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California Capitol Hill Bulletin

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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.

SCIENCE-STATE-JUSTICE-COMMERCE APPROPS PASSES; SCAAP FUNDING GOES TO \$405 MILLION

On Wednesday, November 9, the House passed the Conference Report for the FY06 Science-State-Justice-Commerce Appropriations by a vote of 397-19.

The \$58 billion bill funds the Departments of Justice, State, Commerce, as well as NASA and the National Science Foundation among several other agencies.

Funding for the Justice Department rose to \$21.4 billion, an increase of \$784 million over FY05 funding and \$1.1 billion above the President's request. \$2.7 billion of that will go to state and local law enforcement assistance, a \$287 million decrease from last year's funding but \$1.1 billion over the President's budget. The State Criminal Alien Assistance Program (SCAAP) will receive \$405 million, a \$104 million gain over the FY05 level. California receives about 40 percent of SCAAP funding. Funding for the Edward Byrne Memorial Justice Assistance grants fell from \$626 million last year to \$416 million in this year's conference report. The bill also includes \$64 million to eradicate methamphetamine hot spots.

NASA will be funded at the \$16.5 billion requested in the President's budget, a \$260 million increase over last year. That funding includes \$3.1 billion for space exploration and \$912 million for the aeronautics research program.

The Senate is expected to take up the Conference Report this week.

The California Institute will provide a thorough analysis of the California implications of the Conference Report in the near future.

FY06 ENERGY AND WATER APPROPRIATIONS MOVES THROUGH CONGRESS

The House passed the Conference Report on the FY 2006 Energy and Water Appropriations on Wednesday, November 9 by a vote of 399-17. The bill provides \$30.5 billion in budget authority for the U.S. Army Corps of Engineers-Civil, the Department of Interior including the Bureau of Reclamation, the Department of Energy, and several Independent Agencies. The FY06 funding is \$749 million above last year's level.

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The CALFED Bay-Delta program will receive \$37 million in funding under the bill, over four times the \$9 million provided in last year's appropriations. \$40 million is also included for Sacramento area flood improvement projects.

Funding for the Bureau of Reclamation is \$1.1 billion, \$40 million above last year's level.

The Department of Energy is funded at \$24.3 billion, which is \$129 million below FY05 funding, and \$787 million below the Senate-passed level. The Conferees fund the Office of Science at \$3.633 billion, an increase of \$33 million over last year and \$170 million over the President's request. The Conference Report includes an additional \$30 million to continue the efforts to develop a leadership class advanced computer for the scientific community. The National Ignition Facility at the Lawrence Livermore National Laboratory is funded at \$142 million, which is the same as the budget request and the House level.

The bill zero funds the \$70 million Flood Control and Coastal Emergencies programs, as well as two nuclear related programs.

The Senate is due to consider the bill before the end of the week.

The California Institute will provide a thorough analysis of the California implications of the Conference Report in the near future.

HOUSE PULLS RECONCILIATION BILL AFTER FAILING TO REACH COMPROMISE

After spending the day trying to negotiate a compromise between competing camps in the party, House Republican leaders had to pull their budget reconciliation plan from the floor for the week. The controversy centers on opening up the Arctic National Wildlife Refuge (ANWR) and offshore sites to oil exploration. Initially, partly in response to opposition from moderates within their own party, the leadership dropped the language allowing oil drilling in ANWR and easing restrictions on offshore drilling. That move, however, prompted ANWR drilling supporters and others in the party to threaten to walk away from the bill. The leadership intends to continue working on a compromise and bring the bill to the floor next week.

The House reconciliation package being negotiated proposes a net savings of \$53.9 billion over five years. Among the spending cuts included in the House reconciliation plan, are \$11.9 billion in reductions to the Medicaid program, \$844 million to the food stamp program, and a \$14.3 billion decrease in student loan expenditures.

Savings to the \$9 billion food stamp program would be achieved by restricting program eligibility exclusively to families on welfare rolls, and extending the length of time legal immigrants must have lived in the country for food stamp eligibility from 5 years to 7 years. Currently, households receiving any federal benefits automatically qualify for food stamps. Appearing on C-SPAN's Washington Journal earlier in the week, Rep. Joe Baca (Rialto) expressed opposition to the proposed cuts. According to Rep. Baca who serves as Ranking Member on the House Subcommittee on Department Operations, Oversight, Dairy, Nutrition and Forestry, the food stamp cuts contained in the reconciliation measure would deny food stamp benefits to 300,000 families and 49,000 children nationally, with 11,000 individuals from California impacted. Citing a census publication that reports growing poverty levels in the country, Rep. Baca suggested that the cuts to social programs would add to an already growing financial burden shouldered by state and local governments.

Also included in the reconciliation bill is a 60 percent cut to the federal Value Added Grant program which is contained in the Farm Security and Rural Investment Act of 2002 (PL 107-171). This program provides planning and operational grants to support innovative ways of producing goods that benefit the environment and natural resources. According to the National Council of Farmer Cooperatives, the cuts will have a disproportionately high impact on California agriculture cooperatives, which received over 16 percent of value-added market development grants over the last four years.

The bulk of the Medicaid cuts proposed in the reconciliation measure will be generated by curbing benefits and instituting new cost-sharing and premium requirements on Medicaid recipients. House language will give states the option of increasing copayments for medical services by \$2 for those in

poverty and places no limit on cost-sharing for those living above the poverty line (total expenses for all family members may not exceed 5% of a family's home value). States have the option of refusing medicaid services to individuals who cannot pay under the House plan and may curb available benefits to all Medicaid recipients except pregnant women and children. Reduced use of the Medicaid program through these policies is estimated to slash expenses by \$6.2 billion. Further limitations on asset transfer rules for nursing home beneficiaries will save \$2.5 billion, and the scaling back of prescription drug expenses will reduce Medicaid expenditures by an additional \$2.1 billion.

Among the other cuts contained in the reconciliation package is a \$14 billion reduction in higher education spending. Most of these cuts are achieved through a new 1 percent loan origination fee applied to borrowers of new student loans, and a new provision requiring lenders to pay any loan interest that exceeds the fair market rate to students and parents, rather than the federal treasury being responsible for rebating the costs. House higher education reconciliation language would also eliminate a loophole in current law that allows lenders to collect a 9.5 percent return on certain student loans and reduces lender reimbursements for loans in default from 98 percent of the value of the loan to 96 percent. Administrative costs for student loan programs will no longer be financed from mandatory funds under the budget savings plan, reducing mandatory spending by \$2.2 billion.

HOUSE JUDICIARY COMMITTEE PASSES METHAMPHETAMINE EPIDEMIC ELIMINATION ACT

On November 9, 2005, by a vote of 31-0, the House Committee on the Judiciary passed HR 3889, aimed at curbing methamphetamine production by increasing penalties and sentences for people engaged in making or trafficking in the drug.

Among the provisions in the bill are the following. First, it would reduce from 9 grams to 3.6 grams the amount of pseudoephedrine that can be sold in a single transaction. Because pseudoephedrine is a common ingredient in over-the-counter cold and decongestant medicines, this provision may require that retailers of those products may only sell them from pharmacy locations. Second, the bill would create and enforce a quota on pseudoephedrine import and production in addition to requiring importers to provide information on the intended recipient of their shipments. Third, H.R. 3889 would increase the amount from 100 to 200 grams of methamphetamine needed to impose a life sentence in prison on a methamphetamine leader of a drug trafficking organization convicted of trafficking the drug. Fourth, the bill would increase from \$1,000,000 to \$5,000,000 during any 12 month period the amount of money necessary to have been received in order to convict an individual as a methamphetamine kingpin. Fifth, H.R. 3889 would impose up to 20 additional years in prison for the manufacture, distribution, or possession with the intent to manufacture or distribute methamphetamine in the presence of a minor. Sixth, the bill would authorize \$99 million annually starting in fiscal year 2006 and sunsetting in 2010 for the Meth Hot Spot program and \$20 million annually for fiscal years 2006 and 2007 for grants for programs that aid children living in a home where methamphetamine or any other controlled substance is unlawfully, manufactured, administered, or distributed.

The unanimous final vote came after the panel adopted, by voice vote, a substitute amendment offered by Committee Chair Sensenbrenner (WI) that deleted provisions: 1) to impose a mandatory minimum 10 year sentence for the first offense for the import, export, production or trafficking of methamphetamine if the amount involved was more than or equal to five grams, or 50 grams or more of a substance containing a detectable amount of methamphetamine; 2) to impose a 20 year prison sentence for a second offense; 3) to impose a life sentence in prison for the third offense. Instead, the bill would give judges the discretion to impose sentences for knowingly or intentionally possessing ephedrine, pseudoephedrine, or phenylpropanolamine, or its precursors.

Chairperson Sensenbrenner explained that the changes reflected compromises reached in conference on a provision dropped from the \$57.9 billion fiscal 2006 Science-State-Justice-Commerce appropriations bill.

Rep. Maxine Waters (Los Angeles) offered two amendments to the bill that were ultimately defeated by voice vote. The first amendment would have eliminated the additional sentencing. The second amendment would have lowered the sentence to up to five years.

BASE CLOSURE PLAN BECOMES LAW

Just after midnight on Tuesday, November 8, 2005, the Bush Administration's plan for realigning and closing military installations became law. If Congress had acted in disapproval within 90 days from the date of the President's formal transmission of a revised plan, the 2005 process could have been terminated. By choosing not to intervene -- the House of Representatives on October 27 overwhelmingly voted against rejecting the plan -- Congress permitted the plan to move to enactment.

The President proposed a variety of bases for closure and restructuring in May 2005. That list was forwarded to the Base Realignment and Closure (BRAC) Commission, which spent the summer reviewing and tinkering with the list. The commission relayed its revised list of proposed closures and realignments to the Pentagon in September, proposing to close 22 major and 33 minor military installations, and the President forwarded that list to Congress shortly thereafter.

The 2005 plan left 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.

The governors of some of the states not as fortunate in this round are taking one last run at the process, as the governors of Connecticut, Illinois, Missouri, Pennsylvania, and Tennessee have filed court challenges to fight to keep Air National Guard bases in their states.

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> .

RAND STUDY URGES USE OF MORE PRECISE DATA TO DISTRIBUTE RISK-BASED HOMELAND SECURITY FUNDS

On Wednesday, November 9, 2005, the RAND Corporation issued a report proposing greater sophistication in the methodology for estimating the terrorism risks facing communities, in an effort to improve methods the federal government uses to distribute billions of dollars annually in homeland security grants.

In "*Estimating Terrorism Risk*", the authors examine the criteria used by the Department of Homeland Security (DHS) to allocate grants for the Urban Areas Security Initiative (UASI) program. Targeted on densely-populated urban areas, the UASI program is widely considered a better targeted funding stream than its counterpart -- the historically larger state-focused program, entitled the State Homeland Security Grant Program (SHSGP).

Where SHSGP uses only data on population and state size, strongly favoring small states at the expense of large states and ignoring any risk or threat information, at least UASI dollars have been distributed with risk and threat in mind. UASI funds have been distributed based on a mixture of factors associated with an urban area, including population, population density, credible threat intelligence, and an extensive comparison of myriad critical infrastructure assets.

Nevertheless, the RAND study recommends that DHS allocate funds where they can most effectively reduce terrorism risk, rather than simply where risk is greatest. However, the authors note that these data are as yet unavailable. Until they are, and DHS is capable of assessing the cost-effectiveness counter-terrorism measures, the RAND authors conclude that it still is appropriate to allocate some or all such funds in proportion to estimated risk.

Henry Willis, a RAND policy researcher and lead author of the report, described the proposed alternative methodology as combining a variety of assessment techniques: “We've demonstrated a way to combine the best available information to measure terrorism risk. We use not just the results of one model, but the results of many, because the chance of any one prediction being right is quite small.”

The RAND researchers suggest asking three questions, as co-author Andrew Morral described: “What are the known or suspected terrorist threats? What are the vulnerabilities of people and facilities to these threats? And finally, what could be the consequences of a terrorist attack?” The details behind the inquiries can be complicated. By consequences, for example, the researchers suggest the extent of the damage that might result from an attack, which might be expressed in terms of fatalities, injuries, economic losses, or other types of damage. The add, however, “Other aspects of consequences can also be considered using the approach we outline here and this definition. For example, the damage or destruction of critical infrastructures that cause injury, loss of life, and economic damage outside the area of immediate attack are important. They may in fact dominate the results of an analysis if the impact on society as a whole is considered rather than the impact on the target and its occupants and owners.”

Simply looking at one or two indicators, the authors suggest, may miss some areas in need and overemphasize other areas needs. They recommend using event-based models that build on detailed analysis of consequences from specific attack scenarios. Among their recommendations is that population data be weighted with population density to better correlate with vulnerabilities, at least until more sophisticated methodologies can be developed.

The report found that cities' shares of UASI funding in 2004 closely tracked with shares of population, with Los Angeles having the greatest discrepancy. They concluded, however, that “the distribution of resources does not match the distribution of terrorism risk.”

The RAND report is available on the web at <http://www.rand.org/publications/MG/MG388/> .

Whereas SHSGP funds have typically been distributed without any regard for risk or threat, 2006 funding may be a different story. A first responder funding formula change included in the FY 2006 Homeland Security Appropriations Conference Report which may likely to yield additional funding for California, if DHS elects to use newfound authority given it in that measure. To date, SHSGP have in practice come from two pots of funds -- 40% is distributed equally to each state, and 60 percent is distributed via other means. As such, for 2003-2005, California received about 8 percent of formula funding. The state received 0.8 percent from the one-size-fits-all minimum guarantee portion (or 40% of the pot of money multiplied by the 2% share that every state received) plus 7.2 percent from the population-based portion (or 60% of the pot of money multiplied by the state's 12% share of the U.S. population). Whereas the 2006 conference report's formula would give California the same 0.8 percent share (40% x 2%) of the "minimum" pot, the state will likely receive a larger share of the remaining funds. Thus, supposing the state were to receive between 15 and 20 percent of the “above-minimum” pot of funds, for example, California's share of total formula funds could increase to between approximately 10 and 12 percent.

For additional information regarding homeland security grants from a California perspective, see “*Federal Formula Grants and California: Homeland Security*” -- part of a joint publication series from the Public Policy Institute of California (PPIC) and the California Institute for Federal Policy Research, available at <http://www.ppic.org/main/publication.asp?i=481> .

TRANSPORTATION SECRETARY ANNOUNCES TIGHTER OVERSIGHT CONTROLS FOR AMTRAK OPERATIONS

On November 7th, 2005 the Secretary of Transportation, Norman Y. Mineta, announced reforms to the Amtrak national passenger rail service system to improve managerial problems within the organization. Two days later, the company's president, David Gunn, was released by the chairman of the Amtrak Board,

suggesting that a rift existed between Gunn's vision of the passenger rail company's future and that of the Bush Administration's.

Secretary Mineta publically announced tougher Amtrak oversight measures after a recently published Government Accountability Office (GAO) report found fundamental flaws in the company's financial management plans and ability to measure operations performance. The report acknowledges that Amtrak has made improvements since Mr. Gunn was hired in 2002 to take the helm, but it heavily criticizes the rising government subsidy expenses the system incurred since then as a result of operating losses. Declining Amtrak revenues have existed for 30 years and its federal commitments topped \$1 billion this year. The GAO estimated that Amtrak losses are expected to continue to spiral upwards at a 40 percent rate over the next four years.

Referencing the GAO report directly in his statement, Sec. Mineta announced a series of tighter management oversight standards that were designed to correct the flaws illuminated in the report. A push for more rigorous administrative reforms to improve Amtrak suggested that Sec. Mineta was eager to implement the GAO's recommendations without the passage of legislative action from Congress. Some stated Amtrak reforms included the requirement of plans outlining improved financial reporting and management, improved acquisition practices, the establishment of better indicators to measure corporate performance, and the inclusion of DOT recommendations to Congress over how Amtrak can be further improved. Expressing concern at the growing cost burden shouldered by taxpayers to keep Amtrak services in operation, Sec. Mineta said, "The problems outlined in the GAO report demand attention and require that we finally make tough choices."

Long term Amtrak legislation expired in 2002, although the rail service has been financed by annual appropriations measures since then. Last year's appropriation topped \$1.2 billion.

Last week, Senate budget reconciliation language contained Amtrak renewal legislation sponsored by Sen. Trent Lott (MS), with overwhelming bipartisan support from fellow lawmakers. That measure would authorize \$12 billion for Amtrak through 2011, and improves Amtrak's funding for the next fiscal year to \$1.45 billion.

The White House, which supports breaking up Amtrak and introducing greater rail competition, announced that it would veto funding for the rail company without the inclusion of appropriate reforms. The Senate bill (S 1516) gives states the flexibility to take control of certain long distance routes that are responsible for significant operating losses. Freight rail providers may also bid on certain Amtrak rail lines, under the Senate plan.

In spite of the deep seated funding problems and perpetual operating losses suffered by Amtrak, David Gunn's leadership had received praise from many for overhauling the company, increasing efficiency, improving operating capital to \$120 million last year and helping to manage a one million increase in Amtrak ridership between 2003 and 2004, an unprecedented achievement.

Of the three major Amtrak routes operating in California, the Pacific Surfliner (Linking Los Angeles and San Diego) experienced a 26.3 percent increase over the last year. The other California routes are the Capitol Corridor (the third busiest route in the nation) and the San Joaquin route. Although California has invested heavily in Amtrak and has the second highest intercity and commuter rail ridership numbers of any state, the majority of Amtrak ridership remains concentrated in the East Coast along the Northeast Corridor; almost 6 million passengers commute along this route.

PPIC REPORT ON SAN DIEGO'S EDUCATION REFORMS

San Diego's controversial set of educational reforms aimed at improving student reading skills and dubbed "Blueprint for Student Success" presented promising results for some, and not so promising results for others, according to a recent analysis by the Public Policy Institute of California.

The "Blueprint for Student Success" involves doubling (even tripling) the length of English classes, extending school days, offering summer reading programs, and extensive professional development for

teachers. The three-pronged approach to the reform program is: 1) *Prevention*: to improve all students' literacy skills through the use of new teaching materials, extended-length English classes where necessary, additional resources for schools with lower test scores, and additional training for teachers; 2) *Intervention*: to target students clearly identified as lagging behind in reading and provide them with additional classroom time for reading practice and instruction before and after school as well as in summer school; and 3) *Retention*: enforcing a policy that would make it possible for schools to hold back, for a year, students in certain grades who showed below-grade literacy skills.

PPIC reported that elementary and middle school students greatly benefitted from the reform. In fact, the positive impact of the reforms on elementary and middle school students was so great that PPIC researchers strongly recommended other school districts give serious consideration to the "Blueprint for Student Success" program as they try to satisfy accountability standards.

The set of reforms moved four percent of middle school students from the bottom fifth of the distribution of test scores in the district to higher levels in reading achievement on standardized tests. Elementary school students moved 10 percent out of the bottom tenth of students district-wide. Most striking, importantly, was that the reform program narrowed longstanding achievement gaps between racial, ethnic, language, and socioeconomic groups. In elementary school, the reforms lessened these gaps by a marked 15 percent, in middle school, by five percent.

However, high school students did not experience the same promising results in the "Blueprint for Student Success" program. Unlike summer school reading programs which boosted reading proficiencies, the reform program as a whole did little to positively influence existing achievement gaps. Additional information regarding this report titled, "From Blueprint to Reality: San Diego's Education Reforms," can be obtained from PPIC's website: <http://www.ppic.org>.

CENTER FOR IMMIGRATION STUDIES RELEASES ANALYSIS ON BIRTH RATES AMONG IMMIGRANTS IN AMERICA

An analysis of Census data collected in 2002 revealed that immigrant women from the top ten countries with the largest population immigrating to the U.S. tended to have higher fertility than women in their native countries, according to the Center for Immigration Studies.

The country of origin for immigrants provided a disparate view of immigration fertility. For example, immigrants from Mexico had, on average, 3.5 children in the US; in Mexico, the average fertility rate was 2.4. However, the Report found, this was not the case for immigrants from India, Vietnam, and the Philippines; immigrants from these countries experienced lower fertility in the U.S. compared to the fertility rate in their country of origin.

While immigrant fertility is notably higher than that of Americans, fertility in the U.S. is roughly two children with or without including the immigrant population.

Additional information about this study can be found on the Center for Immigration Studies website: www.cis.org.

ENTERTAINMENT CAUCUS HOSTS BRIEFING ON INDIAN AND AMERICAN FILM INDUSTRY PIRACY

The Congressional Entertainment Industries Caucus, chaired by Rep. Diane Watson (Los Angeles) hosted a briefing on Wednesday, November 9, on piracy enforcement for Indian and American film industry productions. India is home to "Bollywood," the largest center of film and television production outside of the United States.

Panelists included representatives from the Motion Picture Association of America, the National Association of Theater Owners (NATO), the Department of Justice, as well as the Indian Film Producer Guild and Sony Entertainment Television India. They discussed ways in which the two industries can work collaboratively to reduce the piracy of movies. Mr. MacDowell of NATO lauded the recently enacted U.S.

law making it a federal crime to use a camcorder in a movie theater to make a copy of a film. He noted that 37 states and the District of Columbia have also recently criminalized the use of camcorders and hoped that these laws would encourage more enforcement efforts by federal and local law enforcement.

Rep. Watson also addressed the audience and discussed her legislation to provide federal funding to the U.S. State Department to establish international training programs to educate judicial and legislative officers, as well as others, on ways to curb piracy. She noted the recently passed Foreign Operations appropriations for FY06 contains \$5 million for this purpose.

BAEF REPORT ON TRADE AND THE BAY AREA ECONOMY

The Bay Area Economic Forum has released a report entitled *International Trade and the Bay Area Economy, Regional Interests and Global Outlook 2005-2006*. The report, a partnership of the Bay Area Council and the Association of Bay Area Governments, assesses the outlook for the global economy and world trade, and the status of global, regional and bilateral trade negotiations that will impact international trade and investment opportunities in the Bay Area. In addition, the report analyzes Bay Area exports, major markets, distribution of exporting companies, regional employment by exporters, and the alignment of revenues from global and domestic markets at major Bay Area companies.

The global economy has recently recovered from major slowdowns. The world's economy grew four percent in 2003 and 5.1 percent in 2004, according to the report. IMF projections for this year and next year are 4.3 percent and 4.4 percent respectively. Asia is expected to continue to lead with regional growth of nearly seven percent in 2005 (excluding China). China's growth, which experienced a 9.5 percent increase in 2004, is estimated to increase slightly remaining close to nine percent. Growth is expected to increase in Canada, Mexico, and Latin America; forecasts are somewhat dim for parts of Europe and Japan.

The Bay Area's international trade activity continues to be strongly oriented toward Asia and the Pacific, according to the report. Nearly half (45.8 percent) of the region's exports go to Asia, 22.5 percent to Europe, 24.1 percent to Mexico and Canada, 3.4 percent to Latin America and 4.2 percent to the rest of the world. Japan, Taiwan, Singapore, South Korea, Hong Kong, China and Australia are among the region's top ten export markets.

The report concludes with policy recommendations for regional, state, and federal leaders. The suggestions deal with support for agreements that expand trade opportunities, management of US-China relations, reform of visa and immigration procedures, addressing business challenges, scientific and education exchanges, improved federal trade data, higher priority and increased investment in California's goods movement infrastructure, and restoring the capacity in state government to project California and support its businesses in global markets.

For additional information regarding this report, visit: www.bayeconfor.org .