of the fiscal year, September 30, 2005.

Among the primary disagreements between House and Senate versions of bills to reauthorize the programs is a \$5 billion discrepancy over how much to increase federal child care spending. The bills also differ on strengthening work requirements for welfare recipients.

For additional information regarding child care programs, see "Federal Formula Grants and California: Federal Child Care Programs," the latest report in the ongoing joint series published by the Public Policy Institute of California in collaboration with the California Institute for Federal Policy Research. The new child care paper, released June 30, is available for free download at <http://www.calinst.org/formulas.htm> or directly from the PPIC website, at <http://www.ppic.org>.

SENATE PASSES FY 2006 INTERIOR APPROPRIATIONS MEASURE

The Senate voted 94-0 on Wednesday, June 29, to approve the FY 2006 Appropriations for Interior and Related Agencies. The \$26.3 billion bill funds the Department of the Interior (except the Bureau of Reclamation), the Forest Service, the Indian Health Service, the Environmental Protection Agency, and related agencies. During Senate consideration an amendment was adopted boosting funding by \$1.5 billion for veterans medical needs. Excluding the veterans funding, which was designated as emergency spending, the bill is \$700 million less than the FY05 appropriations.

Highlights of funding in the bill include:

- \$2.513 billion for wildland fire management activities, including \$766.6 million for the Bureau of Land Management and \$1.746 billion for the Forest Service. The total also includes \$492.2 million for hazardous fuels reduction.
- \$404 million for the Land and Water Conservation Fund, including \$162 million for Federal land acquisition, \$63 million for Forest Legacy, and \$30 million for State Assistance.
- \$2.3 billion for the National Park Service, including \$1.75 billion for operation of the national park system, an increase of \$65 million over the FY 05 level. The amount includes \$20 million over the budget request for increases to individual park base budgets, and a total of \$595 million for park maintenance activities.
- \$235 million (\$35 million over the request and \$8.2 million over the FY05 level) for Payments In Lieu of Taxes (PILT).
- \$62.6 million for forest legacy conservation easements, \$5.5 million above the FY05 level.

The Institute is preparing a more detailed analysis of the bill's California implications which will be available on the website in the near future.

WAYS AND MEANS COMMITTEE APPROVES CAFTA

The Ways and Means Committee on Thursday, June 30, voted 24-11 to approve the implementation legislation accompanying the Dominican Republic-Central American Free Trade Agreement (CAFTA). The agreement will control trade between the United States and the Dominican Republic, Costa Rica, El Salvador, Guatemala, Nicaragua and Honduras.

The House is expected to vote on the agreement in July. Under fast-track procedures, it is not amendable. Many members of the House, primarily Democrats, are opposed to the bill arguing that it lacks sufficient labor standards to protect Central American workers. Some Republican members have also argued that the provisions in the pact will adversely impact the U.S. sugar industry.

The Senate Finance Committee approved the implementing legislation by voice vote on June 29 and the full Senate is expected to vote on the pact this week. The Administration was working with Senate Republicans to resolve concerns over sugar and other provisions. Among other offers, it proposed allowing other agriculture products to take the place of sugar imports to the United States for the final two years that the current farm bill has to run. It also agreed to increase monitoring and enforcement of labor and environmental standards in the CAFTA countries in an effort to alleviate concerns on that front. Acceptance of these provisions by Senators may increase the number of Senators voting for the agreement, but the vote in the House is still expected to be quite contentious.

SENATE JUDICIARY CONTINUES TO EXAMINE IMMIGRATION REFORM ALTERNATIVES

The Senate Judiciary Committee held another hearing on immigration reform on Thursday, June 30, this one focused on “The Need for Comprehensive Immigration Reform: Security the Cooperation of Participating Countries.” The Committee heard from two witnesses: The Honorable Andres Rozental, Former Mexican Ambassador at Large, and President of Rozental & Asociados; and Roberta Clariond, Professor, Instituto Tecnologico Autonoma de Mexico (ITAM).

Ambassador Rozental outlined the five-point policy adopted by the Fox Administration. Included in the policy is the belief that any U.S. immigration reform proposal that does not take into account the millions of undocumented Mexican workers already in the United States will not work. Also, immigration reform must deal with those Mexicans who want to come to the United States to work for short periods of time, but also want to be able to return to their home country on a regular basis. The Ambassador also testified that the situation on the border with gangs, drug trafficking, and smugglers has reached “crisis proportions,” and the United States and Mexico must develop a joint border security policy to deal with the problem.

Professor Clariond also laid out several points that should be included in a comprehensive immigration reform package, including shared responsibility between the U.S. and Mexico on migration control. She noted the lack of cooperation and communication between the two countries, using as an example the situation with H2A and H2B visas. According to Prof. Clariond, although the United States granted 28,683 agricultural visas and 31,774 service visas to Mexican workers there was practically no involvement of the Mexican and U.S. governments on allocating these visas. She also argued that for the two countries to create a more secure and efficient border there must be a decrease in border regulations at the U.S.-Mexico border, and suggested the U.S.-Canada border as an appropriate example to follow.

Testimony of the witnesses can be obtained from the Committee’s website at:

<http://www.judiciary.senate.gov> .

TRANSPORTATION GETS EIGHTH EXTENSION

On June 29th, lawmakers were set to approve an eighth extension to transportation law as conferees continue to negotiate and iron out the policy details of a comprehensive reauthorization bill. Bill drafters, having agreed on a spending level of \$286.5 billion, are still seeking consensus on an acceptable minimum guarantee threshold and other policy considerations. The new extension’s deadline is set for July 19th, giving House and Senate members sitting on the conference committee less than two weeks to complete a final bill when they return from the July 4th recess.

Congress has been struggling to reauthorize the former surface transportation law, the Transportation Equity Act for the 21st Century (TEA-21) since its expiration in 2003. As was the case with last year's reauthorization effort, the Senate and House successfully approved transportation legislation, but suffered a setback in conference because of disagreements over appropriate spending totals. Authorizers appeared to have jumped this hurdle on June 24th when House and Senate conferees reportedly agreed to a total spending level of \$286.5 billion for transportation programs through FY2009, a figure more closely aligned to the House's \$284 billion (HR3) total than the \$295 billion Senate proposal.

Although reaching a deal on overall funding, conferees have yet to settle on how much each state is allowed to receive in minimum guaranteed (MG) dollars. The MG formula is a key consideration for donor states, which send more highway user taxes to the highway trust fund than they receive back in federal spending. California is a donor state in the highways ledger receiving 9.3 percent in highway funds through TEA-21's duration. However the state is awarded nearly 15 percent of transit grants, partially making up for highway shortfalls. A coalition of members from Texas, Florida, and Michigan among other donor states have repeatedly pushed transportation leaders to increase MG returns to a 95 percent rate of return. The more expensive Senate bill (S. 732) would increase the current MG floor from the current 90.5 percent rate of return to 92 percent -- a level supported by most members of the California delegation. The increase under the Senate proposal is largely attributable to higher authorization numbers, which raises questions about a \$287 billion bill's potential for presenting a satisfactory MG plan.

To complicate matters, the Bush administration has not signaled its approval for the compromise spending total. Department of Transportation Secretary Norman Mineta has repeatedly protested the passage of any authorization figure in excess of \$284 billion, warning that a measure that violates this principle will be recommended for a veto. Conferees have also yet to agree on an adequate highways-transit split. The House bill dedicates a slightly higher share to transit programs.

LBL ASTROPHYSICIST SAUL PERLMUTTER BRIEFS CONGRESSIONAL STAFF ON DARK ENERGY AND THE EXPANDING UNIVERSE

On Friday, June 24, Saul Perlmutter, an astrophysicist at the Lawrence Berkeley National Laboratory, briefed Congressional staff on his discovery of dark energy and the Joint Dark Energy Mission. Dr. Perlmutter's multimedia presentation addressed scientific attempts to better understand the mysterious force called dark energy that drives the accelerated expansion of the universe. In the course of his presentation, Dr. Perlmutter described the process through which his team first discovered that the universe was expanding at an accelerating rate and the more recent research efforts to quantifiably measure the force pushing the universe apart. The Joint Dark Energy Mission, a NASA and DOE collaboration, is currently seeking to use research on Supernovas, which emit light 10 billion light years away, to unlock the key to dark energy.

Dr. Perlmutter was California Scientist of the Year in 2003. He is a member of the National Academy of Sciences, a Professor of Physics at UC Berkeley, and a Senior Scientist at Lawrence Berkeley National Laboratory. The original discovery of dark energy in 1998 by Dr. Perlmutter and his associates was awarded Science Magazine's Breakthrough of the Year; the confirming evidence for dark energy, by the same team of researchers, was also awarded Breakthrough of the Year in 2003. Dr. Perlmutter is one of the leaders of the Supernova/Acceleration Probe (SNAP) project, a 120-person nationwide collaboration proposing for the JDEM mission.

For more information on Dr. Perlmutter's work, dark energy and SNAP visit <http://snap.lbl.gov/>.

SEVERAL CALIFORNIA CITIES AMONG FASTEST GROWING IN THE NATION

New estimates by the Census Bureau show that a number of California cities are among the fastest growing in the nation during the evaluation period from July 1, 2003 to July 1, 2004. While Port St. Lucie in Florida placed first as the fastest growing city with over 100,000 residents with a 12 percent growth rate, California had four of the nation's top ten fastest growing cities. Elk Grove placed second, Moren Valey sixth, Rancho Cucamonga ninth and Roseville tenth. In the same analysis, released Thursday, Los Angeles was the second largest city in the nation with 3.8 million people and had the second largest numerical gain in population in the U.S. San Jose, with more than 900,000 residents, crept onto the top ten largest cities list in tenth place. San Diego placed seventh with 1.3 million residents.

For full results of the Census estimates, visit

<http://www.census.gov/popest/cities/SUB-EST2004.html> .

PEW HISPANIC CENTER ISSUES REPORT ON HISPANIC VOTER AND VOTING BEHAVIOR

A new report from the Pew Hispanic Center shows that while increases in the Hispanic population accounted for half of all population growth in the United States between 2000 and 2004, Hispanic voters were responsible for only one-tenth of the increase in total votes cast in the 2004 election. According to the study, the gap is the result of two demographic realities: "a high percentage of Hispanics are either too young to vote or are ineligible because they are not citizens." The Hispanic population increased by an astounding 5.7 million between the 2000 and 2004 elections; however, that increase only yielded 2.1 million more eligible Hispanic voters and 1.4 million Hispanics who actually cast a vote. Still the Hispanic portion of the electorate increased from 5.5 percent in 2000 to 6.0 percent in 2004. Forty-seven percent of eligible Hispanics voted, as compared to 67 percent of whites and 60 percent of blacks. Exit polls show that 40 percent of Hispanic voters voted for President Bush, an increase from 34 percent in 2000.

For the full results of the report, visit <http://pewhispanic.org/> .