



# THE CALIFORNIA INSTITUTE FOR FEDERAL POLICY RESEARCH

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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.*

### SENATE PASSES SCAAP REAUTHORIZATION

Before adjourning for the year, the Senate passed a seven-year reauthorization of the State Criminal Alien Assistance Program. By unanimous consent on November 25, 2003, the Senate approved S. 460, sponsored by Sen. Dianne Feinstein and co-sponsored by Sen. Barbara Boxer and 15 other Senators.

Under the bill, SCAAP is reauthorized at \$750 million for FY2004, increasing to \$850 million for FY05. For Fiscal Years 2006 through 2010, the authorization is set at \$950 million. There is an identical bill in the House, H.R. 933, which has not yet been acted on. That bill was introduced by Rep. Jim Kolbe (AZ) and is co-sponsored by 19 members, including seven California delegation members.

The FY 2004 Omnibus Appropriations bill, passed by the House on December 8, appropriates \$300 million for SCAAP for 2004. Of the \$250 million appropriated in FY 2003, California and its local governments received about \$95 million. In previous fiscal years, the SCAAP appropriation had been \$565 million, and California received a little over \$220 million of that total.

### HOUSE APPROVES OMNIBUS, BUT SENATE WILL WAIT FOR JANUARY; INSTITUTE ANALYSIS POSTED

By a 242-176 margin on Monday, December 8, 2003, the House of Representatives approved the fiscal year 2004 omnibus appropriations bill (H.R.2673) that would provide federal dollars for programs that would normally be funded by seven still-unfinished appropriations bills. The measure was approved after a rule providing for its consideration was passed by a 216-189 margin. Rather than consider it before the holiday, the Senate will take up the measure after Congress reconvenes to receive the President's State of the Union message on January 20, 2004.

For now, most of the federal government is operating under a continuing resolution that maintains fiscal year 2003 funding levels through January 31. On December 9, the Senate approved a nearly

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identical CR (H.J. Res 82) that would additionally provide budget authority for a Federal Aviation Administration security and raise the limit on Federal Housing Administration loan guarantees.

The omnibus bill details more than \$800 million in FY 2004 spending, although only a bit more than \$300 billion is subject to the full discretion of Congress (the remainder represents mandatory spending). Total spending is predicted to be approximately 3 percent above comparable 2003 levels, including supplemental appropriations. The measure also requires a 0.59 percent across-the-board spending cut (not accounted for in the funding amounts included in the Omnibus) for all 2004 funds. Not only is the 0.59 percent reduction applied to every line item in the bill, but it also applies to previously enacted non-defense bills (Energy & Water, Homeland Security, Interior, and Leg. Branch). Further, all Commerce-Justice-State appropriations accounts are subject to an *additional* 0.46 percent reduction on top of the 0.59 percent across-the-board cut.

A California Institute analysis of the omnibus bill (not include across-the-board rescinded amounts), is available at <http://www.calinst.org/pubs/omn04c.htm> or in printable pdf format at <http://www.calinst.org/pubs/omn04c.pdf>.

### **AMBITIOUS HOUSE HIGHWAY REAUTHORIZATION PLAN FLOATED**

Rep. Don Young (AK), Chair of the House Transportation and Infrastructure (T&I) Committee released a six-year, \$375 billion surface transportation reauthorization proposal on November 19, 2003. Dubbed "*Transportation Equity Act: a Legacy for Users (TEALU)*," the proposal was floated subsequent to two other less costly proposals, the \$257 billion SAFETEA Bush Administration proposal and the Senate's \$311.5 billion proposal numbered S.1072. The House's TEALU package would eclipse the prior multi year transportation law, the Transportation Equity Act of the 21st Century or TEA-21, by authorizing a 72 percent increase in funding, though its success relies on the approval of major changes in gas tax laws. (Opponents charge that Young's proposal would be a gas tax increase; supporters counter that federal gas taxes used to be indexed for inflation and the Young plan would simply recapture lost Highway Trust Fund revenues and restore the prior "user fee" system.)

The main policy thrusts of the House bill concern congestion mitigation; safety improvements; freight mobility enhancements and added public transit investment. TEALU introduces a new congestion relief program along with new state spending requirements for projects aimed at reducing congestion directly. The House bill creates a new highway safety core program while increasing NHYSA highway safety formula grants by two-thirds of TEA-21's authorization levels. The bill authorizes funds for 5 freight mobility programs and also keeps pace with growing demand for public transit by increasing transit dollars by 92 percent overall, all of which are guaranteed. Another provision would raise the minimum guaranteed rate of return to states for their contributions to the highway trust fund from 90.5 percent in 2003 to 95 percent by 2009.

According to House T&I figures, California would be projected to receive about \$30 billion in federal transportation grants over 6 years, with two-thirds (\$22.3 billion) designated for highway projects and one-third (\$7.3 billion) funding public transit projects. (The state's highway funds would rise from \$2.8 billion in 2004 to \$4.6 billion in 2009, whereas its federal transit funding would rise from \$854 million in 2004 to \$1.6 billion in 2009.)

T&I estimates claim that California would benefit from border improvement programs including a portion of \$2 billion in grants to border states for cross-border highway infrastructure projects and \$203 million in grants to assist states with border safety enforcement activities. Other provisions include a \$3 billion formula construction program designed to improve freight facility road connectors.

California receives approximately 9 percent of the nation's funding from the 10 highway formula programs. The only major highway formula for which California receives a large share (21.6 percent) is the Congestion Mitigation and Air Quality improvement (CMAQ) program, funding for which is distributed based on each state's air quality problems relative to the national total. CMAQ would be increased under the TEALU plan from \$1.37 billion authorized in FY2002 to \$2.1 billion in 2009.

The House bill would place strong emphasis on the deployment of intelligent transportation systems (ITS). It would require total national spending of \$500 million per year over the 6-year period, and states would be required to obligate a portion of funds from their apportioned funds for four programs (the National Highway System, Interstate maintenance, surface transportation, and CMAQ) to expand deployment of intelligent transportation systems.

The Senate marked up a highway reauthorization bill on November 12, 2003, without including minimum guarantee language or gas tax increases.

Though TEALU enjoys bipartisan support and is favored by transportation and labor advocates, the White House has expressed its opposition to any gas tax increases. Nevertheless, Rep. Young plans to move ahead with TEALU and thinks the bill will be ready for a House vote by mid-March. Should the bill retains its gas tax provisions, it must be referred to the House Ways and Means Committee, chaired by Rep. Bill Thomas (Bakersfield), for further consideration.

For more information on TEALU, visit the House T&I Committee website at: <http://www.house.gov/transportation/> .

### **HOMELAND SECURITY ANNOUNCES 2004 PORT SECURITY GRANTS, CALIFORNIA'S \$33.7 MILLION TO REPRESENT 19 PERCENT OF U.S. TOTAL**

On Wednesday, December 10, 2003, the Department of Homeland Security (DHS) announced its plan for allocating \$179 million in port security grant funding for 442 projects to 235 applicant organizations nationwide. The funds are to be used for security planning and projects to improve dockside and perimeter security. Examples of funds uses are new harbor patrol boats, surveillance equipment and the construction of new command and control facilities.

DHS funded 70 projects in California, accounting for a total of \$33.7 million or 18.8 percent of 2004 port security grant funding. It may be helpful to note that California ports handle far more cargo than any other state. The state's ports transship nearly half of the nation's imports of containerized cargo.

Grants were announced for California grantees located in Benicia, Carson, Long Beach, Los Angeles, Martinez, Oakland, Port Hueneme, Richmond, Sacramento, San Diego, San Francisco, San Pedro, Stockton, and Wilmington. (If the fiscal year 2004 omnibus appropriations conference report approved by the House on December 8 is enacted, all grants would be reduced pursuant to a 0.59 across-the-board spending rescission.)

For a detailed breakdown of all grant recipients, visit <http://www.dhs.gov> .

### **MEDICARE BILL SIGNED, INCLUDES EMERGENCY HEALTH SERVICES FUNDS TO REIMBURSE FOR SERVING UNDOCUMENTED IMMIGRANTS – CALIFORNIA LIKELY TO RECEIVE \$72 MILLION PER YEAR FROM 2005 TO 2008**

The medicare prescription drug bill (H.R.1) signed this week mandates the appropriation of \$1 billion over four years (fiscal years 2005-2008) to reimburse states for the cost of providing emergency health care services to undocumented immigrants, with the formula allotment based two-thirds on an INS count of undocumented immigrant by state, and one-third to the six states with the most undocumented immigrant apprehensions. According to Department of Homeland Security estimates, California housed 31.6 percent of the nation's undocumented immigrants in 2000 (an estimated count of about 2.2 million), meaning the state should receive more than twice the funding of second-ranked Texas under the larger formula factor. For apprehensions, California ranked third for a total of 237,000 in 2002, making the state also eligible for funds under the second factor. A table at <http://www.calinst.org/datapages/undocumented.htm> by the California Institute shows that California should receive \$72 million (29% of the U.S. total) if funds are allocated based on these data. (Newer INS and census data may be available to make the initial allocation in FY 2005.)

## **PRESIDENT SIGNS ENERGY & WATER APPROPRIATIONS BILL, INCLUDING MAJOR BOOST FOR FEDERAL FUSION ENERGY RESEARCH**

On December 1, 2003, President Bush signed the fiscal year 2004 Energy and Water Development appropriations bill into law. The conference report provides a total of \$27.3 billion (a \$1.2 billion increase from 2003) in new discretionary spending authority for the U.S. Army Corps of Engineers-Civil, the Department of Interior including the Bureau of Reclamation, the Department of Energy (DOE), and several Independent Agencies. The largest portion of funding, \$22 billion, is provided for DOE activities.

The bill includes the most significant increase in Office of Fusion Energy Sciences funding in several years. Conferees provided \$268.1 million for fusion energy research, an amount still well below the federal commitment to the industry of a decade ago, but a valuable increase. California continues to compete very strongly for fusion research funding.

In a related area, the conference report specifically recognizes and strongly supports the idea that funding for ITER (the International Thermonuclear Experimental Reactor) should not come or compete with funding provided for domestic fusion energy sciences.

In addition, although it has not been approved by the Senate, the conference report on the sweeping energy policy bill authorizes substantial increases in fusion funding over the next 5 years, and also makes the strong statement that ITER funding should not come at the expense of the domestic fusion program. Such funds would still require approval by Congressional appropriators.

The future of ITER, a joint research among several countries including the United States, is currently the subject of ongoing international negotiations, and it is increasingly a priority for the Administration and the Department of Energy's Office of Science. Current information regarding ITER is available at <http://fire.pppl.gov>.

More information regarding the programs and budgets of the DOE Office of Science are available at [http://www.aps.org/public\\_affairs/issues/coalitions/esc/index.html](http://www.aps.org/public_affairs/issues/coalitions/esc/index.html).

Other funding for the DOE Office of Science (which is funded at \$3.45 billion, a \$156 million increase above 2003) in the conference report includes \$738 million for high energy physics, \$391 million for nuclear physics, \$592 million for biological and environmental research, \$203 million for the Advanced Scientific Computing Research initiative, and a total of \$1 billion for basic energy sciences.

The National Nuclear Security Administration (NNSA) receives \$8.7 million under the conference report, an increase of \$530 million above the 2003 level, including \$6.1 billion for weapons work.

Other major portions of the Energy and Water bill include funding for the Bureau of Reclamation of \$948.3 million, an increase of \$70.3 million over the President's request and \$13 million above last year's level. No funding is specifically provided for the CALFED Bay-Delta project because of the expiration of the project's authorization. However, CALFED-type funding through the Bureau's Central Valley Project Account includes \$1 million for the Environmental Water Account; \$1 million for the Los Vaqueros Reservoir; \$500,000 for coordination, administration, plans, etc. in the Delta Division; \$1.5 million for the Upper San Joaquin Watershed; \$1.25 million for Sites Reservoir; \$750,000 for Shasta Dam. It also includes \$3 million for miscellaneous project programs, including: \$1 million for Storage Feasibility Studies; \$1 million for the Bureau's administration of storage, conveyance, etc.; and \$1 million for the Environmental Water Account.

For the Corps of Engineers, the conference agreement provides \$4.57 billion; \$376.4 million over the President's budget request and \$68.4 million below fiscal year 2003.

## **HOUSE FIELD HEARING ON SPECIALTY CROPS TO BE HELD FRIDAY IN SALINAS**

House Government Reform Subcommittee on Energy Policy, Natural Resources and Regulatory Affairs, chaired by Rep. Doug Ose (Sacramento), will hold a field hearing on Friday, December 12, 2003 at 10 a.m. in the National Steinbeck Center located at One Main Street in Salinas. The hearing will take place in the district of Rep. Sam Farr (Carmel), a member of the House Appropriations Subcommittee on Agriculture who will also participate in Friday's field hearing.

Titled "Problems Facing the Specialty Crop Industry", the hearing will examine the impacts of the existing federal policies on the specialty crop industry, and will explore whether legislative and regulatory changes are needed. Those testifying before the members of the Subcommittee will include California Department of Food and Agriculture Secretary, A.G. Kawamura, and Mr. Joseph Zanger of the the California Farm Bureau Federation.

The U.S. specialty crop industry is the largest segment by value of the U.S. agricultural sector, with an approximate value of \$58.7 billion at the farm-gate level and with export value of \$9.3 billion in 2002. As a component of specialty crops, fresh and dried fruits (including nuts) and vegetables alone were valued at \$29.9 billion at the farm gate in 2002, with \$5.5 billion being exported. California is the nation's primary specialty crop producer and accounts for approximately 50 percent of overall U.S. production of fresh and dried fruits and vegetables. *For other recent articles regarding specialty crop issues, see Bulletin, Vol.10, [Nos.21 \(07/17/03\)](#), [29 \(10/10/03\)](#), and [33 \(11/06/03\)](#).*

For more information about this field hearing, please visit Subcommittee on Energy Policy, Natural Resources and Regulatory Affairs website at: <http://reform.house.gov/EPNRRRA> . For information regarding the California agriculture industry generally, see the website of the California Farm Bureau Federation, at <http://www.cfbf.com> , and for information regarding the state's specialty crop industry in particular, visit the University of California Cooperative Extension's Vegetable Research and Information Center at <http://vric.ucdavis.edu/> .

## **BRIEFING EXAMINES STATUS, INCREASES AND SHIFTS IN FOREIGN BORN DEMOGRAPHICS, REVIEWS IMMIGRATION POLICY**

The Population Resource Center (PRC) in conjunction with the California Institute for Federal Policy Research and the Northeast-Midwest Institute conducted a briefing in the U.S. Capitol Building on Tuesday, December 9, 2003 entitled "Immigration: Increasing Numbers, New Challenges." Panelists discussed the most recent demographic trends with respect to migrants and discussed policy considerations in light of the new data.

Kevin Deardorff, Chief of the Immigration Statistics division of the US Census Bureau, a new agency tasked with gathering statistics on international migration for policy makers and demographic and economic researchers, presented information on shifts in US foreign populations. According to Mr. Deardorff's data, the number of foreign born Americans grew from 20 million in 1990 (8% of the total population) to 31 million (11%) in 2000. That number increased in 2002 to 32 million, of which 52 percent were Latin American, 27 percent Asian and 15 percent European residents. Mr Deardorff identified some shifts in the settlement patterns of recent foreign born populations, noting that whereas California, Texas and New York remain the destination of choice for most migrants, the highest growth rates for foreign born settlement go to North Carolina, Georgia, Nebraska and Arkansas. Furthermore, of those counties with the highest concentrations of foreign born residents, Miami Dade county recorded a 51 percent count of foreign born persons, while San Francisco's population is over one-third foreign born, according to Mr. Deardorff.

Roberto Suro, Director of the Pew Hispanic Center, discussed the shift in immigration policy following 9/11 to one focused on law enforcement and registration. Furthermore, unlike the recession of the 1990s, in the aftermath of 9/11, there was no significant anti-immigrant backlash, according to Mr. Suro. He attributed this shift to: a publicized effort by elected officials not to blame immigrants for the terrorist attacks, the recognition of political costs of applying anti-immigrant rhetoric, and to a body of research showing that foreign born Americans do not serve as a drain on state and local resources. The current structure of the INS lacks the capacity to meet the growing demographic demands outlined in Kevin Deardorff's presentation, according to Mr. Suro, who also considers a major immigration overhaul unlikely without the White House's initiation. (One day after the briefing, U.S. Homeland Security Secretary Tom Ridge spoke to an audience in Miami and suggested a legalization process for undocumented immigrants residing within the United States, though Administration officials declined to further elaborate or to endorse Ridge's remarks.)

Tim Ransdell, Executive Director of the California Institute, focused the panel's closing remarks on the interface between immigrant population demographics and federal funding. The *Federal Formula Grants and California* project, a joint venture between the California Institute and the Public Policy Institute of California (PPIC), examines the fiscal effects of demographic and formula grant policy changes, and several significant federal programs base funding allocations on states' shares of immigrants (either legal or undocumented), naturalizations, or limited-English proficient individuals. Ransdell noted that California still houses by far the largest share of immigrants and English language learners, but that other states (particularly those in the South and some in the Midwest) have experienced rapid growth in foreign migrants in recent years, a development which will reduce California's share of funding for some education and other grant programs but which may also broaden the support base for such programs. He suggested that any federal policy shift that might offer legal status to undocumented immigrants might also be accompanied by a grant program to help state and local governments cope with increased administrative burdens that might thereby result – a program akin to the State Legalization Impact Assistance Grants (SLIAG) program that accompanied the last major amnesty program, the Immigration Reform and Control Act (IRCA) of 1986.

The briefing on immigration was also cosponsored by the Northeast Midwest Institute and was moderated by Ms. M. Faith Mitchell of the National Academy of Sciences. For more information on this program, visit the PRC website at: <http://www.prcdc.org>.

## **UCDC HOSTS CALIFORNIA POLITICS FORUM.**

At a forum hosted by the University of California's Washington Center on December 1, 2003, a panel of California media and political experts discussed the impact of the California recall and the challenges that lay ahead for Sacramento's elected officials. All three panel participants commented that the state expects significant changes in the wake of Governor Arnold Schwarzenegger's election, and they speculated that the new Governor might take advantage of his popularity and celebrity status to implement his agenda.

Bruce Cain, a political science professor at UC Berkeley and director of its Institute for Governmental Studies, gave an overview of what had transpired in Sacramento since the October recall election, describing Gov. Schwarzenegger's inaugural speech as a masterful performance that struck all the right notes. In a departure from the usual practice of incoming administrations, Schwarzenegger filled key cabinet posts with individuals from the opposite party. Cain, in Washington for the fall semester as a visiting scholar at the Brookings Institution, commented that ambitious and eclectic cabinets have proven to be fractious and problematic for other top executives. He touched on the Governor's proposals to repeal an unpopular driver's license bill and the motor vehicle license fee increases. Cain also discussed the state's budget crisis, characterizing Gov. Schwarzenegger's budget balancing tactics as a mixture of bipartisan and partisan political themes. Cain predicted that Democrats will ultimately support many of his proposals though he noted that the inclusion of a spending cap provision would be a high stakes challenge.

Marc Sandalow, Washington Bureau Chief for the San Francisco Chronicle, remarked on the expanded national and international interest in California following the recall's media frenzy. Sandalow characterized the future of California as a fascinating experiment. Sandalow said that a key test for Gov. Schwarzenegger, as someone with natural political appeal, will be how to translate his personal charisma and immense popularity into political advantage.

The San Jose Mercury News' Jim Puzanghera compared the wave of support for Arnold Schwarzenegger to the recent surge in popularity for presidential candidate Howard Dean. Though he agreed with other panelists that Gov. Schwarzenegger's celebrity is a compelling force, Puzanghera believes that the Governor has only a limited amount of time to capitalize on this added momentum.

When asked about the new Governor's impact on Congressional politics, the panelists anticipated a higher number of favors from Washington than under Davis. Efforts such as the recent bipartisan retreat for members of the California delegation will facilitate communication between the Governor and members of Congress, though efforts to implement the Governor's agenda will still face major partisan challenges.

The special Director's forum was sponsored by the University of California Washington Center, the UC Berkeley Alumni Association, and the UCLA Alumni Association and was moderated by UCDC Director, Larry Berman.

## **ORANGE COUNTY RESIDENTS MORE OPTIMISTIC THAN REST OF THE STATE**

Orange County residents are much more optimistic than the rest of Californians not only about their future and quality of life, but also about the state and the nation as a whole reports a new survey released on December 3, 2003 by the Public Policy Institute of California (PPIC) in collaboration with the School of Social Ecology at the University of California, Irvine. The Orange County Survey, which is part of the PPIC Statewide Survey directed by Mark Baldassare, is a third in an annual series of PPIC surveys of Orange County. The survey aims to provide objective information about policy preferences and economic, social, and political trends in Orange County.

Orange County is the second most populous county in the state, and one of California's fastest growing and changing regions. Having gained approximately one million residents since 1980, it is currently home to a population of almost three million, of which nearly half are Latinos and Asians.

The survey found that 50 percent of Orange County residents say California is headed in the right direction, in comparison to 32 percent of resident statewide that expressed the same opinion in PPIC's November 2003 Statewide Survey (See, [Bulletin, Vol. 10, No. 34 \(11/14/03\)](#)). By the same token, 56 percent of county residents anticipate California will experience good financial times in the upcoming year; 39 percent of the population statewide responded similarly. On a local level, 90 percent of Orange County residents believe that things are going well for the quality of life in the county, while 57 percent rate the local economy as excellent or good and 55 percent do not believe the county is in a recession. Other major findings of the study are:

- Orange County's consumer confidence index stands at 97, surpassing the national index of 90; 63 percent of county residents expect good business conditions nationwide next year.
- Majorities of homeowners (86 percent) and renters (69 percent) say that buying a home in the county is an excellent or good investment.
- 55 percent of Orange County residents approve and 25 percent disapprove of Governor Arnold Schwarzenegger's plans and policies, making them more supportive than the Californians as a whole (47 percent approve, 25 percent disapprove); at the same time, only 8 percent approve governor's bond proposal, while 39 percent prefer a mixture of spending cuts and tax increases and 36 percent favor spending cuts.
- Three in 10 residents believe that Sacramento lawmakers do the right thing most of the time, while 53 percent give their city government a rating of excellent or good, and 40 percent say the same about the county.
- Orange County residents (59 percent) give President Bush higher overall approval ratings than residents in the state (48 percent).
- Orange County residents rank traffic congestion (56 percent), housing affordability (51 percent), growth and development (33 percent), and lack of well-paying jobs (23 percent) as big problems, though they are less trouble by these issues than residents in other regions of the state.

For more information about the survey, visit the PPIC website at: <http://www.ppic.org> .

## **STATE'S HIGH TECH EMPLOYMENT PATTERNS EXAMINED**

Despite accounting for 22 percent of all tech jobs lost nationwide in 2002, California is the largest tech employer with its 44,000 tech companies employing 995,000 workers during that year, more than twice the number employed by Texas (478,900) and New York (329,700) reports a new survey released by the American Electronics Association (AEA). Titled "Cyberstates 2003: A State-by-State Overview of the High-

*Technology Industry*", this annual survey was based on data collected from employment agencies in all 50 states.

The study found that the state lost 123,000 technology jobs in 2000, or 11 percent of the tech work force. By the same token, high-tech employment declined by 540,000 nationwide during the same year, and the AEA estimates that the nation will lose another 234,000 technology jobs in 20 . The state lost jobs in other sectors as well , including 26,000 jobs in computer systems design, 17,000 jobs in telecommunications services and 1,300 jobs in research and development and testing labs. The report suggests that a weaker U.S. economy and decline of technology exports were among the causes of last year's substantial job losses. The value of California's technology exports declined by \$11.7 billion, or 21 percent, from \$ billion in 2001 to \$44 billion in 2002. However, California remains the leader in 15 of 16 technology segments, including computer systems design, research and development and engineering services.

For more information about this survey, please visit American Electronics Association website at: [http://www.aeanet.org/PressRoom/idmk\\_cs2003\\_US.asp](http://www.aeanet.org/PressRoom/idmk_cs2003_US.asp) .

### **CAR REPORT PREDICTS CALIFORNIA HOUSING MARKET PERFORMANCE**

Home prices will increase, while sales will decline, reports a recent study by the California Association of Realtors (CAR). According to this annual survey, titled "*2004 Housing Market Forecast*", the median price of a single-family home in California will increase up to \$414,100 in 2004, or 13 percent, from the 2003 figure of \$366,450. At the same time, the sales for 2004 are projected to decline 5.4 percent, down to 548,500 units. Home sales for California in 2003 are expected to be 574,300 units. Report's authors attribute such increase in median sale prices to a continuing shortage of housing across the state. California is expected to build 190,000 new housing units, as it gains close to 250,000 new household, leaving a shortage of approximately 60,000 units.

The CAR study found regional variations, with Southern California and the Central Valley markets outperforming those in the Bay Area, though the latter still has the highest median prices in the state. A median sale price in Southern California during the second quarter of 2003 was at \$350,560, up from a median of 295,000 in 2002, with Riverside (27.2 percent), High Desert (25.3 percent), and Los Angeles (24.5 percent) experiencing some of the highest home sale price increases. Though prices increased in Southern California regions, actual sales decreased by 0.3 percent in the second quarter in 2003. In comparison, sales declined by 7 percent in the Bay Area, while a median sale price increased up to \$560,240 during the same period. A median price in Bay Area was just above the \$500,000 mark in 2002. Among the areas that experience the highest increase in home sale prices in 2003 are Solano (17.5 percent), Sonoma (11.2 percent), and San Francisco (8.1 percent). The housing market in Central Valley actually experienced an increase of 1.3 percent in sales, and its median sale prices increased up to \$220,140 during the second quarter in 2003 from an approximate median price of \$180,000 in 2002. The regions that experience the highest increases in home sale prices in Central Valley are: Oakdale (41.2 percent), Merced (30.2 percent), and Bakersfield (24.6 percent).

The survey reports that almost a quarter of California's homebuyers purchase houses because they desire larger homes and close to 20 percent say they are tired of renting, while approximately 15 percent say they desired a better location or bought a home for investment or out of tax considerations. On the other hand, those selling their homes cite change in family status (19 percent), desire for larger home (19 percent), and desire for better location (14 percent) among the reasons for selling their houses.

For more information about this survey, please visit the California Association of Realtors website at: [http://www.aeanet.org/PressRoom/idmk\\_cs2003\\_US.asp](http://www.aeanet.org/PressRoom/idmk_cs2003_US.asp) .

### **UCLA ECONOMIC FORECAST PREDICTS SLUGGISH EMPLOYMENT GROWTH**

California's employment numbers are not expected to return to normal anytime before at least 2005, according to the newly released on December 11, 2003 by the UCLA Anderson Forecast. The report, released on quarterly basis, indicates that the state will create approximately 134,000 jobs in the upcoming year, which

translates into a growth rate of just under 1 percent. Though such pace most likely will not get California's unemployment rate of 6.6 percent any lower, it is nevertheless an indication that California's job prospects will be slightly better than the nation's, since U.S. nonfarm employment is expected to increase by 0.6 percent next year.

The report suggest that the services sector, which includes education and healthcare, will grow faster than the overall economy, while the information sector is projected to grow by 2.4 percent in 2004. The business and professional services sector is also expected to post gains. In addition, the report projects an increase in California's personal income by close to 5 percent, up from 3.6 percent currently, as well as an increase in taxable sales by 5 percent in 2004. The report predicts that Southern California's economy will continue to outpace that of the Bay Area.

For more information about this report, please visit the UCLA Anderson Forecast website at:

<http://www.anderson.ucla.edu/research/forecast> .