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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.

CONTENTS:

HOUSE DEFEAT OF BRAC DISAPPROVAL REMOVES FINAL BASE CLOSURE HURDLE

By a vote of 85-324 on Thursday, October 27, 2005, the House rejected a joint resolution to disapprove the Pentagon's base closure plan, effectively removing the final obstacle from final implementation of the 2005 round.

H.J.Res 65, by Rep. Ray LaHood (IL), would have disapproved the recommendations of the Base Realignment and Closure (BRAC), which spent the summer reviewing and tinkering with a list of proposed closures given to it by the Pentagon in May 2005.

This year's plan to close 22 major and 33 minor military installations leaves California relatively unscathed, in sharp contrast to the vastly disproportionate cuts the state bore during four previous rounds from 1988 through 1995. The state's bipartisan Congressional delegation -- along with the Governor, State Legislature and other stakeholders -- fought hard and successfully to minimize the damage to the state from this year's BRAC round.

A California Institute special report on the May 13 closure plan is available at http://www.calinst.org/defense/bracMay.htm , and a detailed history of California's experiences with the base closures rounds from 1988 to 1995 (and which outlined the 2005 round's procedures), at http://www.calinst.org/defense/base1a.htm .

FRIDAY UCDC CONFERENCE ON STATE'S ELECTORAL AND INITIATIVE PROCESSES AND SPECIAL ELECTION: "THE GOOD, THE BAD, AND THE UGLY"

On Friday, October 28, 2005, at a conference held at the University of California's Washington Center, a variety of policy experts and practitioners will address the national implications of key issues in California's November 8 special election.

During the election, voters will confront a range of concerns from abortion to the state budget, prescription drugs, campaign finance, redistricting, teacher tenure, and electricity regulation. In an effort to put the upcoming election in context, the UC Berkeley Institute of Governmental Studies, the University of California Washington Center, and The James Irvine Foundation are collaborating to produce the event, entitled ”Government by the People in California: The Good, the Bad and the Ugly.”

Scheduled to begin Friday at 9:15 a.m. (with continental breakfast available from 8:30), the one-day conference on the Special Election is free and open to the public, with no advance registration required. It will be held at the University of California Washington Center, 1608 Rhode Island Avenue NW, Washington, D.C. (http://www.ucdc.edu)

Following a welcome by new UCDC Director Bruce Cain, the event will feature several panel discussion sessions.

The first session, entitled ”Government by the People: an Overview,” will be moderated by Cain and will feature remarks by IGS Associate Director Jack Citrin, columnist and author Peter Schrag, and Susan Pinkus of The Los Angeles Times, as well as discussion by E.J. Dionne of the Brookings Institution. A session called ”The Politics: Campaigns, Consultants, and Money” will feature Norman Ornstein of the American Enterprise Institute, Raymond LaRaja of UMass Amherst, and California political consultants Garry South and Ken Khachigian, as well as comments by columnist Dan Weintraub.

Following a luncheon featuring a keynote address by former Governor Gray Davis, a session entitled ”The Policy: Gerrymandered Districts and Budget Deficits” will be moderated by Jerry Lubenow of IGS and feature remarks by John Ellwood of Berkeley’s Graduate School of Public Policy, Nathaniel Persily, of U.Penn’s School of Law, and former California State Senate Republican Leader Jim Brulte of California Strategies, and John Decker, Chief Fiscal Advisor to the Appropriations Committee of the California Senate. The session’s discussant will be Tom Mann of the Brookings Institution. A final session, entitled Implications for Governance,” will be moderated by Susan Rasky of UC Berkeley’s School of Journalism and feature comments by Sherry Bebitch Jeffe of the School of Policy Planning and Development at the University of Southern California, as well as Karl Kurtz of the National Conference of State Legislatures. The event is expected to end at approximately 5:30 p.m.

The session will be broadcast in streaming (RealPlayer) video from the U.C. Washington Center. The link, an agenda, and additional information are posted at https://www.ucdc.edu/faculty/special_event.cfm .

STUDENT LOAN SAVINGS OF $14.5 BILLION ADDED TO BUDGET RECONCILIATION

The House Education and Workforce Committee transferred some of the fiscally-focused portions of its higher education reauthorization plan into a budget reconciliation package, forwarding its proposals to the House Budget Committee during a meeting on October 26, 2005. That E&W panel had approved similar proposals in July, which were incorporated into the Committee’s comprehensive Higher Education Act reauthorization measure (H.R. 609). However, new revisions to loan and grant programs instituted in committee this week would more sharply reduce federal spending - boosting total savings from $8.7 billion to $14.5 billion. The committee reported the higher education package by a 22 to 19 vote along party lines.

According to Committee Chairman John Boehner (OH), most of the savings proposed in the revised bill would be generated from lender subsidy reductions without affecting the 16 million college-going population. He said, “We reduce and equalize loan fees and we increase student loan limits.”

“After more than a decade of tuition increases that have far outpaced the rate of inflation and growth in family incomes, it has become clear that blindly increasing federal student aid is doing nothing to solve the challenge of skyrocketing college costs,” said Rep. Howard P. “Buck” McKeon (Santa Clarita), who chairs the Subcommittee on 21st Century Competitiveness. McKeon added, “The federal investment in higher education continues to grow, but it is imperative that Congress ensure that investment will be made wisely.”

Some of the bill’s savings provisions include eliminating lender student loans subsidies of 9.5 percent, reducing subsidies to lenders that primarily offer consolidation loans, capping the maximum student loan interest rate at 8.25 percent, increasing flat rate premiums from $19 to $30.

The Committee’s Ranking Democrat, George Miller (Martinez) proposed an amendment that would redirect some of the savings achieved from the above provisions back to students through a Pell Grant supplement program for students that qualify. The Miller amendment was defeated by a vote of 20 to 27. Rep. Miller was critical that the budget cuts were being used to pay for tax breaks and special interest benefits, and he complained that "rather than seizing an opportunity to make college more affordable for students, this committee will make it more expensive." He estimated that students will wind up paying as much as $5,800 more in interest costs over the life of their student loans because of these changes approved.

A number of other amendments failed to gain passage including a proposal to encourage participation in the direct loan program, and language submitted by Rep. Susan Davis (San Diego) that would have cut loan origination fees for the same program. That amendment failed by a vote of 20 to 24.

The final package of savings combined the $14.5 billion in student loan program savings with an additional savings related to changes in Pension Benefit Guaranty Corporation rules. The approximately $18.5 billion Education & Workforce budget reconciliation measures now advances to the House Budget Committee for further consideration and consolidation with other measures before moving to the House floor.

In a related development, the House Energy and Commerce Committee was reportedly moving late Thursday night toward their budget reconciliation package, expected to cut about $9.5 billion in Medicaid spending over five years.

The House Education & Workforce Committee's fiscal plan is available at http://educationworkforce.house.gov/fiscalresponsibility.pdf , and a current update regarding recent legislative activity is available from the California State University's Office of Federal Relations at http://www.calstate.edu/federalrelations/index.shtml .

The California Institute in conjunction with the Public Policy Institute of California (PPIC) recently published a report on the workings of federal student aid formula programs and how California fares under current law. The report also examines Higher Education Act reauthorization topics. For more information, or to view a copy of the report, visit the PPIC website at: http://www.ppic.org/main/publication.asp?i=627 . For more information on this higher education mark up, visit the House Education and the Workforce Committee website at: http://edworkforce.house.gov/ .

WAYS AND MEANS APPROVES BUDGET PACKAGE TO SAVE $8 BILLION OVER 5 YEARS; SOME FEAR FEDERAL AID CUTS WILL HURT STATE

In an effort to reduce the federal budget, the House Ways and Means Committee on October 26, 2005 voted to eliminate $8 billion in federal spending for foster care, child support and disabled programs. The package of cuts, sponsored by full committee Chair Bill Thomas (Bakersfield), kept with the Republican leadership's budget reconciliation goal of bringing spending in line with adjusted deficit reduction targets. The bill was reported out on a party-line vote of 22 to 17, after committee GOP members staved off opposition amendments that would have rolled back the reductions. Some observers fear that California may be more severely impacted by the most drastic cuts than other states.

The bulk of the proposed cuts will be generated from reducing the federal matching percentages received by states for certain child support expenses. Under the plan, the federal share of administrative child support enforcement costs would decline from the current 66 percent rate to 50 percent by 2010. The phase-in is intended to stop states from receiving administrative incentive payments to pay for administrative costs as well as federal matching payments, a practice Chairman Thomas called "double-dipping." The federal incentive funds accounting shift would provide $408 million in annual savings which would go toward deficit reduction while the administrative reimbursement matching rate reductions yield even greater savings of $760 million per year.

According to estimates from one of the state's largest local governments, California will bear the brunt of these reductions in federal support because California receives 18.8 percent of total federal child support enforcement assistance. Based on estimates calculated by the Center for Law and Social Policy (CLASP), out of a total reduction of $4.96 billion, California is expected to experience $934 million in forgone federal collections if the reductions become law. Presumably, state and local sources would be required to fill the shortfall created by the 40 percent cut in federal administrative commitments, although Ways and Means staff anticipate that states would revise their administrative behavior to adjust to the new matching rate.

Committee Democrats Sander Levin (MI) and Earl Pomeroy (ND) submitted an amendment to retain the current system for federal administrative payments, which failed 17 to 22.

Another provision in the Chair's mark that passed would clarify the intent of current law, according to proponents, by limiting federal foster care assistance to children removed from welfare eligible unsafe homes. Rep. Xavier Becerra (Los Angeles) an opponent of the measure, argued that the money should follow the foster child regardless of the economic conditions of that child's home. Savings from this revision would amount to $400 million over 5 years.

The committee's fourth major federal payment revision concerns the Supplemental Security Income (SSI) program that serves disabled persons. The bill would require lump sum amounts in excess of $1,800 going to participating individuals be distributed in three payments spread out over six months. Such a practice would generate $425 million in savings over 5 years, according to Ways and Means staff estimates.

In addition to reductions in federal payments, the budget savings measure contains comprehensive language reauthorizing welfare law. The Ways and Means Committee commands partial jurisdiction over welfare and child care programs. Congress has been unable to renew a successor to the landmark welfare reform law, the Personal Responsibility Work, Opportunity and Reconciliation Act of 1996 (PRWORA) for over three years. Welfare and child care programs, operating on short term extensions since prior law officially expired in October, 2002, are currently maintaining program budgets at level funding.

The Subcommittee on Human Resources considered and approved a welfare plan earlier this year (HR 240). That plan, co-authored by Human Resources Chair Rep. Wally Herger (Marysville) was contained in this week's full committee mark up. It would boost work requirements by 10 hours per week for welfare cash recipients (from 30 hours to 40 hours), reauthorize the Temporary Assistance for Needy Families (TANF) block grant at $16.6 billion, include an extra $500 million in mandatory child care and development fund (CCDF) funding, and provide $1 billion in competitive grants for programs that help strengthen marriages and responsible fatherhood practices.

For more information on this mark up, visit the House Ways and Means Committee website at: http://waysandmeans.house.gov/ . To examine CLASP's analysis of the cuts proposed in the reconciliation measure visit the CLASP website at: http://www.clasp.org/whatsnew.php .

In addition, federal formulas relating to welfare and child care are discussed from a California perspective in two reports from the "*Federal Formula Grants and California*" series (a joint venture of the Public Policy Institute of Califorina (PPIC) and the California Institute). A piece on Federal Child Care Programs is available at http://www.ppic.org/main/publication.asp?i=621 , and a piece on TANF and Welfare Programs can be read or downloaded at http://www.ppic.org/main/publication.asp?i=466 .

Senate Judiciary Holds Hearing On Splitting The Ninth Circuit

On October 26, 2005, the Senate Judiciary Committee held an informational hearing on the issue of splitting the 9th Circuit and the multiple pieces of legislation pending that would expand or contract the court.

Among the numerous witnesses providing testimony to the Committee was Circuit Judge Alex Kozinski, U.S. Court of Appeals for the Ninth Circuit, from Pasadena; and Chief Judge Emeritus Marilyn Huff, U.S. District Court for the Southern District of California, from San Diego.

Judge Kozinski testified in opposition to splitting the 9th Circuit. Appointed by President Reagan in 1985, the Judge argued that splitting the 9th Circuit should only happen under two conditions: 1) there is proof that the 9th Circuit is not operating efficiently, and 2) that it is the remedy concurred in by the bench, bar, and public of that region. According to his testimony, only three out of the 24 active judges in the 9th Circuit support the division of the 9th Circuit. To counterbalance the concerns that the 9th Circuit has lost judicial collegiality due to overburdened case loads, wide geographical areas and differences, and the inability for 9th Circuit judges to communicate with each other in a timely and effective manner, Judge Kozinski provided a few anecdotes to the Committee. He explained that technological advancements have made it more accessible for the public to retrieve court decisions. Additionally, as the 9th Circuit furthers its efforts to become predominantly web-based (i.e., with web-based filings, meetings, and database retrieval), 9th Circuit judges have continued to develop and enhance their judicial relationships through frequent video conference meetings and have created case filings complete with digital voice recordings of arguments and other useful information. Of assistance is the new inventory system for cases. To illustrate the effectiveness and efficiency of this new system, Judge Kozinski explained that after a final decision was reached for a certain high profile case, one three-judge panel was able to resolve 90 similar cases related to the same issue in a single sitting.

In addition to echoing the sentiments of Judge Kozinski, Chief Judge Marilyn Huff pointed out that the decision to split the 9th Circuit lacks support from research that has analyzed the court. Moreover, she contended that splitting the 9th Circuit solely based on its size will prove to be detrimental to the existing successful relationships within the regions. For example, Judge Huff stated that the relationship between California and Arizona that allows judges to assist each other with caseloads and allows agents to bring cases in either district would be lost. The current relationship, according to Judge Huff, promotes consistency in rulings for these border states and permits cases to be handled efficiently and effectively. Furthermore, she argued that splitting the 9th Circuit during trying economic times is unfounded and costly. Finally, she asserted that splitting the 9th Circuit to influence the results of court decisions contradicted judicial and governmental tenets and jeopardized judicial independence.

Additional information can be found on the Senate Judiciary website: http://judiciary.senate.gov/ .

RESOURCES COMMITTEE REPORTS RECONCILIATION PACKAGE, MEASURE WOULD CHANGE OCS DRILLING RULES

The House Resources Committee on Wednesday, October 26, reported a budget reconciliation package that, among other provisions, would give states, including California, the ability to “opt-out” of the moratorium on oil and gas leasing on the Outer Continental Shelf. A moratorium in effect through 2012 currently bans new offshore oil and gas grilling in the federal waters off state coasts, with the exception of parts of the Gulf of Mexico and Alaska. The Resources Committee said that Congressional Budget Office preliminary estimates show that as much as $800 million could be raised for the federal Treasury over five years if states are given the ability to allow new energy production off their coastlines. States would also receive considerable revenues. An amendment to strike the provisions from the package failed by a vote of 15-25, and the full package, offered by Committee Chairman Richard Pombo (Tracy) was finally approved by a vote of 24-16.

The reconciliation package also would open up new drilling in the Arctic National Wildlife Range, a highly contentious issue in Congress over the last several years, as well as change federal laws regarding mining and oil shale leases, and allow for the sale and conveyance of certain federal lands to the District of Columbia.

In related activity, Rep. Lois Capps (Santa Barbara) was joined by a number of other California Democrats in sending a letter to Governor Arnold Schwarzenegger calling on him to oppose the offshore drilling provisions.

Governor Schwarzenegger has repeatedly expressed his opposition to offshore drilling, as have leaders of the State Legislature, so a suspension of the moratorium is unlikely to lead to exploration activity off California’s coastline in the foreseeable future.

SANTA ANA RIVER WATER SUPPLY ENHANCEMENT ACT PASSES HOUSE

With a voice vote under suspension of the rules on Tuesday, October 18, 2005, H.R. 177, sponsored by Rep. Gary Miller (Diamond Bar), was passed by the House of Representatives. The bill would allow the Secretary of the Interior to participate in the Prado Basin Natural Treatment System Project by carrying out a program to assist agencies in projects to construct regional brine lines in California, to participate in the Lower Chino Dairy Area desalination demonstration and reclamation project, and for other purposes.

H.R. 177 authorizes the federal government to spend $153.9 million to naturally improve water quality in the Santa Ana River and increase the region's water supply by 65.2 billion gallons per year through participation in several projects. $50 million is authorized to expand groundwater desalination in the Chino Basin. $40 million is authorized to safely and efficiently discard excess saltwater, also known as brine, from nearby desalination plants by constructing a new pipeline to the Pacific Ocean. The bill also authorizes $51.8 million, up from the current $20 million, to continue federal support for the Orange County Regional Water Reclamation Project. Finally, H.R. 177 authorizes $12 million to build an advanced water filtration technologies research center to find better, more cost-effective approaches to water recycling. This center will be located in Orange County.

SENATE FINANCE EXAMINES STATUS OF WTO NEGOTIATIONS

The Senate Finance Committee held a hearing on Thursday, October 27 to examine the status of World Trade Organization (WTO) negotiations under the Doha Round in advance of the Ministerial Meeting to be held in Hong Kong in December.

Peter Allgeier, Deputy U.S. Trade Representative, Office of the U.S. Trade Representative, testified for the Administration. Other witnesses included: Jim Jarrett, Vice President, Worldwide Government Affairs, Intel Corporation, Santa Clara, CA; Craig Lang, President, Iowa Farm Bureau Federation; Jeffrey Shafer, Vice Chairman, Global Banking, Head of Economic and Political Strategies, Citigroup; and Ed Gresser, Director, Trade & Global Markets, Progressive Policy Institute.

USTR Allgeier brought the Committee up to date on its latest proposals regarding agriculture. The Administration has put forth a proposal that would increase market access for U.S. agriculture products by reducing tariffs in developed countries by 55 to 90 percent, and possibly limit foreign tariffs by the end of the implementing period to no more than 75 percent. The proposal also calls for the elimination of export subsidies by the year 2010, and reduced domestic support – especially by European Union members and Japan. Allgeier noted, however, that the proposal was not met with enthusiasm by U.S. trading partners, and the United States will now wait for their counterproposal. He stressed that the United States would insist that the proposal be comprehensive and far-reaching and that U.S. negotiators would not accept anything that just tinkered around the margins. During questioning, he opined that the success or failure of the December Ministerial will likely hinge on reaching an agreement on agriculture, which he allowed continues to be a formidable task.

Mr. Jarrett testified for the National Association of Manufacturers regarding market access for non-agricultural goods. He said NAM advocates significant cuts in tariffs and supports allowing sectoral negotiations to proceed on a parallel track with overall WTO negotiations. This would allow member countries to begin elimination of tariffs by manufacturing sectors and build on commitments already made to end tariffs on electronics.

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

AEROSPACE TASK FORCE BILL PASSES HOUSE

On October 25, 2005, the House of Representatives passed H.R. 758, a bill that would establish an interagency aerospace revitalization task force focused on developing a national strategy for recruiting, training, and cultivating an aerospace workforce. The bill was considered under suspension of the rules and passed by voice vote.

Authored by Rep. Vernon Ehlers (MI), the Task Force established in H.R. 758 would be made up of 11 voluntary members (one member from each of the following agencies: Departments of Commerce, Defense, Homeland Security, Education, Transportation, Energy, National Aeronautics and Space Administration (NASA), and the National Science Foundation (NSF); the Assistant Secretary of Labor for Employment and Training; and two Presidential appointees) and chaired by the Assistant Secretary of Labor for Employment and Training.

In addition, the Task Force will meet at least twice a year for four years and produce an annual report documenting the activities, findings, strategies, policies, initiatives, and recommendations regarding the Task

Force's progress in maximizing the cooperation among federal agencies and departments, developing policies to promote monitoring of public and private sector science and technology, and establishing working relations with other entities to collect information and coordinate agency resources.

The bill's supporters noted that the United States has a significant stake in the health of the aerospace industry. The industry generates 15 percent of the GDP of the U.S., equating to nearly 11,000,000 U.S. jobs, making the U.S. the leader in net exports. To add, direct contributions of the aerospace industry to the economic and national security in the United States include military, space, air transport, and technology.

Also of particular concern is the future of the aerospace workforce. Figures as recent as 2004 revealed that the aerospace industry employment rate fell to its lowest point in five decades; exasperating this situation is the estimate that nearly 27 percent of the current aerospace workforce will be eligible for retirement by 2008. Morever, the bill's sponsors argue that the future of the U.S. aerospace workforce seems doubtful in light of continued low math and science test performance rankings of American students compared to other industrialized countries of the world.

The bill was referred to the Senate Committee on Commerce, Science, and Technology.

NEW PPIC POLL FOR NOVEMBER 8 SPECIAL ELECTION FINDS VARIOUS INITIATIVES RUNNING BEHIND, INCLUDING REDISTRICTING PLAN

On Friday, October 28th, the Public Policy Institute of California (PPIC) released a report reflecting the latest poll figures for four of the propositions that will appear on the November 8th special election ballot.

Proposition 73, a measure that would require a doctor to notify parents when a minor seeks an abortion, is supported by 42 percent and opposed by 48 percent of likely special election voters. Although voters are similarly divided on this issue, both sides agree that the outcome of this measure is at least somewhat important (83 percent).

Opinion of Proposition 74, which seeks to increase probationary periods for public school teachers, was little changed, with 46 percent in favor (up three percent from September) and 49 percent opposed.

Approval of Proposition 75, which would require employees to consent to using their union dues for political contributions, has plummeted 12 points since August (58 percent approval now down to 46 percent). Likely voters who are themselves union members or who have family members in a union oppose this proposition (62 percent). Interestingly, the majority of likely voters believe that both unions (61 percent) and corporations (79 percent) have too much influence on candidate elections and ballot initiatives.

Proposition 76, a measure that would limit state spending and change school funding requirements, continues to face opposition by a large margin (62 percent oppose, 30 percent support). Ironically, 89 percent of likely voters say they believe the state's budgeting process needs work.

Proposition 77, a redistricting proposal that would allow a panel of retired judges to redraw legislative districts instead of lawmakers, is experiencing opposition from 50 percent of likely special election voters compared to only 36 percent support. However, survey designers stress that a significant 14 percent of likely voters remain undecided on this measure. If approved, the measure would require the redesign of California Congressional districts as well as those of the State Legislature.

In addition to the ballot measures, PPIC has also released the latest approval ratings of the Legislature and Governor. The Legislature continues to receive low marks from likely voters. Fifty-six percent of Californians are unsatisfied with the performance of the Legislature. When asked about the job performance of their Assembly and Senate representatives, 38 percent of likely voters approve and 39 percent disapprove of their representative's performance. Nearly identical to the Legislature's satisfaction rating, the Governor is also regarded poorly. Currently, only 33 percent of Californians are satisfied with the Governor's performance compared to 58 percent who disapprove.

Additional information regarding this survey titled "*PPIC Statewide Survey: Special Survey on Californians and the Initiative Process, October 2005*," visit the PPIC website at http://www.ppic.org .

U.S. GOVERNORS BAND TOGETHER TO SUPPORT UNIVERSITY-BASED RESEARCH

In a letter addressed to the President, 27 Governors -- including California's Arnold Schwarzenegger -- argue for strong support for continued federal funding for university-based research and development.

Governors of the following states signed the letter: Alaska, Arizona, California, Delaware, Idaho, Illinois, Indiana, Iowa, Kansas, Kentucky, Maryland, Massachusetts, Michigan, New Jersey, New Mexico, North Carolina, Ohio, Oklahoma, Pennsylvania, Puerto Rico, Rhode Island, Utah, Washington and Wisconsin.

The bipartisan front specifically asks for the President to give priority for fiscal year 2006 R&D funding to the National Institutes of Health, the Department of Energy, the National Science Foundation, the National Aeronautics and Space Administration, and the Department of Defense.

Federal spending for research and development in California totaled $13.2 billion in 2001; this amount was 16 percent of the entire federal research and development budget. Nearly double the national average, California receives $429 per person in federal research and development allocations. These figures boost California into the sixth spot nationally for the most federal funds for research and development.

In 2002, California received over $2,000,000,000 more than the previous year for federal research and development. In other words, California's share of federal research and development funds amounted to 18 percent of the total federal expenditure in this area.

Federal research and development funds have led to the creation of medical, science, and communication technologies such as the Global Positioning System (GPS), internet, MRI, cellular, and most recently nanotechnology.

GOODS MOVEMENT CAUCUS STRESSES FREIGHT IMPROVEMENTS

A press conference conducted by members of the bipartisan Congressional Goods Movement Caucus, on October 27, 2005, drew closer attention to freight and goods movement provisions in the recently-enacted highway law. The event featured House Transportation and Infrastructure Committee member and Goods Movement Caucus co-chair Rep. Juanita Millender-McDonald (Carson), as well as industry leaders, who wanted Congress to secure funding for freight infrastructure projects, which were described by the presenters as major economic engines for California.

Rep. Millender-McDonald, whose district abuts the Ports of Los Angeles and Long Beach, expressed satisfaction at the $4 billion of funding in support of goods movement programs contained in the nation's new highway law, the Safe, Accountable, Flexible, and Efficient Transportation Equity Act: A Legacy for Users (SAFETEALU), a four-fold increase from prior levels. And she characterized the freight provisions authorized in the law as a first step toward building partnerships to improve freight infrastructure, innovation, and efficiency. She noted that the ports in her district manage 35 percent of all US waterborne container cargo, generating $11.5 million for the regional economy.

Speaking on behalf of Parsons, a private company which provided design and development expertise for Southern California's 20 mile Alameda Project, Jeff Squires stated his support for public-private financing partnerships, citing the Alameda Corridor as an example of a successful project that involved complexity, financial challenges, and multiple stakeholders. He singled out the Transportation Infrastructure Financing and Innovation Act (TIFIA) as an innovative revenue stream for freight mobility partnerships.

Leslie Blakey, Executive Director of the Coalition for America's Gateways and Trade Corridors was working to ensure greater legislative and administrative consideration for freight issues. Although she too was pleased with SAFETEALU's freight authorization levels, Ms. Blakey suggested that infrastructure funding was not keeping pace with the substantial growth in trade and goods traffic and noted the existence of further investment opportunities. To focus the infrastructure and trade industry's efforts, her office circulated a statement which has collected more than 20 signatories from private and public organizations showing support for good movement activities.

A representative from the Southern California Association of Governments (SCAG) emphasized goods movement as an economic development topic rather than a transportation issue. He noted that goods movement supports 12 percent of the area's labor force and that the wage scale for freight workers is higher than any manufacturing sector. He stressed the importance of the goods movement efforts, estimating that freight innovations save retailers and shippers between 18 and 20 percent in inventory costs, which translates into billions in savings, according to the speaker.

The Goods Movement Caucus is a bipartisan caucus of Congressional Members that address issues and concerns related to the dual roles that business and the mobilization of people play within the country's transportation infrastructure and its effect on our national and local economies. It focuses on issues related to goods movement such as economic development, combating congesting in communities, developing public/private partnerships, and ensuring that goods movement is safe and secure.

For more information on the Coalition for America's Gateways and Trade Corridors activities, visit the organization's website at www.tradecorridors.org .

RAND Briefing Considers Cost of Unexploded Ordnance Cleanup

A briefing on October 25, 2005 by RAND adjunct senior engineer Jacqueline MacDonald on the costs of clean up of unexploded ordnance (UXO) provided some answers and provoked still more questions.

The Army has possession of approximately 90,000 acres of land containing UXO slated for closure. Nearly 10 percent of these lands have been successfully transferred to a third party. There are many challenges involved in the transfer of lands containing unexploded ordnance (which consists of bombs, grenades, rockets, and other munitions that have been primed and launched but failed to detonate).

In order complete the transactions of the two UXO lands that were transferred, according to a RAND Arroyo Center research report, there were many challenges that were encountered. In one case studied, the UXO land was transferred before it was known that the lands contained UXO. In a second case, the UXO land was transferred under the direction of Congress. Aside from these two special circumstances, UXO lands face growing challenges in the transfer process that are multifaceted.

In addition, the RAND Arroyo Center report titled, "Transferring Army BRAC Lands Containing Unexploded Ordnance: Lessons Learned and Future Options," concluded that not knowing the amounts, type, and location of UXO before deciding how the land would be used, the inability to ensure that all UXO items had been located and removed due to technological limitation, and the lack of standards for UXO cleanup all further complicate UXO land transfers.

Arroyo, approached by the Army to assess obstacles in transferring the UXO lands and to identify innovative ways to accomplish transfers, reported that it found evidence of ample progress by the Army to transfer UXO lands. The Army has been proactive in addressing some of the problems that have challenged the transfer of UXO lands. It is currently conducting inventory where ordnance may have been used and is developing a database of UXO characteristics on Army land.

Because of the lack of fundamental cleanup standards and knowledge of other UXO lands, the future risks and time projection for UXO cleanup cannot be determined, according to RAND. It is inappropriate for time limits on UXO cleanup to be enforced when critical information such as this is unknown.

However, MacDonald offered one solution to project the rate of UXO rise to the surface; by using a computer based model similar to those programs currently used by the EPA on other environmental projects, understanding and subsequently estimating the pace that UXO remnants rise to the surface is possible.

With regard to the fiscal aspects of UXO cleanup, the estimates from the Department of Defense UXO cleanup range widely from $8 billion to $140 billion. The inability to forecast a more accurate cost is attributed to the lack of data on the locations and characteristics of UXO sites, standards on cleanup requirements and process, and cost estimations of such cleanup process.

Attending the briefing, Rep. Sam Farr (CA) stated that $18 billion was needed for UXO cleanup but Congress only approves about $800 million at maximum for this purpose. Furthermore, he asserted that Congress would not increase funds for UXO cleanup until it is too late, as evidenced by past decisions.

MacDonald strongly recommended that congressional action to be taken on the subject of UXO cleanup. First, she recommended that Congress establish or designate an agency (or multiple agencies working in tandem) to develop baseline standards for UXO clearance; and that such standards should be linked to future land use, allow flexibility, and include a risk algorithm that takes into consideration the UXO site characteristics (UXO depth, density, etc). Finally, MacDonald recommended that Congress make accessible to the public databases tracking UXO related casualties of civilians, military personnel, and others both here and abroad. She emphasized the importance of this information in order to understand the trends and consequences of UXO in its entirety.

Additional information regarding this briefing and the report is available at http://www.rand.org/publications/RB/RB9124/ .

NOVEMBER 3 BRIEFING BY PPIC TO ANSWER THE LONGSTANDING QUESTION: ARE BUSINESSES REALLY FLEEING CALIFORNIA?

A luncheon briefing on Thursday, November 3, 2005, will outline new research from the Public Policy Institute of California (PPIC) that illuminates one of the state's most fiercely-debated public policy questions: Are businesses fleeing high-cost California and taking employment opportunities with them? Contrary to widely touted opinion, businesses are not leaving en masse, and business relocation is not a major driver of job loss, according to a study by PPIC entitled "*Are Businesses Fleeing the State? Interstate Business Relocation and Employment Change in California*."

In the state's recent economy, the loss of businesses to other states is relatively insignificant. During two years of the highest departures - 1993 and 1994 - California experienced a net loss of 750 businesses or 0.05 percent of the state's total establishments. At that rate, it would take 20 years for California to lose just 1 percent of its business establishments due to relocation out of state. As for job loss, the portion caused by out-of-state relocation was never more than one-tenth of 1 percent of total jobs. Instead, nearly all the job loss resulted from establishments going out of business (71%) or downsizing (27%). In "*Are Businesses Fleeing the State? Interstate Business Relocation and Employment Change in California*," the authors note that policy implications and solutions may be very different for these dynamics than for businesses moving out to set up shop elsewhere.

Policies that focus on preventing business relocation will have little effect on job growth, while those that promote new business formation and help existing businesses survive could be critical. For example, between 1996 and 1999, the cycle of business expansion and contraction created 900,000 new jobs, which were offset somewhat by a net job loss of 300,000 from the cycle of businesses being created and businesses dying. Now compare these 600,000 net jobs gained with just 19,000 jobs lost due to out-of-state relocation. Similarly, of 250,000 business relocations from 1993 to 2002, fully 96 percent were simply moves from one part of California to another.

The authors note that, with rare exception, the public debate about business relocation in California has been based on anecdotes or on subjective surveys of employers - not on empirical evidence. The myth-busting findings of the study point to a need for broader and more-informed analysis. "This issue is too important to the state's economic future to focus too narrowly or to risk focusing on the wrong thing altogether," says by PPIC research fellow Junfu Zhang, who authored the study along with economist and PPIC senior fellow David Neumark and PPIC research associate Brandon Wall.

The study's findings will be presented at a luncheon on Thursday, November 3, 2005, at 12:00 noon, in Room 2257 of the Rayburn House Office Building in Washington, DC. The report will be available at the event and is now available at http://www.ppic.org .

To attend the lunch briefing, please reply (acceptances only, thank you) to 202-546-3700, or send email to ransdell@calinst.org .