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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. The e-mail edition is made possible in part by in-kind contributions from Sun Microsystems and IBM Corp.

TEA-21 ROUNDTABLE OF CALIFORNIA MEMBERS, CITY OFFICIALS, TRANSPORTATION EXPERTS

On March 12, 2003, a panel of California Congressional members and federal transportation policy experts briefed League of California Cities delegates and other interested parties regarding upcoming challenges and opportunities facing California as the nation's major surface transportation law is reauthorized.

Several California House members, many of whom serve on the House Transportation and Infrastructure Committee, will soon consider a proposal from President Bush for renewal of the Transportation Equity Act of the 21st Century (TEA-21), scheduled for expiration at the close of this legislative session. Participants raised issues of importance for California including: securing extra resources for maintaining and boosting infrastructure; providing greater safety; securing resources for freight and goods movement support; and recognizing and compensating California for its disproportionate investment in highway aid programs.

Co-coordinator of the briefing and California Republican Congressional Delegation Chair Rep. David Dreier (Covina) expressed his support for bipartisan delegation efforts to support California transportation priorities, and he expressed concern about the state's low rate of return relative to contributions to federal aid highways programs via highway-user taxes. He also noted that an extension of the 210 freeway opened very recently in his district and already it is experiencing major congestion.

Rep. Sam Farr (Carmel), Chair of the California Democratic Congressional Delegation, stressed the importance of cooperation between Members of Congress and local officials. He also encouraged city official participants to identify, coordinate and network with other communities sharing similar transportation challenges to their own and to bring such discoveries to the attention of House members, helping California to consolidate and gain interstate support on matters of national importance and to establish broad coalitions nationwide.

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Rep. Juanita Millender-McDonald (Torrance) discussed a Goods Movement Caucus that she helped create to focus on improving infrastructure and mitigating congestion in states that manage and process the bulk of freight transportation. The ports of Long Beach and Los Angeles alone account for 40 percent of national freight transactions, and hence California's system is crucial in providing the nation's freight and goods transportation needs. Rep. Jane Harman (Venice) commented on the state's donor status and recommended increased focus on the state's share of federal funding. Rep. Ellen Tauscher (Alamo) noted that California may be a donor state regarding highway funding, but urged a big-picture focus on total transportation funding, cautioning that California is a significant recipient state with respect to transit funding. Rep. Mike Honda (San Jose) urged continuation of a bipartisan approach to TEA-21 renewal. He also noted that California has a large proportion of so-called "self help" counties - those which pay for a large portion of transportation needs themselves - and he urged that they be recognized in a supportive way during reauthorization. Rep. Gary Miller (Diamond Bar) echoed calls for bipartisanship in the process, and he noted the importance of intermodal operations such as the shift of air traffic from congested airports to more open ones. Rep. Lynn Woolsey (Petaluma) urged growth in overall program funding in order to meet national needs, and she commented that infrastructure and development growth need to go hand in hand.

House Transportation and Infrastructure consultant Joyce Rose and Department of Transportation spokesperson Emil Frankel relayed priorities for the upcoming reauthorization debate. Ms. Rose expressed Committee Chairman Don Young's (AK) desire to preserve budgetary firewall protections for highways and transit funding and to increase the balance of the Highway Trust Fund (HTF) by redirecting a portion of gas taxes currently feeding the General fund (2.5 cents per gallon) and ending the ethanol subsidy (5.2 cents per gallon) currently costing \$7 to 8 billion per year in HTF resources. Young may also propose increasing the buying power of dollars by encouraging gas tax indexing provisions and creating greater equity for donor states such as California. Ms. Rose emphasized that increased funding resources are required in order to have political flexibility to enact equity increases.

The Department of Transportation's priorities include a stronger focus on safety; reform of financing tools; continuation of the Revenue Aligned Budget Authority (RABA); expansion of local authority, and a more expeditious environmental review process to accelerate the development of transportation projects without reducing the quality of the environment. Frankel indicated that the Bush Administration's proposal for surface transportation reauthorization is in the final stages of interagency approval and is scheduled to be released within the next few weeks. He also commented that it would have a goods movement component, but he was not specific regarding its character, and that it would enhance innovative financing approaches. David Kim with the California Governor's Office outlined state priorities including support for funding increases; preservation of TEA-21's basic program structure; streamlining of environmental review procedures and greater flexibility in the management of Congestion Mitigation and Air Quality program funds. He also noted that California has 17 self-help counties which represent the vast majority of the state's population.

The California Institute and the Public Policy Institute of California (PPIC) recently released a major report on California's performance under TEA-21, examining federal highway programs and California's share of formulas that govern highway funding apportionment among states. For more information, visit: <http://www.ppic.org/main/publication.asp?i=172> .

HOMELAND SECURITY CHAIRMAN CHRISTOPHER COX ADDRESSES ROUNDTABLE

Rep. Chris Cox (Newport Beach) spoke on Tuesday, March 11 at a Golden State Roundtable luncheon hosted by the California State Society for the League of California Cities during its annual

conference in Washington. Rep. Cox was introduced by Rep. George Radanovich (Mariposa), who is co-chair of the State Society with Rep. Sam Farr (Carmel).

Congressman Cox provided details on California's status as a donor state to the federal government, a focus area for the California Institute over the years. In 2001, California taxpayers sent \$47 billion more to the federal government than the state received back in federal expenditures for grants, contracts, salaries and payments to individuals. Rep. Cox stressed that the cities, the state and other Californians need to work together develop strategies to change that burden.

The Congressman also stated that he supported the Administration's proposal to stimulate economic growth through a tax cut. He was especially supportive of the proposal to eliminate the tax on dividends as a way of promoting long-term investment and growing the nation's economy.

A graduate of the University of Southern California, as well as Harvard's Law and Business Schools, Christopher Cox served as a U.S. Court of Appeals clerk and as a partner at the law firm of Latham and Watkins before coming to Washington as a Senior Associate Counsel to President Ronald Reagan in 1986. In 1988, he won election to the House in a 14-person primary. He has served on the critical Energy and Commerce Committee and as Chairman of the House Policy Committee, where he is the House's fourth ranking Republican behind Speaker Dennis Hastert.

In January 2003, Rep. Cox was named chair of the newly-formed Committee on Homeland Security. He told the audience that he was working with the administration to ensure that federal funding for first responders be distributed to local governments as soon as possible.

AGENCIES REACH AGREEMENT ON COLORADO WATER

Negotiators from four California water districts, with the assistance of the State's water negotiating team, have presented an agreement to the U.S. Department of Interior to resolve the issue of reducing the state's dependency on Colorado River water while meeting Interior's criteria for reinstating the fifteen-year phase in of the agreement. The proposed Quantification Settlement Agreement (QSA) was agreed to by the Imperial Irrigation District, Coachella Valley Water District, Metropolitan Water District of Southern California and San Diego County Water Authority. It was presented to the U.S. Department of Interior for its approval on Wednesday, March 12.

Some major provisions in the new agreement include:

- A July 30, 2003 effective date for the QSA;
- \$200 million in state funding, and \$150 in state loan guarantees;
- \$43 million in local funding;
- Previously off-certain "off-ramps" have been substantially eliminated;
- Water budgets and transfer schedules are unchanged from the previous agreement; and
- The lawsuit by the Imperial Irrigation District against the United States will be settled and dismissed concurrent with the QSA effective date.

In lauding the agreement, Governor Gray Davis said: "This is a major breakthrough in addressing California's long-term water needs. All the parties at the negotiating table worked diligently to make this a winning situation for everyone in California. This plan meets the needs of urban communities, rural communities and the environment."

The four agencies missed the deadline to reach an agreement last December on the QSA, when Imperial voted against the proposal then on the table. See, [Bulletin, Vol. 9, No. 32 \(12/18/02\)](#). As a result, Secretary of Interior Gale Norton ordered that the amount of water California could draw from the Colorado river this year be cut by 600,000 acre-feet, enough water for 1.2 million people annually.

CONGRESSIONAL BUDGET PACKAGES TAKE SHAPE

On March 12 and 13, the House and Senate Budget Committees worked to develop \$2.2 trillion spending blueprints for Congress for the 2004 fiscal year. By a 24-19 vote in the early morning hours of March 13, the House committee approved its resolution, which seeks to enact the President's \$726 billion economic plan for tax reduction. As presently defined, the plan anticipates a 1% cut in spending below FY 2003 levels to come from all authorizing committees except Armed Services and Intelligence, thereby paying for roughly two-thirds (\$470 billion over 10 years) of the total required for the tax plan, with the goal of reaching balance by the end of that period. At least one-third of the \$470 billion in cuts would be slated for achievement in FY 2004. Committee documents indicated that the 1% reduction was to come from reductions in waste, fraud and abuse.

The House Budget Committee sought more than \$200 billion over 10 years in Medicare savings to help offset the costs of expanding Medicare to provide prescription drug benefits. The 10-year net total for a prescription drug expansion is estimated at \$139 billion, with \$400 billion in Medicare budget set-asides contrasted with \$262 billion in spending reductions. Proponents also touted a proposed increase from \$73 billion to \$75 billion in FY 2004 spending on education, as well as maintenance of a \$10 billion baseline increase in defense spending. The House budget anticipates total FY 2004 discretionary funding of \$775.4 billion (with defense spending of \$400 billion and non-defense spending of \$375 billion), and \$1.44 trillion in mandatory expenditures.

On the Senate side, the Budget Committee was moving somewhat more slowly, and Chairman Don Nickles (OK) has indicated that the House plan may be too ambitious to pass in his chamber as currently drafted. The Senate Committee continued markup on March 13, with the Senate Chairman's Mark also providing \$698 billion for tax reductions and \$27.5 billion in outlay increases. In addition, it proposes \$400 billion for Medicare changes and prescription drug benefits over 10 years.

The Senate bill matches the House's \$400 billion spending level in FY 2004 for defense programs, rising to \$516 billion by 2013. It anticipates a 1.6% increase in overall defense spending, but a 1.9% increase to \$136.2 billion for procurement accounts as well as research, development, testing, and evaluation (RDT&E). It proposes a \$1.1 billion (6.9%) boost in defense activities at the Department of Energy, a \$796 million (10%) increase in funding for the National Nuclear Security Administration, and a \$185 million (2.5%) boost in DOE environmental and other defense activities.

For NASA, the Senate bill anticipates the President's budget request level of \$14.5 billion, and matches the budget's \$5.4 billion total (a 3.2% increase) for the National Science Foundation. The DOE Office of Science is recommended for \$100 million more than the President's Budget, or a total of \$3.4 billion in 2004 (a 4.6% increase from 2003).

The Senate plan proposes \$12.684 billion for Title 1 Grants to Local Education Agencies (a \$1 billion or 8.6 percent increase from FY 2003 levels). It would also proposes \$10.077 billion for Special Education Grants to States (a \$1.2 billion or 13.6% increase), and it anticipates an additional \$1 billion increase for IDEA in 2005. Impact aid is recommended for level-funding (not a reduction as proposed by the Administration).

For Pell Grants, the initial bill assumed a \$1.3 billion increase to \$12.7 billion, supporting a \$4,050 maximum award and continuation of movement toward eliminating the Pell Grant shortfall. Head Start would be funded at \$6.8 billion, and the bill states that the program should stay at the Department of Health and Human Services rather than move to the Department of Education. Funding for the new Department of Homeland Security would grow to \$27.1 billion in 2004.

The Senate budget anticipates an obligation limitation of \$32.1 billion for the Federal-Aid to Highways Program -- a 10% increase above the FY03 level of \$29.3. The Senate Chairman's Mark assumed the Administration's request to redirect all revenue from ethanol/gasohol taxes from the General

Fund to the Highway Trust Fund, thereby increasing trust fund receipts by over \$700 million per year. (Currently 2.5 cents per gallon of the tax goes to the General Fund.) For transit, the Senate anticipates a 1% increase to \$8.6 billion.

The Senate draft states that it “assumes, but does not reconcile, the permanent extension of the provisions of the Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA) which are currently scheduled to expire after 2010.” By 2013, the Senate drafters state that the budget would return to balance after the national debt rises from \$3.5 trillion in 2003 to \$5.3 trillion in 2013.

In addition to core budget questions, other policy issues may have a significant impact on the ongoing budget process, including a provision to permit oil exploration in the Arctic National Wildlife Preserve in both the House and Senate resolutions, and a Senate provision to lower farm subsidy limits.

CMAQ CONFORMITY POSES INTERAGENCY CHALLENGE

Bush Administration transportation and environmental officials discussed progress in air quality enhancement under the Congestion Mitigation and Air Quality Improvement Program (CMAQ) before the Senate Environment and Public Works Subcommittee on Clean Air, Public Works, and Nuclear Safety. Subcommittee Chair Vonovich (OK) in his opening statement at the March 13 hearing expressed interest in improving interagency conformity requirement synchronization while enabling greater flexibility for regional planning organizations as ways of improving the CMAQ program.

CMAQ, now a \$14 billion federal apportionment program in effect since passage of the Intermodal Surface Transportation Efficiency Act (ISTEA 1991) aims to improve congestion and air quality through clean technology upgrades and relevant congestion relief projects to assist states suffering from traffic congestion and high concentrations of ambient air toxins such as ozone, particulate matter and volatile organic compounds (VOCs) to provide emissions reductions. Money is apportioned to states through a statutory formula based on severity of air quality in nonattainment zones and population concentrations. California benefits significantly from the formula structure receiving 21.3 percent of the CMAQ apportionment in 2002. According to the Department of Transportation (DOT), motor vehicle emissions have declined dramatically thanks in part to improved federal air quality standards. For instance, Carbon Monoxide declined by 45 percent from 1970 to 2000 while PM-10 and VOC emissions from motor vehicles dropped 38 percent and 61 percent respectively over the same time period.

Panelists from the Environmental Protection Agency (EPA) and the DOT reported on the challenge of adjusting to emerging air quality standards and new data. Once implemented, new, more stringent EPA standards stand to increase the number of nonattainment counties in the country from 196 to 291; furthermore, developments in health research are leading to other inconsistencies in interagency conformity. Jeffrey Holmstead of the EPA recommended amending the CMAQ formula so it accounts for and responds to concentrations of pollutants currently not considered (e.g. fine particulate matter (PM -2.5). Emil Frankel of the DOT expressed his agency’s willingness to improve coordination efforts to meet both transportation and environmental priorities and to assist local areas with the implementation of new EPA standards. He commented that “there have been major improvements in air quality, and the CMAQ program has been a major part of that.”

However, Of the major federal highway programs, CMAQ is the only one where California is not a donor state to a significant degree. For more information, see the recent California Institute - PPIC report on highway programs at <http://www.ppic.org/main/publication.asp?i=172> .

For more information on this hearing please visit the Senate Environment and Public Works Committee website at: <http://www.senate.gov/~epw/> .

CALIFORNIA EXPORTS FALTER; TEXAS TAKES THE LEAD

California's exports fell in 2002 to \$92.2 billion, allowing Texas to take the lead among the 50 states as the largest exporter of goods at \$95.4 billion. California's exports dropped 13.6 percent from its 2001 total of \$106.8 billion, and the 2001 figure was a ten percent drop from California's all-time high export total of \$119.6 billion in 2000. Much of the state's loss in exports is a result of the decline in the high-tech industry and the shutdown of the West Coast ports in 2002. Texas in the meantime was able to take the lead because its export total increased by .4 percent from 2001. Its exports value in 2001 was just about \$95 billion.

Total U.S. exports for 2002 were also down – to \$693 billion, from \$731 billion in 2001. Texas and California by far led third place New York, whose exports were valued at \$37 billion in 2002.

Further information California's trade statistics can be obtained from the International Trade Administration's website at: <http://www.ita.doc.gov> .

FASB ACTS AGAINST TECHNOLOGY INDUSTRY

The Financial Accounting Standards Board (FASB) dealt a blow to the technology industry on Wednesday, March 12, when it voted 7-0 to address whether to require companies to report stock options as expenses on their profit and loss statements. In doing so, the Board appeared to accept the argument that options should be expensed, and focused on how to place a price on the options. FASB indicated that it hoped to complete its review of the issue by the end of this year and implement any new rules in 2004.

Stock options given to an employee allow him or her to purchase the company's stock at a set price for a set period of time. The technology industry argues that if it is required to show the options as an expense on its books, it will severely reduce the profitability of many companies, especially new start-ups. In addition, they argue that it will reduce a company's ability to hire and retain qualified employees during the riskier start-up years.

Members of the California congressional delegation have fought the issue of expensing stock options over the years. Sen. Barbara Boxer has been actively involved in the issue from the Senate, and Reps. David Dreier (San Dimas) and Anna Eshoo (Atherton) have spearheaded several letters on the House side.

JUSTICE DEPARTMENT WILL PAY FOR WESTLANDS SETTLEMENT

The Department of Justice agreed on March 5 that it would pay for the settlement of the Westlands water dispute with federal claims funds and not take the money out of federal funding for other California water projects. The decision accedes to the demands of the unanimous California congressional delegation.

Under the settlement, the federal government will pay farmers in the Westlands Water District \$107 million to settle a suit over the lack of drainage provided for farmland under the Central Valley Project (CVP). Initially, the Justice Department wanted to take the money out of federal funding for other California water projects. Affected projects could have included pumps on the American River, CVP maintenance, and some Southern California recycling programs.

A unanimous California delegation voiced its opposition to that funding plan and all 55 House and Senate members sent a letter arguing that the settlement money should come from the lawsuit settlement fund administered by the Department of Justice. See, [Bulletin, Vol. 10, No. 3 \(2/14/03\)](#).

HEARING ON MEDICAID HELD TO ADDRESS STATES' PERSPECTIVES

The Health Subcommittee of the House Committee on Energy and Commerce held a hearing on March 12, 2002 regarding states' perspective on the Medicaid system. Medicaid has become the largest health insurance program in the nation, consuming more than 20 percent of state budgets and stimulating spending increases of more than 13 percent annually. The program currently serves 47 million patients, including 23 million children, 5 million seniors, and 8 million adults with disabilities.

Commencing the hearing, Ranking Member Sherrod Brown (OH) commented that 41 million Americans remain uninsured today, and that Medicaid, Medicare and SCHIP are important programs that cover individuals disenfranchised in the health care system, people that either live in poverty or are medically uninsurable. Those testifying included Florida Gov. Jeb Bush, Connecticut Gov. John G. Rowland, and New Mexico Gov. Bill Richardson.

Gov. Bush touted Florida's implementation of the program as an example that could be used in other states, and one that can serve as a springboard for future reform.. Gov. Bush outlined some of the challenges facing the Medicaid system in his state, among them population changes, lack of focus on ailment prevention, receding availability of health care providers in the system, and stifling bureaucratic inefficiencies. In addition, Gov. Bush called for a fundamental rewrite of the nation's Medicaid law, and stated that "our goal should be to create a program that is grounded in patient access, preserves the dignity of the patient, and is predictable in terms of cost." The main elements of the reform suggested by Gov. Bush include 1) more flexibility for the states to tailor the program to fit its unique needs; 2) allowing more focus on the patients while encouraging beneficiaries to be more active participants in identifying their needs, in choosing the right plan, and in sharing the cost; 3) incorporating an SCHIP like model where commercial coverage is used as a benefits standard; 4) simplified administration of the Medicaid program; and 5) curtailing the spiraling costs of the program, thus making it more affordable for the states.

Gov. Bill Richardson, agreeing with the proposal outlined by Gov. Bush, added that the changes are necessary in order to ensure that the program will continue to serve as a critical safety net. He also reminded the subcommittee members that the program plays a critical role in the economic health of local communities, generating \$3.4 million in business activity for every \$1 million spent. The Governor also warned that Medicaid costs are rising despite efforts on the part of the state to contain them, and requested the preservation of the federal-state partnership as part of the Medicaid reform. Similarly, Gov. Rowland recommended that reform is needed if states want to retain and sustain a health care safety net for working families during the hard economic times that the states now confront. Gov. Rowland spoke of his support for the President's proposal to revamp the Medicaid system, and asserted that it would allow states greater flexibility to tailor the program to their individual needs.

For more information about this hearing, please visit: <http://energycommerce.house.gov> .

U.S. SUPREME COURT UPHOLDS CALIFORNIA'S "THREE STRIKES" LAW

In a 5 to 4 ruling this month the U.S. Supreme Court upheld the nation's toughest "three strikes you're out" law that mandates 25 years to life sentences for third felony convictions of offenders with prior criminal records. The issue presented to the Court was whether state laws that mandate long prison terms for repeat offenders are in violation of the Eighth Amendment's protection against cruel and unusual punishment.

California's then-novel "three strikes" law was passed by the state legislature in 1994 after it passed a voter referendum with 71 percent support, and is similar to the three-strikes law that the federal government and 25 other states have on the books. The California law is considered to be the toughest in the nation due to the fact that the third conviction does not have to be a violent felony, and can even be a misdemeanor that the prosecution chooses to pursue as a felony. Proponents of the law argue that it has

a deterrent effect on crime in the state, and statistics in California show that taking career criminals off the streets has reduced crime. Opponents counter that violent crime has not been reduced as a result of the measure, and that misdemeanor crimes should not be allowed to be prosecuted as felonies. The case justices heard consolidated two cases that came up from California on this issue: *Ewing v. California* and *Lockyer v. Andrade*. In both cases the offenders have lengthy criminal backgrounds, and received long sentences for minor theft convictions.

Justice O'Connor wrote a majority opinion, which was joined by Chief Justice William H. Rehnquist, and Justices Antonin Scalia, Anthony M. Kennedy, and Clarence Thomas. The majority reasoned that "when the California legislature enacted the three-strikes law, it made a judgement that protecting the public safety requires incapacitating criminals who have already been convicted of at least one serious or violent crime." Dissenting from the majority, Justice Stephen G. Breyer wrote that "the case before us is...one in which a court can say with reasonable confidence that the punishment is grossly disproportionate to the crime." Justice Breyer read his opinion from the bench, a gesture reserved for the cases in which justices disagree especially strongly with the majority, joining his fellow dissenters John Paul Stevens, David H. Souter, and Ruth Bader Ginsburg.

SENATE FINANCE COMMITTEE HOLDS HEARING ON WELFARE PROPOSALS

On March 12, 2003, the Senate Finance Committee held a hearing on proposals to revise the welfare system entitled "*Welfare Reform: Building on Success*". Witnesses were invited to testify about the improvements necessary to be applied to the 1996 Welfare Reform Act, as the 108th Congress gears up to reauthorize the Temporary Assistance for Needy Families legislation.

Advocating the President's welfare plan, which includes reauthorization of the TANF, Child Care Entitlement and Child Support Enforcement programs, Secretary of Health and Human Services Tommy Thompson credited the 1996 Welfare Reform Act with a 54.1% drop in TANF caseloads, which in turn prompted soaring employment rates of single mother and a significant reduction in child poverty among other effects. Secretary Thompson specified that the President's proposal is aimed at building on this success by including the following four elements: strengthening the federal-state partnership, asking states to help every family achieve the greatest degree of self-sufficiency through a creative mix of work and additional constructive activities, helping states to promote healthy marriages, improving the management and quality of programs and services, and allowing the states to integrate welfare and workforce assistance programs.

Mr. Howard Hendrick, Director of Oklahoma's Human Services Department, testified about the success that his state enjoyed in using TANF money to promote healthy families, while Mr. Larry Temple of the Texas Workforce Commission testified about the success of the post-1996 implementation of the TANF program in Texas. Ms. Marilyn Ray Smith, Deputy Commissioner and IV-D Director for Child Support and Enforcement Division of the Massachusetts Department of Revenue, testified about the accomplishments of the nation's child support enforcement program since the passage of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA), and made several recommendations for further improvements of the program currently in place.

The last panelist that testified before the committee, Ms. Margy Waller, Visiting Fellow, Brookings Institution, has offered an alternative view on the TANF reauthorization proposal put forth by the administration. Ms. Waller asserted that the President's reform plan seems sure to undermine the success of the welfare law by effectively eliminating the ability of states to employ proven welfare-to-work strategies, thus virtually wiping out the progress made in the last six years.

For more information about this hearing or to obtain full witness testimonies, please visit Senate Finance Committee's website at: <http://finance.senate.gov>.

In December 2002, as part of their new series entitled *Federal Formula Grants and California*, the California Institute and the Public Policy Institute of California (PPIC) published a report on California's relationship with federal welfare programs. A link to the report is available at <http://www.ppic.org/main/publication.asp?i=172>.

WORKFORCE INVESTMENT ACT PRESENTED TO HOUSE SUBCOMMITTEE

On March 11, 2003, representatives from the Department of Education and the Department of Labor delivered remarks to House lawmakers regarding President Bush's proposal to renew the national job training law otherwise known as the Workforce Investment Act or (WIA).

Testifying in front of the House Committee on Education and the Workforce Subcommittee on 21st Century Competitiveness, Emily DeRocco (Assistant Secretary, US Department of Labor), outlined major reauthorization provisions including: the consolidation of the WIA Adult, WIA Dislocated Worker, and the WIA Wagner-Peyser funding streams into one formula grant program; greater decision making efficiency and effectiveness for state and local governing Boards; further integration and development of One-stop Career Centers; reduction of performance accountability measures from seventeen indicators to eight; greater flexibility in the design of WIA programs; and strengthened partnerships between employers, educational and vocational institutions and labor.

Robert Pasternack of the Department of Education discussed the role of the Vocational Rehabilitation State Grants Program in helping those with disabilities find and retain competitive opportunities in the labor market. According to Mr. Pasternack, 243,000 individuals will be served by this disabilities workforce promotion program in 2004.

After listening to a second panel of workforce investment and training stakeholders, Subcommittee Chair Howard "Buck" McKeon (Santa Clarita) assured his colleagues that President Bush's WIA proposal would be strengthened in Congress and that concerns would be addressed as the bill continues to move through the legislative process. A mark up of the WIA proposal is expected to take place next week.

California receives between 16% and 17% of federal funding for adult and youth WIA grants, the formula for which is based on poverty and unemployment rates relative to the national average.

For more information on this hearing please visit the House Committee on Education and the Workforce website at: <http://edworkforce.house.gov/>.

CENSUS RELEASES FOREIGN-BORN FIGURES

On March 10, the Census Bureau released new figures based on its Current Population Survey showing that the foreign-born population in the United States has reached a new high of 32.3 million, or 11.5 percent of the total U.S. population.

The report finds that 52 percent of the foreign-born population were born in Latin America, 26 percent in Asia, 14 percent in Europe, and the remaining 8 percent from other areas around the world. In addition, among the foreign-born in 2002 in the United States, almost half had entered the United States since 1990, and one-third of them were naturalize U.S. citizens.

The foreign-born population is also more likely to live in the West, 38.1 percent, as opposed to the Midwest, 10.6 percent, the Northeast, 23.1 percent, and the South, 28.2 percent. Although this report did not compare states, past reports indicate that California houses roughly 30 percent of the nation's foreign-born residents. In 2000, 8.4 million of the nation's 28.8 million foreign-born resided in the state.

Persons from Central America and Mexico made up more than two-thirds of the foreign-born from Latin America, and they are heavily concentrated in the West (55 percent) and the South (30 percent). While poverty among persons from Asia and Europe roughly equaled that of the native-born population,

poverty rates for people from Latin America were higher - 20.6 percent - compared to rates for those from Europe and Asia at 10 percent and 11.1 percent, respectively.

For the complete report, access the Bureau's website at: <http://www.census.gov> .

POPULATION RESOURCE CENTER, INSTITUTE HOLD BRIEFING ON TEA-21

On Friday, March 7, 2003, the Population Resource Center, in association with The Northeast-Midwest Congressional Coalition and the California Institute for Federal Policy Research held a briefing on transportation issues, particularly the pending reauthorization of the Transportation Efficiency Act for the 21st Century (TEA-21).

A panel of presenters included Phillip A. Salopek, Chief of the Journey-to-Work and Migration Statistics Branch, Population Division, U.S. Census Bureau, Richard Stolz, Senior Policy Analyst, Center for Community Change, David S. Kim, Deputy Director, Washington Office of the Governor of California, and Nancy L. Firfer, Senior Advisor, Chicago Metropolis 2020.

Drawing on an analysis of the Census data, Mr. Salopek reported that 75 percent of commuters in the U.S. drive to work alone, and that fewer than five out of one hundred commute by public transit. Noting that journey to work reflected in census data statistics can have a profound influence on quality of life for most Americans, he agreed with Ms. Firfer that decisions that planning and transportation officials make will have significant impacts on the economic and social well-being of each state. Mr. Stolz also spoke of the need to strive for transportation equity and improving transportation services to minorities and other underserved populations. Speaking from a state's perspective, David Kim commended the strong state-federal partnership that has been established under TEA-21, but warned that regional problems particularly prevalent in California, like severe congestion, population growth that is outpacing transportation development, and environmental pollution have not been fully resolved under this federal-highway-aid program. Mr. Kim emphasized the need to protect and enhance transportation expenditures, while maintaining funding "firewalls", and making TEA-21 more flexible, especially with respect to CMAQ restrictions currently in place, in order to continue advancement in the area of transportation under TEA-21.

HIGHWAY AND TRANSIT NEEDS EXAMINED

As the 108th Congress readies to reauthorize the Transportation Equity Act for the 21st Century (TEA-21), the House Subcommittee on Highways, Transit, and Pipelines, of the Committee on Transportation and Infrastructure heard March 13, 2003, from various transportation experts on the needs of the Federal Highway and Transit Programs in an oversight hearing titled "Reauthorization of Federal Highway and Transit Programs: What are the needs, and how to meet those needs".

During her opening remarks, Rep. Juanita Millender-McDonald (Torrance) emphasized the importance of federal funding provided under TEA-21 to California in light of its enormous population and the current and estimated economic growth in the state. Noting the vast share of the nation's cargo freight goes through the two ports located in her district, Rep. Millender-McDonald voiced concern about traffic congestion in California. Rep. Ellen Tauscher (Alamo) echoed the comments and also expressed the need to secure funding for seismic retrofitting to ensure the safety of various transit units.

Panelists testifying included Mr. Tim Martin, Secretary of Illinois Department of Transportation; Mr. Arlee Reno, Senior Vice President of Cambridge Systematics Incorporated; Dr. Fred Salvucci, of the Massachusetts Institute of Technology; Mr. Allen Pisarski, an independent Transportation Consultant; Mr. Michael King, Director of Marketing at Zogby International; Dr. C. Michael Walton of the University of Texas Department of Civil Engineering; and Dr. Robert J. Cuomo of Global Insight.

All panelists agreed that TEA-21 has been a great success for transportation funding, and that continued government investment in highway and transit programs generates substantial short-term and long-term economic growth and labor productivity, in turn inducing increased private funding as well, reducing cost to users.

Transportation-related investment is responsible for 25% of economic growth, according to Mr. Reno; creation of an additional 42,000 jobs per every \$1 billion in funding, according to Mr. Martin; and has been directly linked to an increase in home ownership rates per Mr. Pisarski. Mr. Cuomo also testified about the effect that the increased funding, a proposal put forth by the committee leadership, would have on the national gross domestic product (GDP), a measure of productive capacity of the economy. Reporting on results of several simulated studies which looked at the effect of differential TEA-21 funding structure, Mr. Cuomo said that under the proposed increase, there would be an increase of \$65 billion in GDP, in addition to an increase on \$22 billion in consumer spending and \$23 billion in dispensable income. Reporting about yet another study, Mr. King spoke of the voter attitudes about transportation funding. Nearly 80 percent of polled voters agree that highway, bridge, and transit investment should be an important element of homeland security, he said. Sixty-seven percent of respondents believe that transportation is very important to the U.S. economy, and nearly 2/3 of voters would support a "reasonable increase" in federal gas taxes if assured that the money will go towards transportation expenditures.

For more information about this hearing or to obtain witness testimony, go to the House Committee on Transportation and Infrastructure website: <http://www.house.gov/transportation>.

HOMELAND SECURITY ANNOUNCES FIRST RESPONDERS GRANTS AVAILABLE

The week of March 10, the Department of Homeland Security announced that \$600 million in federal funding was being made available to the states to help state and local public safety personnel respond to terrorist activities. The state of California has been allocated \$45 million of the funding – \$31.6 million for equipment, \$7.9 million for exercises, \$2.3 million for training, and \$3.16 million for planning.

The money will be distributed through grants. Applications for the grant awards must be filed by April 22. Program guidelines and applications are available from the DHS website at: <http://www.ojp.usdoj.gov/fundopps.htm> . Once received, the states will be notified within seven days if a grant is made, and funds will be available about three weeks later.

The Department also announced this week, the 2003 Assistance to Firefighters Grant application period. About \$750 million was made available for these first responders under the recently enacted FY03 Omnibus bill. Grant Applications must be received by April 11 for this program. Further information on these grants can be obtained from www.usfa.fema.gov/grants .

The Department's website, where further information is available is: <http://www.dhs.gov>

CALIFORNIA CHALLENGING EPA'S NEW CLEAN AIR RULES

California joined 10 Northeast states and Illinois and Wisconsin in filing a lawsuit disputing changes to clean-air laws by the Administration, arguing that the changes could undermine the state's ability to set and implement its own set of stringent environmental regulations.

The new rules, approved by the U.S. Environmental Protection Agency in December 2002 and scheduled to take effect next month, allow industrial plants, refineries, manufacturing and power plants to build and expand without requiring them to install the most advanced emission controls.

California's emissions controls are usually considerably stricter than those put forward by the federal government. The state alleges that the new EPA rules will undercut its regulatory program.

CALIFORNIA COMMUTING UP AND SHIFTING AWAY FROM URBAN CENTERS

Estimates released by the Census Bureau last week reveal shifts in Californians' commuting patterns. Although major cities are still attracting hordes of commuters, the report suggests an outward economic expansion through the last decade from traditional urban centers to areas formerly characterized as suburban.

Census figures indicate fewer commuters riding to Los Angeles County in 2000 than in 1990 from neighboring suburban counties possibly due to development of viable economic and urban centers in former suburban strongholds such as Orange County, Riverside and San Bernardino.

Elsewhere, the number of Silicon Valley commuters residing in Fresno County more than doubled throughout the decade. The numbers are starker in San Diego where the number of commuters from Riverside county grew 167 percent, according to the report, while San Francisco, the number one Bay Area commuting destination, recorded an increase of 49.4 percent in the number of commuters traveling to the city from its neighboring counties in the same period. Concomitantly, San Francisco experienced a similar commuting exodus as Los Angeles with the report estimating 23 percent of San Francisco residents now traveling outside the city for jobs.

For more information, visit the US Census Bureau website at: <http://www.census.gov> .