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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.

JUDICIARY SUBCOMMITTEE REPORTS INTERNET TAX BILL

The House Judiciary Subcommittee on Commercial and Administrative Law reported H.R. 49 on Thursday, May 22, after adopting a bill in the nature of a substitute by voice vote. The bill extends permanently the moratorium on state taxes on Internet access imposed initially in 1998 and extended in 2001. It also prohibits the imposition of discriminatory taxes or double taxation on Internet transactions.

During the markup, several amendments were discussed, but later withdrawn, by members concerned about different aspects of the legislation. One by Rep. Tammy Baldwin (WI) would reinstate the grandfather provisions of the original moratorium, so that states, such as Wisconsin, that had already imposed some Internet tax would be exempt from the provisions of the moratorium. Rep. William Delahunt (MA) offered and then withdrew an amendment calling on Congress to consider the issue of allowing states to impose sales taxes on on-line transactions once a sufficient number of states have acceded to the Streamlined Sales Tax Proposal, a proposed uniform code on sales taxes. Finally, Rep. Melvin Watt (NC) discussed an amendment to ensure that digital subscriber lines (DSL) receive the same tax exemption as other forms of Internet access. Some courts have held that DSL is not covered by the moratorium because it is part of a bundle of telecommunications and Internet services, and its cost is not singled out separately in the consumer's bill.

In each case, the amendment was withdrawn after Subcommittee Chairman Chris Cannon (UT) gave his assurances that he would work with the authors to resolve the issues raised.

STATE AID INCLUDED IN \$350 BILLION TAX PACKAGE; CALIFORNIA SHARE MAY REACH \$2.2 BILLION

In the early morning hours of Friday, May 23, 2003, the House of Representatives was moving toward passage of an economic stimulus package providing \$318 billion in tax relief and \$32 billion in new expenditures. The Senate was expected to take up the legislation the following day. The tax

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provisions immediate reduce most taxpayers tax rate for dividends and capital gains to 15 percent, a provision which is slated to sunset in 2008, and it reduces rates more for low income taxpayers.

The package includes \$20 billion in aid for strapped state governments, with half the funds slated for increased Medicaid funding and half to be allocated to states by formula over two years. The \$10 billion in Medicaid assistance would be provided as a 15 month increase in each state's Federal Medicaid Assistance Percentage (or FMAP) – the rate at which the federal government reimburses state spending for indigent health care – by nearly 3 percent. California receives slightly more than 10 percent from the federal Medicaid program and is thus likely to receive in excess of \$1 billion from the FMAP provision.

The \$10 billion in more general state aid would be allocated by a formula based on state population. However, the formula calls for the use of 2000 Decennial Census data, rather than the more current state estimates for 2002. In addition, the formula includes a ½ percent small-state minimum. As a result, according to California Institute analysis, California is likely to receive \$1.159 billion over two years from the \$10 billion state aid provision. Without the decennial census language or the small state minimum, the state's share would have been \$1.2 billion, or \$41 million more. The bill does not include aid to local governments as had been under discussion.

A state-by-state table estimating formula allocations is available on the California Institute website at <http://www.calinst.org/pubs/taxbill03formula.htm> , and a printable Adobe Acrobat (pdf) version is available at <http://www.calinst.org/pubs/taxbill03.pdf> .

AGRICULTURE COMMITTEE EXAMINES WTO NEGOTIATIONS

The House Committee on Agriculture held a hearing on Wednesday, May 21 to review the status of World Trade Organization (WTO) negotiations on agriculture. Witnesses were: Secretary of Agriculture Anne Veneman, and U.S. Trade Representative Robert B. Zoellick.

Before her formal testimony on the negotiations, Secretary Veneman briefed the Committee on the steps that the Department of Agriculture was taking to ensure that Mad Cow Disease, which recently appeared in Canada, would not spread to the United States.

In her testimony, Sec. Veneman detailed the growing world markets for U.S. agriculture products, citing China and India as the two countries with the largest growing middle class populations in the developing world. Noting the significant changes that have occurred since the NAFTA and Uruguay Round trade agreements, the Secretary acknowledged that non-tariff/sanitary and phytosanitary restrictions have become far more important in trade negotiations. She testified that the Administration is pushing for the development and adoption of a science-based regulatory system so that these issues can be dealt with fairly. She cited two current market maintenance and access issues that the Department is working on. The first, with Russia, concerns the sanitary requirements for U.S. poultry exports, which totaled over \$700 million in 2002. The second, with China, is to ensure its compliance with WTO commitments, such as the elimination of export subsidies, and work on continued access for over \$1 billion in soybean exports.

Ambassador Zoellick also noted the importance of dealing with non-tariff trade barriers to agriculture trade and the need to focus on international development of science-based regulatory systems. He briefed the Committee on the Administration's agenda for expanding U.S. agriculture markets and its strategy as developed prior to the Doha Round of negotiations. He also detailed several aspects of the latest WTO agriculture negotiations draft, including the eventual elimination of export subsidies and monopolies, and its expansion of market access. Looking to the future, Ambassador Zoellick testified that the Administration will also focus on efforts to reform the European Union's Common Agriculture Policy and the need to develop special and differential treatment provisions that facilitate reform and development in developing countries, rather than frustrate them.

Witness testimony is available at: <http://www.agriculture.house.gov> .

BATTLE AGAINST PIERCE'S DISEASE CONTINUES; STATE AND INDUSTRY OFFICIALS BRIEF CALIFORNIANS IN WASHINGTON

On Wednesday, May 21, 2003, California Governor's Office held a briefing for the California Congressional Delegation and their staff on the status of the fight against Pierce's Disease (PD) and to offer an update on the Fiscal Year 2004 Appropriations funding request.

Pierce's Disease is a pathogen spread by the glassy-winged sharpshooter (GWSS). The glassy-winged sharpshooter can be dispersed via the leaves of trees and bushes and carries a bacteria that causes Pierce's Disease, namely a phenomenon that clogs grapevine's water-carrying tissues and makes it slowly die of thirst. The pest has infested southern California since 2000, particularly Ventura County, and has destroyed more than \$40 million worth of grapevines in the Temecula area alone. Southern California vineyard owners, and especially nursery growers, have been footing the costs associated with hand-inspection and spraying of greenery to prevent the accumulation of egg masses of this perilous pest. The GWSS poses a significant threat to the state's \$33 billion wine industry, and has been spreading northward recently to areas such as Sacramento, Butte, Santa Clara, and Contra Costa Counties.

Presenters included: Bob Wynn, Statewide Coordinator for the California Department of Food and Agriculture (CDFA) Pierce's Disease Program; Dana Merrill, Chair of the CDFA Pierce's Disease/Glassy-winged Sharpshooter Board; and Robert Crudup of Valley Crest Tree Company and Chair of the Pierce's Disease Program Nursery Subcommittee.

Mr. Wynn spoke about the objectives and achievements of the California Pierce's Disease program. He reported that the program, which has a \$17.5 million budget in addition to the \$11 million emergency funding provided by the Commodity Credit Corporation, aims to control the spread of the disease, conduct a statewide survey, provide rapid response, engage in public outreach, and conduct research.

Mr. Wynn also spoke briefly about each of the pilot projects around the state, which are based in Temecula, Coachella, Kern/Tulare, and Ventura, and are intended to eliminate the GWSS population essential to eradicating Pierce's Disease. He reported that the projects achieved substantial success in eliminating GWSS, though the Kern/Tulare area remains under an increased risk from almond leaf scorch and still has a low-level population of glassy-winged sharpshooters over an extended area.

Progress has also been achieved in research as well. Mr. Wynn reported that up to date genome sequencing of Pierce's Disease bacterium has been determined, and methods for mass rearing biological control agents have been developed, in addition to other ongoing research. Mr. Wynn commended the strong partnership between the University of California, U.S. Department of Agriculture, California Department of Agriculture, counties and industry stakeholders in their attempt to fight off the disease for which there is no cure as of yet.

With respect to funding needs in FY2004, Mr. Wynn said that the Pierce's Disease Program needs a total funding level of \$28.5 million, in addition to \$6.05 million for related research, and \$2.5 million to fund the Viticulture Consortium activities. The Viticulture Consortium serves as an advisory board for various stakeholders involved.

For more information about the Pierce's Disease, please visit the California Department of Food and Agriculture website at: <http://www.cdfa.ca.gov> .

SAFETEA TRANSIT PROPOSAL PRESENTED TO HOUSE, LACK OF FUNDING REMAINS A CONCERN FOR LAWMAKERS

Testifying in front of a panel of House transportation authorizers on May 21, 2003, Federal Transit Administration (FTA) director Jennifer L. Dorn outlined the \$46 billion transit component of the

President's new transportation reauthorization plan known as the Safe, Accountable, Flexible, and Efficient Transportation Equity Act or SAFETEA. Administrator Dorn spent most of her time discussing and justifying proposed changes to existing program structure but the plan was criticized by Subcommittee on Highways, Transit and Pipelines Chair Thomas Petri (WI) for what he and other committee members called inadequate levels of funding that would fail to meet the needs of the nation's transit systems.

Administrator Dorn's summary of SAFETEA included a discussion of plans to reduce the federal matching share of New Starts projects from 80 percent to 50 percent, the creation of a new performance incentive program, elimination of the bus discretionary program, formula allocated funds to assist states and rural communities with more stable and predictable funds, and simplified regulatory requirements to prevent programs from encountering administrative drawbacks. She pinned the six-year, \$247 billion SAFETEA proposal as a highways and transit plan that would build upon the success of its predecessors TEA-21 (1998) and ISTEA (1991).

In her testimony, Administrator Dorn noted the record-breaking 28 percent increase in transit program funds from TEA-21 levels and the continuity of budgetary firewalls and guarantees as indicators of a commitment to success. In his opening statement however, Chairman Petri reiterated his support for the Committee leadership's desire to float a \$375 billion highways and transit reauthorization alternative. Mr. Petri also expressed concern over what he called a disparate application of firewalls, arguing that SAFETEA's transit firewall was limited to the 80 percent portion of funds derived from the transit account of the trust fund and not for the remainder.

California Rep. Ellen Tauscher (Alamo) announced the upcoming opening of the BART SFO Extension project next month, underscoring the success and importance of promoting New Start Full Funding Grant Agreements (FFGAs) whereby local and private sources raise money and partner with the federal government to ensure predictable revenue streams for lengthier and costlier transit projects. Rep. Tauscher wanted Ms. Peters to focus on rewarding project sponsors and communities who overmatch -- that is, provide more investment for a project than the minimum amount designated by the FFGA. New Starts capital grants are considered discretionary programs with projects required to undergo a highly competitive Department of Transportation screening process and recommendation rating before being approved for construction. FTA assigns a rating to each project based on cost-efficiency, ridership improvements and overall justification merits. Administrator Dorn welcomed the opportunity to explore Rep. Tauscher's suggestions.

This hearing was the last in a series conducted by the Subcommittee on Highways, Transit and Pipelines to examine the SAFETEA proposal at length. For more information or to view Administrator's Dorn's testimony please visit the House Committee on Highways and Infrastructure website at: <http://www.house.gov/transportation/> .

STRING OF HEARINGS HELD ON REAUTHORIZATION OF SAFETEA

During the week of May 19, Congress held a string of hearings considering the Federal-aid highway, transit, and safety programs included in the Administration's Safe, Accountable, Flexible, Efficient Transportation Equity Act (SAFETEA) reauthorization proposal. The hearings follow up on the May 15th hearing of the Subcommittee on Highways, Transit, & Pipelines of the House Committee on Transportation and Infrastructure (*See, [Bulletin, Vol. 10, No. 14 \(5/15/03\)](#)*) on SAFETEA.

The SAFETEA proposal would provide \$201 billion for highway and safety programs and nearly \$46 billion for transit programs during the 6-year period from FY 2004 through FY 2009. It would replace TEA-21 (the Transportation Equity Act for the 21st Century), which will expire on September 30, 2003. The bill maintains the existing funding formulas for most programs, while it changes the formula for the

Congestion Mitigation and Air Quality Improvement Program (CMAQ). In addition, the proposal would also restructure transit programs. The Administration proposes a new stand-alone program for Highway Safety Improvement, and it proposes \$1 billion per year in 2004, rising to \$1.5 billion in 2009. The funding formula would be identical to that for the Surface Transportation Program (STP), of which California received 9.6 percent in FY 2002.

The Senate Transportation and Infrastructure Subcommittee of the Environment and Public Works Committee heard U.S. Department of Transportation Secretary Norman Y. Mineta's testimony about SAFETEA on May 20th, 2003. The Senate Commerce, Science, and Transportation Committee heard his testimony on May 21st, 2003. Secretary Mineta noted in both hearings that the funding level was a historical high, and that the bill provided a greater federal focus on highway safety, doubling funding for safety programs. He also stressed the proposal's prioritization of congestion, freight movement, and intermodal connectivity matters. With respect to the Borders & Corridors program, the Secretary stated that it is maintained in the proposal, though the program would be split into two separate programs. The Secretary concluded his comments in both Committees by stating that the Administration "is committed to enacting a multiyear reauthorization bill this year."

At the May 21st Commerce, Science, and Transportation Committee hearing, Ranking Member Fritz Hollings (SC) inquired about Amtrak funding proposed under SAFETEA. Citing state rail funding levels, Senator Hollings pointed to California as a successful example of dealing with the question of Amtrak's profitability. Secretary Mineta assured Senator Hollings that the Administration is in the process of putting together an Amtrak funding proposal, which is based in part on a European model that separates infrastructure controlled by the government from that of a private operating company. That proposal is expected to be released sometime before August.

Also testifying with Secretary Mineta at the May 21st hearing were the Honorable Annette Sandberg, Administrator Designate, Federal Motor Carrier Safety Administration, and Dr. Jeffrey W. Runge, Administrator, National Highway Safety Traffic Administration. Both Administrators testified that fatalities on the roads, including those involving freight trucks, have been declining for a second year in the row. Ms. Sandberg noted that the decline in large truck crashes is due to the fact that states have been devoting more attention to this problem.

The House Subcommittee on Highways, Transit and Pipelines of the Committee on Transportation and Infrastructure also considered the Administration's SAFETEA proposal. On Tuesday, May 20th, 2003, the Subcommittee heard testimony from the Honorable Mary E. Peters, Administrator of the Federal Highway Administration, and the Honorable Annette Sandberg.

Offering opening remarks, Reps. Ellen Tauscher (Alamo) and Juanita Millender-McDonald (Carson) voiced concerns about the level of transportation funding that the Administration has put forth. Administrator Peters responded that SAFETEA is a "responsible, responsive, and sustainable proposal", which provides for record levels of investment and centers on improving safety on the roads. She added that the Administration does not support raising gas taxes at this time, and aims to reduce the \$230 billion annual cost of crashes on the roads. Asked by Rep. Millender-McDonald about what the Administration intends to do about the issue of congestion in California, and particularly on Interstate 710, Administrator Peters testified that SAFETEA proposes higher funding for congestion relief than did TEA-21. Ms. Peters also testified that the Administration's proposal seeks to expand innovative funding alternatives and establish increased funding for freight gateways program connectors, and she confirmed that the security of both water ports and land ports would be a focus of the bill's safety and security provisions. Peters testified that the Administration opposes raising gas taxes at this time, but she did recommend redirecting to the Highway Trust Fund (HTF) the 2.5 cents of gasohol tax that currently goes to the general fund. Regarding multi-state corridor development from an international perspective,

Administrator Peters commented that the Administration is open to the possibility of improving roads in another country if it would serve the U.S. interests across the border.

For more information about these hearings or to obtain the testimony of the witnesses, please visit the following websites: <http://www.epw.senate.gov> - Transportation and Infrastructure Subcommittee of the Senate Environment and Public Works; <http://www.commerce.senate.gov> - Senate Commerce, Science, and Transportation Committee; and <http://www.house.gov/transportation> - Subcommittee on Highways, Transit, and Pipelines of the House Committee on Transportation and Infrastructure.

STATE BUDGET CUTS COULD TRANSLATE INTO FEDERAL GRANTS LOSSES, ACCORDING TO STATE AUDITOR'S REPORT

A new report released by the California State Auditor's Bureau of State Audits finds California's share of federal grant funding remained just under the state's share of population in federal fiscal year 2001 and that spending cuts included in the state's current proposed budget would translate into a loss of federal dollars for California next year.

California received 10.6 percent of the total federal funding pie in 2001, approximately \$24.9 billion less than the amount the state would have received if it were awarded grants based on the state's 12 percent population share. Federal formula grant funding in the same year was slightly more generous, amounting to \$40.4 billion or 11.6 percent of total national funds

The report examines eight major federal programs and notes that six of them provide to California more than the state's population share: the Temporary Assistance for Needy Families block grant (TANF); the Special Supplemental Nutrition Program for Women, Infants and Children (WIC); the State Children's Health Insurance Program (S-CHIP); Foster Care; Federal Transit funds; and the State Criminal Alien Assistance Program (SCAAP) and attributes the higher share of formula grants appropriated from these programs to California demographic factors such as above-average poverty, high urbanization and higher concentrations of youth and immigrant populations. It is important to note that the two largest federal grant programs, Medicaid and highway funding, provide the state significantly less than the state's 12 percent population share.

The report also projects a possible loss of nearly \$4 billion in federal funds largely due to proposed budget cuts in state matching funds outlined in the 2003-2004 Governor's budget. This reduction would mean a loss of about 7.3 percent from California's federal share of funds in FY2002-2003. To view a copy of this report, please visit the California State Auditor/Bureau of State Audits website at: <http://www.bsa.ca.gov>

SENATE BANKING COMMITTEE ADDRESSES NATIONAL EXPORT POLICY

On Tuesday, May 21, the Senate Banking, Housing and Urban Affairs Committee held a hearing on the nation's export policy. Testifying at the hearing were the following members of the Administration's Trade Promotion Coordinating Committee: Secretary of Commerce Donald Evans; Philip Merrill, President, Export-Import Bank of the United States; Barbara R. Bradford, Deputy Director, U.S. Trade and Development Agency; Peter S. Watson, President, Overseas Private Investment Corporation; and Hector V. Barreto, Jr., Administrator, Small Business Administration.

The Trade Promotion Coordinating Committee (TPCC) is a task force created by Congress under the Export Enhancement Act of 1992 as a vehicle for more effective U.S. Government export promotion. It is comprised of 19 U.S. Government Agencies and chaired by the Secretary of Commerce. It annually presents to Congress the National Export Strategy. The 2003 National Export Strategy can be found at <http://www.ita.doc.gov/media/Publications/>.

Secretary Evans highlighted the Trade Promotion Coordinating Committee's (TPCC) progress in

implementing recommendations made last year that are aimed at giving American businesses the tools they need to grow through exporting. Secretary Evans noted that in the past year, approximately one-third of the recommendations from the 2002 report have been implemented, and solutions for most of the remaining recommendations are imminent. He cited creative interagency efforts to give U.S. companies early access to foreign projects, as well as joint training and marketing to ensure world-class customer service, as highlights of the implemented recommendations. The report also outlines several priorities for the coming year, such as better integration of small business oriented trade finance programs.

Testimony of all the witnesses can be obtained through the Committee's website at:

<http://www.senate.gov/~banking> .

CALIFORNIA POPULATION GROWTH REACHING NEW HEIGHTS

California's population grew by almost 600,000 in 2002, totaling \$35,591,000, according to the latest figures released by the California Department of Finance. The increase indicates a population climb of 1.7 percent from the 2001 level and is attributable to natural increase and net population growth. It also signifies the fourth year in a row California's population gained by half a million, supporting demography estimates that California's population will exceed 40 million by 2010 .

According to the report, of California's 476 cities 410 grew in population, 33 experienced no change and 33 declined in population. Numerical growth was most prevalent among California's most populous cities with Los Angeles, San Diego, and San Jose growing by 59,000, 23,400 and 8,500 persons respectively, to total 3,864,400, 1,275,100, and 925,000 people in each city respectively. The highest rate of growth belonged to the city of Hughson in Stanislaus County. The state now has 16 cities above 200,000 persons and 59 cities above 100,000.

Among California's counties, the largest three: Los Angeles, Orange and San Diego grew by 1.7, 1.6 and 1.8 percent respectively, while the fastest rate of growth (3.7%) was recorded in Placer and Riverside Counties. San Bernardino, Riverside and Sacramento ranked among the top ten fastest growing counties on all three variables: size, numerical change and percent change.

A copy of the full report released earlier this month can be viewed by visiting the Department of Finance Website at: <http://www.dof.ca.gov> .

BRIEFING REGARDING RACIAL AND ETHNIC DATA ON MAY 28

On Wednesday, May 28, 2003 from 10:00 a.m. to 11:30 a.m. in Room 2168 (The Gold Room) of the Rayburn House Office Building, the American Sociological Association, California Institute for Federal Policy Research, Council of Professional Associations on Federal Statistics, and Population Resource Center will host a briefing entitled Racial and Ethnic Data -- Why It Is Collected, How it Is Used.

Former Rep. Thomas C. Sawyer, who served as Chair and Ranking Minority Member of the House Subcommittee on the Census in the 1990s, will moderate a discussion regarding racial and ethnic categories by three speakers -- Dr. Troy Duster, New York University and University of California, Berkeley; Dr. Brian Smedley, The National Academies/Institute of Medicine; and Gerald Sanders, former San Diego Police Chief and now Chief Operating Officer of Virtual Capital of California. Some argue that, although not necessarily reflecting biological or genetic differences, the distinctions represent socially significant constructs that aid in understanding and addressing inequalities in primary social institutions such as health care, law enforcement and criminal justice, the workplace, and education. Attendees will receive ASA's report entitled, The Importance of Collecting Data and Doing Social Scientific Research on Race.

Light refreshments will be served. To attend, please reply (acceptances only, thank you) and direct any questions to Johanna Ebner at public.affairs@asanet.org or 202-383-9005, ext. 332.