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

DEAR COLLEAGUE LETTER CIRCULATING ON SCAAP LEGISLATION

Reps. Linda Sanchez (Lakewood), Howard Berman (Valley Village), Zoe Lofgren (San Jose), and Pete Stark (Fremont) are circulating a Dear Colleague letter asking for original co-sponsors on a State Criminal Alien Assistance Program (SCAAP) bill they will introduce early next week. The bill is aimed at reversing a recent Department of Justice interpretation of the SCAAP law that will diminish the amount of funding received by California.

In past years, when an undocumented immigrant was arrested, charged with one felony or two misdemeanors, and later convicted, the local authority incarcerating the alien could submit a request for reimbursement of all incarceration costs from the SCAAP program. Under the DOJ's new interpretation of the SCAAP statute, California will not be able to request reimbursement if the undocumented alien is never convicted. The letter estimates that this interpretation will reduce the number of qualifying inmate days eligible for payment by nearly 18%.

DOJ's new interpretation creates a gap in reimbursement if the incarceration period and the conviction do not occur within the same fiscal year. As now interpreted, a state or local agency will not receive SCAAP reimbursement for any costs associated with incarcerating an undocumented immigrant in fiscal year 2002 if that immigrant is not convicted until fiscal year 2003.

The proposed legislation will change the current statutory language to include reimbursement of undocumented aliens, whether they are charged or convicted. In addition to the four sponsors of the bill, 14 other members of the California delegation have joined as original co-sponsors so far. Other members wishing to become an original cosponsor should contact Karen Minatelli in Rep. Linda Sánchez's office at 5-6676 or karen.minatelli@mail.house.gov by close of business on Monday, June 9.

CALIFORNIA OFFICIALS ASK FOR DOD COOPERATION ON PERCHLORATE

Three California state agencies have sent a letter to John Paul Woodley, the Assistant Deputy Under Secretary of Defense for Environment at the U.S. Department of Defense asking for DOD's cooperation

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in terms of identifying sources of perchlorate contamination, identifying treatment strategies and technologies, and cleanup strategies.

Perchlorate is an explosive salt widely used as an oxidizer for solid rocket fuel, ammunition, and fireworks. It has been found to contaminate water supplies in 19 states, and may be present in as many as 36 states where rocket fuel has been made. Perchlorate is a hormone disruptor that can depress thyroid function, cause thyroid tumors, and disrupt physical and intellectual development in fetuses and newborn babies.

The California letter was signed by Winston H. Hickox, Secretary of the California Environmental Protection Agency, Edwin F. Lowry, Director of the Department of Toxic Substances Control, and Celeste Cantu, Executive Officer, State Water Resources Control Board (SWRCB). It points out the seriousness of the problem with perchlorate contamination in California where the substance has been detected in more than 300 wells, including public water supply wells. "The loss of drinking water supply wells to perchlorate contamination may leave parts of California without sufficient water for the summer months," according to the letter.

To deal with the problem in California, the Regional Water Quality Control Boards have coordinated with the SWRCB in preparing a letter to military installations in California requesting assistance in identifying, investigating, and cleaning up perchlorate on their properties. The letter requests Secretary Woodley to direct those installations and appropriate DoD program managers to assist and cooperate in this effort. In addition, it asks that DoD provide the California agencies with the results of a DoD national survey of perchlorate contamination on military facilities, so they may review the results of this survey for installations in California.

SENATE FAILS TO KILL 2005 BASE CLOSURE ROUND

By a vote of 42-53 on Wednesday, June 4, 2003, the Senate rejected an amendment to cancel an upcoming round of military base closings. The proposal was offered by Sens. Byron Dorgan (ND) and Trent Lott (MI) during consideration of the defense authorization bill (HR 1588). The White House and the Armed Services Committee leadership had opposed the amendment, and Defense Secretary Donald Rumsfeld had threatened that the White House would veto the defense bill if it cancelled the 2005 closure round.

Supporters of base closures argue that the military suffers from an excess of facilities given smaller personnel levels. Sens. Dorgan and Lott argued that the September 11 attacks should lead to a full-scale reassessment of resources and needs, and that shuttering facilities at this point would be premature. Amendment promoters said they will attempt to cancel the closure rounds again next year.

California was disproportionately hard hit by prior closures, which took place in 1988, 1991, 1993 and 1995. Despite housing only 15 percent of the nation's military personnel before the closures began in 1988, California shouldered 60% of the nation's net personnel reductions from the first four closure rounds. As a result, California's percentage share of total federal salaries and wages has fallen from more than 12 percent of the nation in 1990 to less than 10 percent today.

The bill now moves to a conference with the House, which had previously passed its version of the bill. Observers anticipate another discussion of the base closure issue in the near future.

UNANIMOUS CALIFORNIA DELEGATION BACKS SPACE SCIENCE LEARNING CENTER

With all 53 members of the bipartisan California Congressional delegation signed on as cosponsors, Reps. Lucille Roybal-Allard (Los Angeles) and Dana Rohrabacher (Huntington Beach) introduced a resolution honoring the Columbia astronauts and supporting creation of a space science learning center at a closed manufacturing facility in Southern California. The former Rockwell

International aerospace plant in Downey manufactured the space shuttle fleet, including both the Challenger and the Columbia.

The text of the resolution states that the space science learning center in Downey "should be designated as the Columbia Memorial Space Learning Center as a living memorial to the seven Columbia astronauts who died serving their country in the name of science and research; and the Federal Government should, along with public and private organizations and persons, continue to cooperate in the establishment of such a Center." Former Rep. Steve Horn had secured \$4 million in federal funding for the project during his tenure in the House.

HEARING EXAMINES HEAD START

The Education Reform Subcommittee of the House Education and the Workforce Committee heard from a panel of early education experts on Tuesday, June 3, 2003 who testified on HR 2210, a bill to reauthorize the Head Start Act to improve the school readiness of disadvantaged children.

Those testifying included: Ms. Amy Wilkins, Executive Director, Trust for Early Education; Mr. Robert Lawrence, Assistant Director, Collaborative Services, and Director, Head Start State Collaboration Project, Office of School Readiness, State of Georgia; and Ms. Helga Lemke, Executive Director, Community Action Partnership of Sonoma County.

While offering her opening remarks, Ranking Member Lynn Woolsey (Petaluma) praised the Head Start program for its 40 years of commitment to low-income children, and she questioned the need to alter the \$7.2 billion program. The School Readiness Act was introduced by the Subcommittee Chairman Mike Castle (DE) on May 22. The proposed legislation allows states the ability to coordinate Head Start programs with their own early education initiatives in exchange for an agreement not to reduce funding for early childhood education. The effect would be to transfer governance and administration of Head Start from the federal government to the states. The bill includes a requirement that 50 percent of all Head Start teachers have bachelor's degrees with specialized training in early childhood education by the year 2008 in an effort to boost the quality of Head Start teachers. HR 2210 keeps the program at the U.S. Department of Health & Human Services (HHS). It increases the appropriation by \$202 million and reauthorizes the Head Start program through FY2008.

Both Ms. Wilkins and Mr. Lawrence offered positive feedback with respect to the requirement that half of Head Start teachers obtain bachelor degrees by 2008. Nevertheless, Ms. Wilkins admonished members of the Subcommittee that additional funding would be critical to maintain the high quality of teachers and called on Congress to make such a fiscal commitment. Mr. Lawrence, on the other hand, emphasized the importance of a federal-state collaborative partnership as a crucial ingredient of Head Start's success. He pointed to the state of Georgia as an example of successful implementation of the Head Start program, which uses lottery money as a means of funding the program, and suggested that other states emulate that example.

Ms. Lemke agreed with Mr. Lawrence that Head Start's model of collaboration has been one of the key elements that contributed to the success of the program. She added the program's comprehensive service, emphasis on continuing improvement and quality and accountability to the list of the remaining elements of success. In addition to applauding the current design and implementation of the program, Ms. Lemke sounded concern about transfer of the program's governance to the states as HR 2210 proposes to do. She said that turning Head Start over to the states would only undermine the program's objectives and threaten local programs. Pointing to California's estimated \$38 billion deficit, Ms. Lemke testified that cash-strapped states will not be able or compelled to provide services, particularly considering the fact that the bill does not require and state expenditures on Head Start. She underlined the importance of Head Start as a national program that draws its strength from performance standards

built into the design of the program, and specified that Title II of the proposed legislation is unclear with respect to performance standards.

Rep. Danny K. Davis (IL) made panel participants an interesting challenge. He asked speakers to offer their advice on how they would improve the program if there were no political, fiscal or other restrictions placed on them. Ms Lemke suggested that she would increase funding for the program, thus enabling every eligible child to take advantage of Head Start. Concurring, Mr. Lawrence added that he would extend educational benefits to parents and increase teacher pay. In addition, he would want to see intervention in children's lives made at an earlier age and services sustained over multiple years. Ms. Wilkins also agreed with those panelists, while augmenting their argument with a recommendation that teachers get more formal education.

For more information, please visit the Subcommittee on Education Reform website at: <http://edworkforce.house.gov>.

HOUSE COMMITTEE GETS AN UPDATE ON IMPLEMENTATION OF THE CONSERVATION TITLE OF THE 2002 FARM BILL

On June 4, 2003, the Subcommittee on Conservation, Credit, Rural Development and Research of the House Committee on Agriculture held an oversight hearing on conservation technical assistance and the implementation of the Conservation Title of the Farm Security and Rural Investment Act of 2002 (Farm Bill, PL 107-171).

Presenters included: Honorable Jim Moseley, Deputy Secretary of Agriculture, U.S. Department of Agriculture; Ms. Nita C. Vale, Executive Director, California Rangeland Trust, National Cattlemen's Beef Association; Mr. Marc Curtis, Producer, on behalf of the National Association of Wheat Growers, the National Cotton Council, the American Soybean Association, the National Corn Growers Association, and the USA Rice Federation; Mr. Terry Detrick, Vice President, Oklahoma Farmers Union; Ms. Rosemarie Watkins, Senior Director of Congressional Relations, American Farm Bureau Federation; Mr. Bill Wilson, First Vice President, National Association of Conservation Districts; Mr. Scott Faber, Policy Analyst, Environmental Defense; and Mr. Scott Sutherland, Director of Governmental Affairs, Ducks Unlimited.

All panelists addressed several matters relating to the application of the 2002 Farm Bill's Conservation Title including issues of technical assistance funding, technical service providers, and the Environment Quality Incentives Program (EQIP), the Grasslands Reserve Program (GRP), the Conservation Reserve Program (CRP), and the Conservation Security Program delivery and implementation. Both Ms. Vale and Ms. Watkins expressed concern about the shortfall of technical assistance funding in FY2003, in particular with respect to the diversion of funds from some programs to support the implementation of other programs. Specifically referring to the transfer of funds from EQIP, GRP and other programs to support the implementation of CRP and the Wetlands Reserve Program (WRP), Ms. Vail asserted that although the California Rangeland Trust supports the principle that each of the 2002 Farm Bill conservation programs pays for its own technical assistance costs, it does not support the use of funds from one set of farm bill conservation programs to pay for the technical assistance of other farm bill conservation programs.

Ms. Vail also spoke about the need for increased funding for the EQIP in order to meet current and emerging environmental regulations and costs. She stated that the interests she represents "do not support making EQIP's lead water quality national priority that of addressing nonpoint sources of water pollutants in impaired waters, as consistent with the Clean Water Act's Total Maximum Daily Load (TMDL) program.

For more information about this hearing or to obtain copies of the testimonies please visit Subcommittee on Conservation, Credit, Rural Development and Research website:
<http://agriculture.house.gov> .

HOUSE SUBCOMMITTEE EXAMINES PORT SECURITY

The House Transportation and Infrastructure Subcommittee on Coast Guard and Maritime Transportation held an oversight hearing on Tuesday, June 3 to examine Port Security Anti-Terrorism programs in light of the passage of the Maritime Transportation Security Act (MTSA) of 2002.

Witnesses were: Admiral Thomas H. Collins, Commandant, U.S. Coast Guard; William C. Ellis, Director of Security, Port of Long Beach; and Bethann Rooney, Manager of Port Security, Port of New York & New Jersey.

Admiral Collins briefed the Subcommittee on the steps that the Coast Guard has taken to ensure compliance with the MTSA, and the international maritime security regime adopted through the International Maritime Organization. He stated that, as the lead federal agency for maritime security, the Coast Guard is developing regulations in coordination with other federal agencies. The regulations will implement the MTSA and also generally reflect the new international maritime security requirements under the IMO agreement. Among other issues, the new regulations will compel regulated vessels and facilities to conduct security assessments and develop detailed security plans. The regulations will also contain requirements for the designation and competency of security personnel, including standards for training, drills, and exercises.

Mr. Ellis spoke on behalf of not only the Port of Long Beach, but also the Port of Los Angeles and the American Association of Port Authorities. He expressed concern that little funding has been provided to assist ports in making security enhancements. "According to the Coast Guard, port facilities will need \$4.4 billion over ten years for this purpose. To date, the Administration has not requested any funding in their budget for port security. He commended Congress for the money appropriated for grants to ports and facilities for security upgrades. However, he noted that although the Department of Homeland Security has set aside an additional \$75 million, the Transportation Security Administration is proposing reprogramming some of the money to pay for aviation security. Mr. Ellis strongly opposed any reprogramming. He also raised several other concerns, including unfunded seaport security programs, federal regulatory restrictions, and the equity between aviation and seaport security initiatives.

Testimony of all the witnesses can be obtained through the committee's website at:
<http://www.house.gov/transportation> .

SENATE COMMITTEE HEARS TESTIMONY ON FINANCING PASSENGER RAIL

Members of the Surface Transportation and Merchant Marine Subcommittee of Senate Commerce, Science and Transportation Committee heard testimony on options for financing equipment and infrastructure investments for the provision of conventional and higher-speed passenger rail service on Thursday, June 5, 2003.

Witnesses testifying before the Subcommittee included: Honorable Allan Rutter, Administrator, Federal Railroad Administration; Mr. Edwards Hamberger, President and CEO, Association of American Railroads; Mr. Jeff Morales, Director, California Department of Transportation (CalTrans); Mr. Robert Serlin, President, Rail Infrastructure Management; Mr. Sonny Hall, President, Transport Workers Union of America, and President, Transportation Trades Department, AFL-CIO; and Mr. James (Rocky) Query, Senior Vice President, Lehman Brothers.

All witnesses called on Congress to increase funding for passenger rail services. Hon. Rutter laid out Administration's proposal with respect to the passenger rail service in the nation. Drawing on the

example of California, North Carolina and Washington, states that have taken active steps in supporting passenger rail system, Administrator Rutter testified that the Administration proposes to continue to define rail safety standards and enforce them, while providing capital grants directly to states that want passenger rail. Under the proposal, state government agencies would determine the level of passenger services needed and the price for such service, and contract with third-party operators to provide long-distance and corridor trains. To the extent that states' service choices require operating subsidies, state governments would be required to provide that subsidy.

Mr. Hamberger offered freight rail perspective to the discussion at hand. He cautioned the members of Subcommittee that an aim to improve passenger rail at the expense of freight rail will not achieve objectives of the Subcommittee. He urged policymakers to find the most effective way to provide the passenger rail service that America wants and needs, but without burdening the freight rail system - operationally, financially, or in any other way. Mr. Hamberger further added that "while passenger railroading is important to our country, it pales in comparison to the importance of freight railroading. Our freight rail system is a tremendous national asset that moves more freight, more efficiently, and at lower rates than any other system in the world."

After an introduction by Sen. Lautenberg (NJ), who praised California for its largest and most successful state-supported passenger rail infrastructure, Mr. Morales offered his views on the future financing of the passenger rail system. California is home to some of the largest rail corridors in the nation. The state expended \$67.8 million in operating payments to Amtrak in FY2002, while it contributed \$1.7 billion in capital funds to the rail industry since 1976. Mr. Morales specified that an ongoing state and federal investment is essential in guaranteeing future success of the rail infrastructure. He advocated that commuter rail projects be given same consideration in competition for funding as the intercity rail projects are given. Mr. Morales also spoke about an equity issue that faces California with its 3.6 million riders a year. Currently, only Amtrak has under federal law the right to access freight railroads for intercity passenger rail service at incremental cost, which in essence undercuts competition from other potential service providers that could contribute to congestion mitigation in the state. Mr. Morales concluded his testimony with the message that California cannot continue to be required to increase its responsibilities to Amtrak for operating costs, and urged that long haul trains continue to be exclusively the responsibility of the federal government. Mr. Morales said that states will not be able to pick up funding of the long haul services.

Diverging from testimony of his panel colleagues, Mr. Serlin suggested that Amtrak be split into two separately owned corporations, with a number of local franchise holders to amend its fiscal woes. Similarly, Mr. Query supported an idea of greater private investment, but emphasized that private-public partnerships are very important to the success of the railroad system. In addition, Mr. Query suggested the use of tax-credit bonds as means to raise revenue necessary for rail funding, and emphasized the need for long-term at best or multi-year financing structure at the least to support the rail infrastructure. Mr. Query also argued that allowing states to take initiative in naming local priorities and in combining their funds with other states when rail/transit projects cross state lines can serve as a financing tool to address rail needs. Unlike the speakers mentioned above, Mr. Hall voiced opposition against privatizing Amtrak or breaking it into several companies. Instead, Mr. Hall asserted that Congress make long-term financial commitment to Amtrak. While emphasizing that rail worker wages have declined and are now at a substandard level, Mr. Hall warned members of the Subcommittee that labor movement will mobilize against any legislative proposal that turns its back on rail workers.

Upon questioning by the Chair of the Subcommittee Sen. Bailey Hutchinson (TX) regarding the intention of the Administration to commit long-term support for passenger rail, Administrator Rutter responded that the Administration is committed to long-term federal-state partnership with an aim to reduce avoidable operating costs. He also stressed the notion that the Administration wants to see more

states taking initiative in supporting their rail infrastructure similarly to how California has handled its passenger rail services.

For more information about this hearing or to obtain testimonies of the witnesses, please visit Surface Transportation and Merchant Marine Subcommittee's website at:

<http://commerce.senate.gov/subcommittees/transportation.cfm> .

CALIFORNIA SENATE PASSES BILL REQUIRING CALIFORNIA TO JOIN STATES' EFFORTS TO SIMPLIFY TAX SYSTEM IN ORDER TO TAX INTERNET SALES

The California Senate passed a bill on June 4 that would require California to join the effort of other states attempting to develop a simplified tax system that will allow them to collect sales taxes on Internet transactions. California to date has been one of only a handful of states that have refused to join the effort.

The bill would require California to join other states that are negotiating the Streamlined Sales Tax Project (SSTP). The project is developing a simplified nationally-based tax system in an attempt to work around a U.S. Supreme Court decision that bars states from requiring Internet retailers to collect state sales taxes.

The bill, passed by a vote of 25-13, now must be considered by the Assembly.

RACIAL AND ETHNIC DATA COLLECTION EXAMINED

The American Sociological Association, California Institute for Federal Policy Research, Council of Professional Associations on Federal Statistics, and Population Resource Center held a briefing on May 28 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, moderated 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.

The briefing comes at a time when California's residents are getting ready to consider a Racial Privacy Initiative on the upcoming ballot which centers around the issues of racial classifications and racial and ethnic data collection. The speakers outlined the ways by racial and ethnic data is collected, as well as its use for recognizing and documenting racial and ethnic disparities in various social institutions in an effort to address any issues raised thereby. During the program, presenters outlined examples of inequalities illuminated by such data and of other areas in which they view additional data collection is needed. In addition, the speakers discussed accuracy and consistency issues inherent in the collection of data by race or ethnicity, including the potential for misuse of the data and the difficulty in defining race. The panel affirmed the need for this data collection as the critical first step in formulating effective public policy.

To obtain additional information about this briefing please visit the American Sociological Association's website: <http://www.asanet.org/public/racebrief2.html> or PRC's website at: <http://www.prcdc.org/programs/racedata/racedata.html> .

FEDERAL EXPENDITURES DATA FOR FY 2002 RELEASED; CALIFORNIA SHARE OF CONTRACTS RISES, FORMULA GRANT SHARE FALLS

On June 4, 2003, the U.S. Census Bureau released its annual tally of federal government expenditures by state entitled the *Consolidated Federal Funds Report*. For fiscal year 2002, the new

report shows total federal expenditures in California rising to \$206 billion, a 9.5 percent increase from the 2001 spending level.

Calculated as a percentage of the \$1.9 trillion total that the U.S. government spent in all states, California's share of federal expenditures rose from 10.8 percent in 2001 to 11.0 percent in 2002.

Although the state's 11 percent share of federal spending is still below the state's 12.2 percent share of the nation's population, California did rebound somewhat from FY 2001 levels. The increase was primarily due to a considerably faster-than-average rise in procurement expenditures and to a slight increase in the state's share of the huge direct payments category. Direct payments are comprised of social security, disability, retirement and other payments made by the federal government directly to individual recipients.

After nearly 20 years of slipping downward, California's share of federal procurement expenditures climbed to 13.7 percent in 2002. California was the destination of one-fifth of the nation's increase in federal procurement contract expenditures between 2001 and 2002. The nation's spending rose from \$226 billion to \$254 billion, and spending in California rose from \$29 billion to \$35 billion. Despite the increase, federal procurement contract spending in California is still slightly below the actual spending level in 1986, and thus it is far below that level in inflation-adjusted dollars.

For direct payments, which now accounts for nearly half of the federal budget and more than \$1 trillion nationwide, expenditures in California rose from \$99 billion to \$104 billion, and the state's share increased from 9.9 percent to 10.2 percent. The change is only the second time California's share of direct payments has increased in the past decade.

For grant payments to states, comprised primarily of federal formula grant expenditures for such programs as Medicaid, highways, welfare, education assistance and nutrition programs, California receipts rose from \$40 billion to \$48 billion, but the state's share of the nation's total declined from 11.9 percent in 2001 to 11.8 percent in 2002. Grant expenditures in all states rose sharply, from \$335 billion in 2001 to \$407 billion in 2002. Formula grant spending represents roughly 85 percent of the grants category, with the remainder spent on competitive or project grants.

In the fourth major category of federal spending, California's share of salaries and wages increased slightly, from 9.6 percent to 9.8 percent, or from \$18 billion to \$19 billion. Prior to the four rounds of base closures in the past 15 years, California's share of federal salaries and wages had peaked in 1986 at 12.6 percent of the nation's total.

It is important to note that the California Institute adjusts the Census Bureau's expenditure data (by deleting spending for territories and for undistributed funds) in order to facilitate comparisons among states. For example, the report's total for all federal grant spending is \$412 billion, whereas our states-only total for consistency purposes is reduced to \$408 billion. The adjustment is most pronounced in procurement, where more than \$15 billion is categorized as undistributed. (Procurement contracts under \$25,000 are not tracked by state, and some defense spending is not tracked by geography.) We thus reduce the report's \$271 billion procurement spending total for the U.S. to a total that is allocable by state of only \$254 billion. As a result, the Census Bureau figures show California receiving 12.8 percent of total procurement spending, whereas we show the state receiving 13.7 percent of spending allocated to the states. Likewise, the report shows California receiving 10.8 percent of total spending, whereas our adjusting of figures returns 11.0 percent.

These expenditure data provide half of the equation that allows us to calculate the annual "balance of payments" total, the difference between the amount that California taxpayers send to Washington in taxes and the amount the federal government spends in the state. The taxing figures are expected this summer. In 2001, the most recent year for which there are comparable figures, California taxpayers paid \$47 billion more federal taxes than the federal government spent in the state.

To view the Census Bureau's report, see <http://www.census.gov/prod/2003pubs/cffr02.pdf> . For additional information, refer also to the California Institute's website at <http://www.calinst.org/datapages/fedspend/pie2002.pdf> , <http://www.calinst.org/datapages/fedspend/line2002.pdf> , and <http://www.calinst.org/datapages/fedspend/pie2002.gif> .