



**THE CALIFORNIA INSTITUTE FOR FEDERAL POLICY RESEARCH**  
1608 Rhode Island Avenue, NW, Suite 213, Washington, D.C. 20036-3206  
202-546-3700 fax: 202-223-2330 e-mail: [randsell@calinst.org](mailto:randsell@calinst.org) web: <http://www.calinst.org>

## *California Capitol Hill Bulletin*

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*To expand communications between Washington and California, the California Institute provides periodic fax and e-mail bulletins regarding current activity on Capitol Hill that directly affects our state. Bulletins are published weekly during sessions of Congress, and occasionally during other periods.*

### **POMBO AND TAUSCHER DELEGATION LETTER CRITICIZING SENATE SUBCOMMITTEE ACTION ON NIF FUNDING CIRCULATING**

Reps Richard Pombo (Tracy) and Ellen Tauscher (Alamo) are continuing to gather signatures from the California Congressional Delegation on a letter challenging the Senate Appropriations Committee's efforts to cease funding for construction of the National Ignition Facility (NIF). The letter notes that the facility is already approximately 80 percent complete, and cutting off funds now would be "a massive waste of taxpayer dollars" and would undermine national security. The letter, which will be sent out soon to House Energy & Water Subcommittee leaders, notes that "The Senate subcommittee's action stands in stark contrast to the decisions of the Senate Armed Services, House Armed Services and House Appropriations committees to provide full funding for NIF construction." The writers note that NIF is on schedule, cost, and performance.

Offices of members wishing to sign onto the letter should contact Simon Limage with Rep. Tauscher's office (X5-1880; [simon.limage@mail.house.gov](mailto:simon.limage@mail.house.gov)) or Aaron Cutler with Rep. Pombo's office (x5-1947; [aaron.cutler@mail.house.gov](mailto:aaron.cutler@mail.house.gov)).

### **HIGHWAYS AND TRANSIT CONFERENCE REPORT ON VERGE OF ADOPTION, AFTER 11 EXTENSIONS**

After 698 days of delay, the House and Senate are expected to adopt a surface transportation conference report on July 28<sup>th</sup>, 2005 after conferees from both bodies came to a consensus on remaining disagreements that had stalled the bill's completion. The Conference Report was not available at the time of this writing and conference staff was reported to have been busy making technical corrections to the conference report through the day, so speculation exists over the policy details of the bill (HR 3).

According to staff reports, the bill contains \$286.5 billion to support highways, transit and safety activities through 2009. A \$9 billion rescission of unused contract authority from the prior surface transportation law, the Transportation Equity Act for the 21<sup>st</sup> Century (TEA-21), brings the actual total

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of the bill up to \$295 billion. Several thousand earmarked High Priority Projects (HPPs) are expected to be included in the bill, of which House members selected 60 percent, and Senators 40 percent.

The bill would also address the topic of highway equity by guaranteeing that each state receive a 92 percent minimum guarantee rate of return on amounts sent to the Highway Trust Fund (HTF) in highway taxes and user fees by 2009, according to staff. The current rate of 90.5 percent was considered unfair by many donor states – those that subsidize the highway construction activities of donee states. Donor states send more to the HTF than they receive back in federal spending. California is an HTF donor state; however it receives a higher share of transit grants to partially make up for its disproportionate investment of HTF federal highway dollars.

Before finalizing work on a comprehensive measure, Congress had to clear the 11<sup>th</sup> temporary extension (HR 3453) of the 1998 highway law (PL 105-178), to keep transportation programs in operation through July 30<sup>th</sup>. Congress has had to approve a number of highway extensions since the actual expiration of TEA-21 in 2003, to keep transportation funds flowing to the states while transportation leaders drafted a multiyear bill.

The California Institute will prepare an in depth analysis of the conference report's California-related provisions as soon as the language becomes available. To view a history of transportation reauthorization activities this year, visit the California Institute's website at:

<http://www.calinst.org/transpo.htm>

## **HOUSE PASSES ENERGY BILL; DROPS MTBE LIABILITY WAIVER; INCLUDES AUTHORIZATION FOR FUSION ENERGY AND ITER**

In a victory for California's municipal and private water agencies, the Conference Committee on the comprehensive Energy bill, H.R. 6, agreed to strip out the provision providing protection from liability for manufacturers of MTBE, a gasoline additive that has contaminated drinking wells in California and other states. *See, Bulletin, Vol. 12, Nos. 8 (4/7/05), 10 (4/21/05) & 20 (7/15/05)*. Inclusion of the MTBE waiver in last year's energy bill prevented it from being enacted.

In other provisions, the bill also authorizes research and development in the sciences, including fusion energy and on ITER/burning plasma. For all R&D programs, the bill authorizes over \$4 billion rising to \$5.2 billion in funding through fiscal year 2009. Of that, fusion energy sciences programs are authorized at \$355.5 million in FY07 going up to \$384.8 million in FY09. Authorization is also included for ITER construction.

## **HOUSE NARROWLY PASSES DR-CAFTA BILL**

By a slim margin, the House on July 27<sup>th</sup> passed H.R. 3045, the implementing legislation for the Dominican Republic-Central America Free Trade Agreement. The final tally came after the 15-minute vote was help open for about an hour while the Republic leadership rounded up enough votes for passage.

The bill represents a victory for President Bush and the Administration's trade policy. It requires that the Dominican Republic and CAFTA countries (El Salvador, Guatemala, Honduras, Costa Rica, and Nicaragua) eliminate tariffs on 80 percent of their industrial imports from the United States and 50 percent of their agriculture imports. It also opens up the signatory countries to increased U. S. investment in numerous service industries, including insurance, information technology, and banking, and provides intellectual property rights protections for U.S. companies. Proponents of the bill also emphasized that the Agreement will help stabilize and promote further democratization of the CAFTA countries.

Opponents focused on three major areas. The vast majority of Democrats opposed the bill, arguing that it inadequately addresses workers' rights and protections in the Dominican Republic and CAFTA countries. Some Republican opposition came from concerns regarding potential harm to the U.S. sugar industry and the U.S. textile and apparel industries. Republican leaders were able to include some provisions in the legislation aimed at alleviating the textile industries issues. In addition, the House also considered legislation this week aimed at cracking down on China for unfair trade practices. Some members were reluctant to support CAFTA before dealing with China. The bill, H.R. 3283, initially failed to win passage on July 26 when it was considered under suspension of the rules where a two-thirds vote is needed. It went down 240-186. The House brought it up again under regular order with a closed rule and barring amendments on July 27. It then passed 255-168.

The Senate passed the implementing legislation by a vote of 54-45 on June 30. Because of some differences in the language, the Senate will need to adopt the House bill, and is expected to do so by voice vote before adjourning for the August recess.

### **HOUSE NASA BILL CLEARS FLOOR BY OVERWHELMING MARGIN**

On July 22<sup>nd</sup>, 2005 the House approved a National Aeronautics and Space Administration (NASA) reauthorization measure by a vote of 383 to 15 that reflects a number of President Bush's space priorities contained in the White House's Vision for Space Exploration. The bill sponsored by Rep. Ken Calvert (Corona), Chair of the Subcommittee on Space and Aeronautics, maintains support for the space shuttle program, proposes the completion of the International Space Station, commits resources to the development of a Crew Exploration Vehicle to replace the aging space shuttle fleet, and contains funds for robot and human missions to Mars and the Moon.

Speaking in support of the bipartisan NASA bill (HR 3070) Chairman Calvert said, "As we enter the Second Space Age, we must give NASA the rules and tools it needs to succeed. NASA is an agency in transition. This bill gives the agency direction as it plans the next steps in space exploration, aeronautics, and other science programs. For the first time, today's vote gave Congressional approval to the President's Vision, which was announced in January 2004." Chairman Calvert suggested that support for an internationally renowned agency such as NASA would inspire future American engineers so that the U.S. might keep pace with the high volume of science graduates from China and India.

HR 3070 was reported out of the full Science Committee on July 14<sup>th</sup> unanimously after bipartisan priorities and policy concerns were incorporated into the bill. The committee bill remained silent on space shuttle retirement timetables, gave direction to international space station research grants, provided FY 06 funding details and included authorizations for FY 07, supported Hubble Space Telescope human repair missions, and made it more difficult for NASA to transfer funds between accounts.

For more information on the House's NASA authorization measure visit the House Committee on Science Website at: <http://www.house.gov/science/welcome.htm>

### **CALIFORNIA COMMENDED FOR HYDROGEN ECONOMY POLICIES AT HOUSE HEARING**

A House Government Reform subcommittee heard testimony from hydrogen energy experts and top government officials on the status of hydrogen energy development and the role of the federal government, on July 27<sup>th</sup>, 2005. Department of Energy (DOE) officials were joined by California's Environmental Protection Agency chief, Dr. Alan Lloyd, to discuss federal and state activities in the first part of the hearing, while a second panel represented automotive industry stakeholders and research

advocates, including the Director of UC Davis' Institute of Transportation Studies, Dr. Dan Sperling. Testifying before the Subcommittee on Energy and Resources Chair Darryl Issa (Vista), panelists touched on hydrogen investment challenges, research and development advancements, time lines for market delivery, commercialization strategies, and processing practices. At the hearing, California was singled out as a pioneer in hydrogen economy development and a leading force that is committed to its realization.

The President, in his 2003 State of the Union address expressed his support for the development of hydrogen technology. DOE Energy Efficiency and Renewable Energy Administrator Douglas L. Faulkner and White House technology official Richard Russell, commented on the status of that vision and noted the benefits provided by federal support for hydrogen programs, including jobs production, reduced dependence on foreign oil and increased fuel efficiency in cars while preserving the environment. DOE has already directed some \$510 million to addressing critical production, storage, distribution, and fuel cell needs and established partnerships with 10 states and various auto makers to make hydrogen a commercially viable alternative to hydrocarbon based fuel by 2015, according to Mr. Faulkner's testimony. Mr. Russell noted that although DOE serves as the primary agency in pursuit of hydrogen economy development, an Interagency Taskforce on Hydrogen R&D, coordinated through his office, has identified 22 interagency collaboration opportunities and a number of policy recommendations.

Dr. Dan Sperling, who runs a key hydrogen research facility at UC Davis commended DOE's and the White House's program management efforts. However, he was concerned that no overall strategic plan was being followed which incorporated clean hydrogen energy research and development (R&D) activities.

Pointing out that the federal government's emphasis on natural gas hydrogen production overlooks alternative approaches to a hydrogen economy, Dr. Sperling recommended dramatic increases in clean energy production R&D and university activities, and more targeted planned hydrogen demonstrations. "If energy research funding does not go to universities, the universities will shift their attention elsewhere." Said Dr. Sperling.

When Chairperson Issa questioned the administration officials on a natural gas based hydrogen economy's potential to reduce America's dependence on foreign oil, Mr. Russell noted that the efficiency gains made by fuel cell vehicle proliferation would reduce that level of dependence. Mr. Faulkner suggested that natural gas hydrogen development was an interim choice and that research developments will eliminate foreign dependence in the long term.

Sec. Alan Lloyd, outlined California's renowned sustainable transportation and hydrogen initiatives and supported a more ambitious timetable for a hydrogen economy's realization than the federal government. Dr. Lloyd testified that one of Gov. Schwarzenegger priorities was to support a renewable energy focused hydrogen economy, and that the state has already devoted resources toward the goal of supplying 50 to 100 hydrogen fuel stations and 2,000 vehicles by 2010.

Dr. Lloyd recommends that the federal government give equal consideration to alternative hydrogen economy approaches (not just natural gas hydrogen proposals), fulfill hydrogen energy funding commitments in the energy bill, provide tax credits for hydrogen based infrastructure projects, establish closer ties to California in developing a network of third-party accessible hydrogen stations, and provide full funding for programs that advance renewable technologies.

In his remarks to witnesses Rep. Issa expressed his support for California based research activities and thought that the state's innovative efforts should be rewarded with greater support for future activities, "more of it should be done in California," said the Chair.

The Senate Energy and Resources Energy Subcommittee also conducted a hearing on Hydrogen and Fuel Cell Research on July 27<sup>th</sup>, although Drs. Lloyd and Sperling did not participate.

For more information on the House Subcommittee hearing or to view testimony visit the House Government Reform Committee website at: <http://reform.house.gov/ER/> . To find out more about the state's hydrogen economy strategy visit the California Environmental Protection Agency at: [www.hydrogenhighway.ca.gov](http://www.hydrogenhighway.ca.gov) . To view federal government hydrogen initiatives go to: [www.hydrogen.gov](http://www.hydrogen.gov) .

## **PPIC REPORT IDENTIFIES OPPORTUNITIES FOR CALIFORNIA TO MEET GROWING WATER DEMANDS**

A new report published by the Public Policy Institute of California (PPIC) finds that California population trends could lead to long term water shortages in the state, although appropriate planning and water conservation opportunities can help the state expand supply sufficiently to meet demands and avoid a catastrophe. *Water for Growth: California's New Frontier* was authored by Ellen Hanak.

Using population forecasts, the report suggests that California's population will grow by 14 million by 2030 to reach an overall estimated total of 48 million. Half of the population jump will occur in urban centers located in inland valleys where relatively arid climates persist and residents are expected to consume greater quantities of water than coastal communities, according to the report. If current consumption patterns continue at 2000 levels, the demand for water will likely increase by 40 percent in 25 years, the authors stipulate.

Although state and federal actors are important, the most significant water supply regulators are local planning authorities and water agencies. The report stresses that California is in a good enough position to balance its water demands with consumption increases and can best be served by supporting groundwater storage, municipal water recycling, and urban-use efficiency activities.

The author notes that solutions to the water supply dilemma must be compatible with population growth realities in order to avoid a housing shortage. As such, local parties should consider four challenges-- strengthening long-term water planning, streamlining water adequacy screening for new development, realizing the potential of water conservation, and consolidating progress in groundwater management. The state can also play a stronger oversight role and encourage local entities to abide by regulations and better management of water resources, the author recommends.

For more information on this report or to view a copy visit the PPIC website at: <http://www.ppic.org/main/home.asp>

## **SENATE JUDICIARY CONTINUES TO LOOK AT IMMIGRATION REFORM**

The Senate Judiciary Committee on Tuesday, July 26 held another hearing on immigration reform, this one focusing on comprehensive immigration reform. The Committee heard from a number of Senators in support of their respective bills, as well as other interested parties. Among the witnesses were: Sen. Edward Kennedy (MA), Sen. Jon Kyl (AZ), Sen. John McCain (AZ), Sen. John Cornyn (TX), Hal Daub, President and CEO, The American Health Care Association (AHCA), and testifying on behalf of the Essential Worker Immigration Coalition; Tamar Jacoby, Senior Fellow, Manhattan Institute; and Gary Endelman, Author and Immigration Practitioner, Houston, TX.

Senators McCain and Kennedy detailed the provisions of their legislation, S. 1033, which establishes an H-5A essential worker visa program for low-skilled workers, as well as a mechanism that will allow immigrant workers meeting certain work requirements to apply for adjustment to legal status in time. The bill also includes provisions aimed at enhancing border security and information sharing among

U.S. agencies and international countries. In his testimony, Sen. Kennedy said: "The past debate was over whether illegal workers should all be deported or all be legalized. The new debate recognizes the importance of assisting those who want to return to their home country, while also recognizing that many immigrants want to settle in America and become full members of the nation's family." Nevertheless, he stressed his bill does not provide amnesty or reward illegal immigrants.

Sens. Kyl and Cornyn outlined their legislation, which focuses on providing substantially more resources to control illegal immigration at the border. Included in the bill is authorization for 10,000 new Border Patrol Agents, as well as 10,000 workplace investigators. Also, Sen. Kyl testified that comprehensive reform must include a mechanism for employers to quickly and reliably verify employment eligibility and include stiff penalties for violations. To meet this need, the Kyl-Cornyn bill requires the Social Security Administration to provide Americans with new, tamper-resistant and machine-readable cards within a year, and to eliminate false, incorrect or expired social security numbers that have often been used fraudulently in the past.

For testimony of all the witnesses, go to the Committee's website at: <http://www.judiciary.senate.gov>

### **SENATE COMMERCE EXAMINES GROKSTER IMPLICATIONS**

The Senate Commerce, Science, and Transportation Committee held a hearing July 28 on issues related to *MGM v. Grokster*, the recently decided Supreme Court case and the appropriate balance between copyright protection and communications technology innovation. Among the witnesses were: Mr. Adam Eisgrau, Executive Director, P2P United; Mr. Gregory G. Kerber, Chairman & CEO, World Media, Inc.; Mr. Mark G. Heesen, President, National Venture Capital Association; Mr. Dave Baker, Vice President Law & Public Policy, Earthlink, Mr. Mitch Bainwol, Chairman & CEO, Recording Industry Association of America; and Mr. Fritz Attaway, Executive Vice President, Motion Picture Industry of America.

Mr. Eisgrau, whose group includes the makers of the Morpheus and Grokster software which allows the file-sharing of downloaded music and movies, testified that despite the Supreme Court's decision, Congress still needed to adopt a policy of "proactive pragmatism." Specifically, he called on the Committee "to convene and task all relevant stake-holders with exploring -- merely publicly discussing in good faith -- the potential of a voluntary 'collective licensing' system for music to fairly compensate all rightsholders for currently unlawful and unpaid downloads."

Mr. Attaway lauded the Court's decision, calling it a "careful balance between the need to foster creative content and the need to encourage technological innovation. Its rational balance has been recognized by both the content and the technology communities." He also stressed that in clarifying its earlier decision in the *Sony* case, the Court recognized that secondary liability may be the only adequate means of protecting copyrights against massive infringement.

For all of the testimony, go to the Committee's website at: <http://www.commerce.senate.gov> .

### **WATER AND POWER SUBCOMMITTEE CONSIDERS SAN JOAQUIN WATER**

The House Resources Subcommittee on Water and Power, chaired by Rep. George Radanovich (Mariposa), held a hearing entitled "Implementation of the West Side Regional Drainage Plan as a Way to Improve San Joaquin Water Quality", which focused on a locally-developed plan for draining waterlogged farm fields while eliminating discharges of salty drainage water to the San Joaquin River.

The Committee heard testimony from a number of witnesses, including: Commissioner John Keys, Bureau of Reclamation, Department of the Interior; The Honorable Phil Larson, Supervisor, Fresno County; Mr. Chris White, General Manager, Central California Irrigation District,

Los Banos; Mr. John Kopchik, Contra Costa County, Community Development Department, Martinez; Mr. Gary Bobker, Program Director, The Bay Institute of San Francisco, Navato; and Mr. Thomas Birmingham, General Manager, Westlands Water District, Fresno.

Chair Radanovich noted that solutions to the drainage problem are hard to find, but argued that a resolution must be found by 2009 “or else massive land retirements will destroy our region's economy, generations of family farms will fail, countless jobs will be lost, and the environment will continue to suffer.”

Mr. Birmingham detailed efforts in the Westlands district that includes a West Side Regional Drainage Plan, which he said will provide immediate benefits to the region and improve water quality in the San Joaquin River.

The other witnesses discussed the current condition of the San Luis Unit. Congress mandated several decades ago that the Federal government provide agricultural drainage for the San Luis Unit of the Central Valley Project, but has not provided the service. According to Radanovich, “without adequate drainage, irrigation water gradually raises the water table and the resulting accumulation of salts renders the land useless for agriculture. While local farmers in the northern portion of the San Luis Unit have provided their own drainage service, impending water quality standards will require that discharges of the drainage water to the San Joaquin River cease by the end of the decade. Implementation of the West Side Regional Drainage Plan will allow local irrigators to manage and treat drainage water, allowing for continued farming and improve water quality in the San Joaquin River. This plan is a part of the U.S. Bureau of Reclamation's efforts to provide drainage service to larger regional area.”

Further information on the hearing can be obtained through the Committee's website at: <http://www.resourcescommittee.house.gov> .

## **PPIC BRIEFS CALIFORNIA DELEGATION ON CALIFORNIA'S MEDI-CAL PROGRAM**

On Tuesday, July 26, 2005, the Public Policy Institute of California (PPIC) and the California Institute hosted a luncheon briefing entitled *California's Medi-Cal Program: Can Costs Be Controlled?*

The briefing was provided by Thomas MaCurdy, an Adjunct Fellow at PPIC, President of The SPHERE Institute, and Professor of Economics at Stanford University. According to a recent study done by Professor MaCurdy and Hans Johnson, Research Fellow at PPIC, over the next ten years, California's costs under the Medi-Cal program (which administers federal Medicaid funds) are projected to grow at a faster rate than state revenues. Prof. MaCurdy also argued that his analysis reveals that most Medi-Cal spending is concentrated among a small number of recipients – 5 percent of Medi-Cal enrollees incur more than 60 percent of all costs. For substantial savings, the analysis finds that the state would have to lower the cost of long-term care for the elderly, services for the disabled, and hospital stays for the seriously ill.

The Professor also argued that rapid inflation in health care costs – not increases in the number of enrollees – is the driving force behind mounting program expenses. The \$12 billion the state now spends annually on Medi-Cal is expected to reach nearly \$29 billion annually by 2015 – yet California's revenues are projected to grow more slowly. Professor MaCurdy also opined that switching Medi-Cal enrollees to managed care in California does not really save that much money, because high cost services required by the elderly and disabled usually end up being paid on a fee-for-service basis. During questioning, the Professor's contention on this lack of savings was countered by a representative for Governor Arnold Schwarzenegger.

Tuesday's event was the second in a new monthly series of lunch briefings to present PPIC findings. It was kicked off by the *California 2025* presentation in June. An August 11 briefing will focus on water issues.

### **HOUSE PASSES INTERIOR APPROPRIATIONS**

The House passed the Conference Report on the FY06 Interior Appropriations before adjourning for the August recess, and the Senate was expected to follow before leaving town. The \$26 billion bill provides funding for the Department of the Interior as well as environmental programs, such as Superfund.

Among its provisions, the bill provides \$ 2.7 billion for Wildland firefighting and the National Fire Plan, an increase of \$111 million over FY2005. The Fish and Wildlife Service will receive \$1.3 billion – \$7 million above the request and \$500,000 below FY05, and the National Park Service \$2.3 billion, which is \$50 million above the request and \$66 million below FY05. \$236 million is allowed for Payments in Lieu of Taxes (PILT), \$36 million above the request and \$9 million above the 2005 level.

The Institute will provide a further analysis of the appropriations in the near future.

### **UPCOMING CSA EVENT DISCUSSES SPACE POLICY TRANSFORMATIONS**

A consortium of California space enterprise organizations led by the California Space Authority (CSA) and the California Space Education and Workforce Institute (CSEWI), are bringing together the state's space leaders and sponsoring a two day event on the topic of "Transforming Space: Innovation, Infrastructure, and Intellectual Capital". The event to be held at Sheraton Gateway Hotel in Los Angeles on December 1<sup>st</sup> and 2<sup>nd</sup>, will convene business, academic, and government leaders to examine the transformations in civic, defense, and commercial space needs.

Specific topics to be covered by the event include space tourism, ensured access to space, exploration of outer space, enhanced space responsiveness, and the education of future workforce members in the field of space technology, among others.

California houses the NASA Ames Research Center, the NASA Dryden Flight Research Center, and the Jet Propulsion Laboratory in Pasadena, facilities which continue to make significant contributions to the nation's space exploration activities. These activities cover a broad spectrum, including but not limited to nanotechnology, planetary research, and launch vehicle testing. Together, the centers award more than \$4 billion annually in contracts.

The event is also sponsored by Lockheed Martin, ATK Space Systems, and Space News International.

To find out more information or to register for this event visit the California Space Authority website at: [http://www.californiaspaceauthority.org/html/spotbeam\\_conf\\_2005/index.html](http://www.californiaspaceauthority.org/html/spotbeam_conf_2005/index.html)