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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.

BIPARTISAN DELEGATION URGES USE OF DEFINED CRITERIA IN BASE CLOSURE ROUND

Fifty members of the bipartisan California Congressional Delegation, as well as Senators Dianne Feinstein and Barbara Boxer, sent a letter to Secretary of Defense Donald Rumsfeld setting out the criteria it urges DOD to use in the next base closure round. The criteria cited are:

“1) Recognition of the value of intellectual capital and the synergy between the skilled civilian workers in California's communities and the critically important roles and missions they support at our military bases;

2) Consideration of the costs associated with reestablishing or realigning a military activity as it relates to the redevelopment of essential resources to the military mission, e.g. commercial suppliers, business and professional expertise, and technology clusters;

3) Broadening the concept of joint operations to include base functions and installations currently or potentially critical to the Department of Homeland Security; and

4) Recognition of the disproportionate contribution our State has already made to the streamlining of the military's base infrastructure.”

The letter argues that the process should focus particular attention on a base's integration with nearby business, academic and research resources, as California's strong defense industry has “fostered the growth of a highly skilled and highly paid labor force that cannot be readily replaced or easily moved. Nearly 75 percent of the jobs lost through previous rounds of military downsizing are precisely those jobs most critical to a modern defense establishment.”

The California members also point out the disproportionate burden California carried in the previous base closure rounds -- bearing 60 percent of net personnel cuts, despite the fact that it only housed 15 percent of the nation's military personnel before the most recent base closure process began in 1988. Stating that California now houses only 10 percent of the nation's military employees, the state's

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bipartisan delegation recommends the inclusion of criteria that “ensures California is not asked again to contribute disproportionately to the streamlining of the military's base infrastructure.”

CALIFORNIA MEMBERS ASK NAVY TO PRESERVE HISTORIC HANGAR ONE AT MOFFETT FIELD

In a recent letter addressed to Assistant Navy Secretary Hansford T. Johnson expressing “strong support for a remediation plan for Hangar One at the former Moffett Field Naval Air Station,” Senator Barbara Boxer and Rep. Anna Eshoo (Atherton) asked that the Navy work toward the long-term preservation of the hangar as a public facility.

First built in 1933 to house U.S. Navy dirigibles, Hangar One is a registered historic property on several lists and is considered one of the most recognizable sites in Silicon Valley. The letter notes that “NASA Ames and the cities of Mountain View and Sunnyvale have already begun plans for a world-class space and science center in Hangar One,” referring to plans to develop “SpaceWorld Hangar One,” which would involve adaptive reuse of the building to develop a space-focused exhibition and educational center, with immersive experiences, simulators and interactive exhibits.

Following the recent discovery of PCBs at the facility, the EPA designated the Navy as the federal agency responsible for remediation. The letter notes that “the Navy is proceeding with encapsulation as a short-term solution. We applaud the Navy’s short-term response,” adding, “we urge the Navy to adopt a long-term remediation plan.”

The California Air and Space Educational Foundation was established in 1989. For more information, visit <http://casc.arc.nasa.gov> .

GILMORE COMMISSION REPORT URGES TARGETING OF HOMELAND SECURITY FUNDS, ACCOMPANYING RAND SURVEY FINDS LOCAL GRANT DISSATISFACTION

Released as part of the massive Gilmore Commission Report on December 15, 2003, a survey by the RAND Corporation finds local officials dissatisfied with homeland security grant funding distribution, at least when compared to state-level counterparts.

Officially titled the Advisory Panel to Assess Domestic Response Capabilities for Terrorism Involving Weapons of Mass Destruction, and chaired by former Virginia Gov. James Gilmore, the Gilmore Commission was formed in 1999 to recommend federal actions to strengthen homeland security.

The Commission’s fifth and final report finds that the United States needs better homeland security strategies in its most vulnerable communities, and that the nation should improve the use of intelligence, increase the role of state and local officials, and sharpen disaster response capabilities. It found benefits to the creation of the Department of Homeland Security (DHS), but it recommends an overall national homeland security strategy directed by the White House’s Homeland Security Council that DHS and other federal state and local agencies could then carry out.

The report also urges moving toward a system for allocation of federal grants “that considers risk/threat, capabilities, progress towards achieving national standards in various disciplines, population and regional cooperative efforts.”

The report, entitled “*Forging America’s New Normalcy*,” urges empowerment of state and local officials and creation of “a single grant-making entity in the department to streamline a funding process that now involves many units.” (Legislation moving through the House Select Committee on Homeland Security – H.R. 3266 by Rep. Christopher Cox (Newport Beach) – would address this issue directly.)

The accompanying RAND survey of 918 state and local first response agencies found state-level organizations relatively positive about federal homeland security efforts but local response organizations less satisfied. Most entities want better DHS coordination, information-sharing and communication, in order to help unify state and local efforts with federal programs, the RAND survey found.

The report noted “a lack of clear strategic guidance from the Federal level about the definition and objectives of preparedness and how States and localities will be evaluated in meeting those objectives. While some progress is being made, it is not happening at a pace commensurate with the flow of Federal funding to communities and States.” It further found that, “By the time clear definition and objectives are provided, many communities and States may have embarked on paths that are measurably different from those adjacent to them and potentially inconsistent with an national approach.” It noted that at least six federal departments and a number of other organizations are involved in developing emergency communication systems standards.

While the RAND survey found that state and local emergency response organizations want more federal funds, the Commission report cautioned against increasing aid without first developing a mechanism that would give priority to the regions where the risk is greatest and without implementing measures to make sure money is being spent wisely.

Commission members represented fire services, emergency medical services, law enforcement, emergency management, public health, the medical community, and federal, state, and local government. The RAND Corporation, which staffed the commission, is a nonprofit research organization based in Santa Monica. The report, survey, and other information are available at <http://www.rand.org>.

GAO CRITICIZES DHS PROGRESS ON CONTAINER CARGO SECURITY

At a subcommittee field hearing of the House Energy & Commerce Subcommittee on Tuesday, December 16, 2003, the U.S. General Accounting Office (GAO) testified that the Department of Homeland Security’s (DHS) Customs and Border Protection Directorate has not yet developed sufficient risk management strategy for protecting the security of the nation’s containerized cargo. To research the report, GAO visited six ports, including the Ports of Los Angeles and Long Beach, which transshipped more than 30 percent of the nation’s cargo containers in 2002 and handled nearly half of imported containers.

The assessment, delivered in testimony in Camden, NJ, found that DHS has established a National Targeting Center, refined its automated targeting system, and instituted a training program. However, GAO noted that DHS still does not have a risk management strategy that includes “a comprehensive set of criticality, vulnerability and risk assessments” needed to mitigate risk, and it fails to use recognized modeling practices, such as peer review, testing and validation. The report also implied that there were inconsistencies in reporting and analysis methods, and that data were confusing and incomplete. Nevertheless, GAO acknowledged that DHS recently implemented a new targeting system, and it may be too soon to assess its success or failure. The report is available at <http://www.gao.gov/cgi-bin/getrpt?GAO-04-325T>.

CAFTA AGREEMENT CONCLUDED WITH FOUR COUNTRIES

The Bush Administration concluded a far-reaching free-trade agreement with four Central American countries this week. Dubbed CAFTA, the Central American Free Trade Agreement, encompasses El Salvador, Guatemala, Nicaragua, and Honduras. Attempts to include Costa Rica in CAFTA failed over disputes on U.S. access to its telecommunications and insurance markets, but the Administration hopes to conclude an agreement with Costa Rica next year.

Under the agreement, more than 80 percent of U.S. exports will be able to enter the CAFTA countries duty-free immediately after the agreement enters into force; then 85 percent will be duty free within five years, and all products within ten years. Major U.S. exports, such as information technology products, agricultural and construction equipment, paper products, chemicals, and medical and scientific equipment will gain immediate duty-free access to Central America. In addition, Guatemala, Honduras and Nicaragua

will join the WTO's Information Technology Agreement (ITA), which removes tariff and non-tariff barriers to information technology products. Costa Rica and El Salvador are already participants.

The agreement also holds benefits for agriculture. According to the U.S. Trade Representative, more than half of current U.S. farm exports to Central America will become duty-free immediately, including high quality cuts of beef, cotton, many fruits and vegetables, processed food products, and wine. Tariffs on most U.S. farm products will also be phased out within 15 years. The USTR expects that improved market access will benefit most agriculture sectors, including pork, beef, poultry, rice, fruits and vegetables, corn, processed products and dairy products.

The agreement also will open up these Central American markets to the U.S. services industries, including among others: telecommunications services; financial services, including banking, insurance and securities; computer and related services; energy services; and transportation, construction, and engineering services.

The Administration hopes to have Congress approve the Agreement next year. However, it is expected to face strong opposition from some in Congress, as well as from several outside interest groups. Textile and apparel manufacturers are concerned that CAFTA would allow duty-free shipment into the U.S. of items made with non-U.S.-made fabrics. Labor argues that the Agreement will cost U.S. jobs and others are concerned that the bill's worker rights and environmental provisions are insufficient.

Of California's \$92.2 billion export trade in 2002, the CAFTA countries represent a relatively minor share. California exports to El Salvador in 2002 totaled \$113.18 million, to Guatemala \$111.2 million, Nicaragua \$20.7 million, and to Honduras \$34.77 million. Exports to Mexico were \$16 billion in 2002, and to Canada \$10 billion.

Further information on the Agreement can be obtained through the U.S. Trade Representatives' website at: <http://www.ustr.gov>.

MOST CITIES WITH FOREIGN-BORN MAJORITY ARE IN CALIFORNIA

Four out of six cities of 100,000 where foreign-born residents constitute a majority of the population are located in California, according to an analysis of census results by the U.S. Census Bureau released on Wednesday, December 17, 2003. A new census brief titled "*The Foreign-Born Population: 2000*", listed Glendale (54.4 percent), Santa Ana (53.2 percent), Daly City (52.3 percent), El Monte (51.4 percent), Hialeah, FL (72.1 percent), and Miami, FL (59.5 percent) as the cities where the foreign-born accounted for more than half of the population.

The report chronicles the increase of the foreign-born population over the last decade, from 19.8 million in 1990 to 31.1 million in 2000. All regions of the country experienced increases, with the South gaining almost 90 percent of the foreign-born population, the Midwest gaining 65 percent, the West 50 percent, and the Northeast close to 40 percent. California's population share of the foreign-born also increased during the 1990-2000 period, rising from 21.7 percent of its total population in 1990 to 26.2 percent in 2000. In addition to listing cities where the majority of the population is foreign-born, the report also identifies places with 40 percent to 50 percent foreign-born in their populations in 2000. These include East Los Angeles, Los Angeles, Garden Grove, CA, and Elizabeth, N.J. Other findings in the survey include:

- The largest foreign-born populations in U.S. cities in 2000 were in New York (2.9 million), Los Angeles (1.5 million), Chicago (629,000), and Houston (516,000);
- The foreign-born population grew between 100 percent and 199 percent in 16 non-California states from 1990 to 2000. The only growth rate below 10 percent occurred in Maine, whose population's share of foreign-born increased by 1.1 percent over the decade.
- Almost half (46 percent) of the foreign-born population was of Hispanic origin.

For more information, visit <http://www.census.gov>.

CALIFORNIA, LOS ANGELES, FAVORED MIGRANT SETTLEMENT LOCATIONS

A new report produced by the California Department of Finance, Demographic Research Unit details the inflow of international migrants granted permanent residency status in California in 2002. The report examines quantitative and qualitative information ranging from entry particulars, to immigrant nationality counts to the preferred destination of migrants within the nation and the state of California. According to the report, California remains the top destination for 2002 migrants, while Los Angeles County is recorded as the preferred instate region of residence for migrants.

The report stipulates that the one million immigrants entering the United States in 2002 matched the entry total for 2001, while 72 percent of those entering in 2002 were family-sponsored cases. California received 27.4 percent of 2002 international migrants, ahead of New York, Florida and Texas combined, and making it the top choice of residence.

Of the total number of immigrants to California, 90 percent were either of Latin American (49%) or Asian (40%) descent. Of that total, Mexican immigrants were most prevalent (36%), followed by Filipinos (7%).

Los Angeles County, historically, an ethnic hub for many immigrant groups, was recorded as the favored location of residence for California immigrants, housing more newcomers than Santa Clara, Orange, San Diego, Alameda, and San Bernardino Counties combined.

The report, entitled "*Legal Immigration to California in 2002*," uses data collected by the US Department of Homeland Security's Bureau of Citizenship and Immigration Services (formerly INS). For more information, visit: http://www.dof.ca.gov/HTML/DEMOGRAP/2002_INS_Report.pdf .

CENSUS RELEASES STATE COUNTS, CALIFORNIA POPULATION NOW 35.5 MILLION

According to the latest Census Bureau population estimates, California's population jumped by 482,000 to a total of 35,484,453 persons as of July 1, 2003. California's share of the nation's population now exceeds 12.2 percent.

California, the most populated state, recorded the largest total numeric growth from 2002-2003, though its proportional growth rate of 1.4 percent was the ninth highest in the nation. That growth rate was also shared by Delaware, Utah, Hawaii and Virginia. For the 17th consecutive year, Nevada displayed the most robust percentage population growth – that state's population grew 3.4 percent between 2002 and 2003.

The nation as a whole grew by 1 percent (2.8 million) to top 290.8 million persons, according to the Census report. California's share of the 2.8 million national increase was 16.6 percent, meaning that one in six of the nation's new residents in 2003 was a Californian.

For more information or to view a copy of the census bureau's population estimate report visit the following web address: <http://eire.census.gov/popest/data/states.php> .

CCSCE REPORT PROJECTS FUTURE FOR CALIFORNIA COUNTIES

A new report issued recently by the Center for Continuing Study of the California Economy (CCSCE) and titled "*California County Projections - 2003 Edition*" looks at the budget and policy challenges facing California residents and legislators, examines current economic and demographic changes taking place on the national and state level, and offers a set of projections for the year 2010 for several market variables for each county in the state. The report covers nine market characteristics, such as population, households, total personal income, per capita personal income, average household income, total taxable sales, taxable retail sales, total nonfarm wages, and salary jobs and manufacturing jobs.

The report found that, although the national employment numbers are on the rise, the growth is still below the 150,000 per month needed to keep pace with labor force growth and well below the levels needed to reduce unemployment rates back toward the 4 percent mark. The same is true for the state as

well, which posted a 2.1 percent job loss as of September of 2003, with most of the job losses concentrated in the Bay Area. Both the state and the nation have lost approximately 15 percent of total manufacturing jobs. The report notes that all regions except the Bay Area (which posted a 9 percent job loss since January 2001) are doing better than the nation and that some regions, including the Valley region (4.5 percent growth), Sacramento (2.4 percent), and San Diego (1 percent), even reported job gains during the national recession. The report is not conclusive with respect to future economic projections for California, though it does suggest that 2004 seems likely to be a year of modest economic growth with the Bay Area recovering later than other regions.

The report also found that the state's population growth accelerated after 2000, with California adding 1.8 million residents between 2000 and 2003. Natural increase, foreign immigration, and positive levels of migration from other states are responsible for continued population growth. The report states that population growth rates were the highest in the Sacramento region (2.6 percent), and the Los Angeles Basin (2 percent), while Placer County was the fastest-growing larger (more than 150,000 residents) county between 1995-2002, growing at an annual rate of 3.6 percent. Hispanic residents accounted for nearly 80 percent of California's population growth between 2000 and 2002 with Asian residents accounting for most of the remaining population gains. The report projects that the state's population will increase to 39.7 million in 2010, with most growth concentrated in the high school and young adult (15-24) and 45-64 age groups. In addition, the Sacramento and San Joaquin Valley regions (both at a 2.2 percent average annual growth rate in 2002-2010) are projected to be the state's fastest growing regions through 2010. Imperial County is projected to be the fastest-growing larger county through 2010, followed closely by Riverside, Placer, Merced, and El Dorado.

The report notes a strong upward trend in the demand for housing in California. It found that housing prices have risen at double-digit levels in all California markets outside the Bay Area, with the median resale home price reaching \$400,000, a figure that is double the national average. The report projects substantial household growth to 2010, which will be well above the 112,000 annual gains of the 1990s and will vary from 150,000 to 223,000 household formations per year between 2003 and 2010.

Similarly, per capita and total income are projected to increase sharply by 2010 after declining in California in 2001 and 2002. All of the income losses occurred in the San Francisco Bay Area where large job losses and a sharp decline in stock options pushed per capita incomes down, though income growth kept pace with national trends in most other counties. Placer County had the highest real income growth between 1995 and 2002 - 50.5 percent or 6 percent annually. The highest per capita incomes, however, will continue to be in the Bay Area (Marin's 2002 per capita income was \$61,897 and projected to rise to \$76,692 in 2010; San Francisco's \$53,851 will rise to \$67,387), Orange (\$37,376 going to \$46,620) and Placer (\$37,064 going to \$45,116). San Benito is projected to have the fastest income growth rate by 2010 (83.2 percent).

The report also looks at taxable sales around the state. It found that real taxable sales fell sharply in 2001 and 2003, following 6 years of strong growth. While the taxable sales losses were concentrated in the Bay Area, counties outside the Bay Area region had sales growth that generally kept pace with or exceeded the rate of inflation. According to the report, the San Diego and Sacramento regions have led the state in taxable sales growth since 1995, with \$39 billion and \$27 billion respectively, which translates into a 64.7 percent and 63.4 percent growth, respectively, over the 7-year period. The fastest growing markets to 2010 are projected to include San Benito, Placer, and the Inland Empire (Riverside and San Bernardino) counties.

In conclusion, the authors caution that the projections laid out in the report will vary if the data used for making such projections is altered. At the same time, the report warns that the growth in households, income and spending may vary even if job and population growth match CCSCE's projections. In the end, the report predicts that California will add substantial numbers of people and households after 2010.

California's population is projected to grow to 45 million by 2020 and then to 50 million sometime in the next 30 to 35 years,

For more information about this report, please visit the Center for Continuing Study of the California Economy website at: <http://www.ccsce.com>.

FEDERAL RESERVE REPORT FINDS SOLID ECONOMIC GROWTH FOR CALIFORNIA

California's critical economic elements, such as the labor market, consumer spending, commercial real estate, and the information technology (IT) manufacturing and service industries, have improved this year, particularly during the last quarter, reports a newly released survey by the Federal Reserve Bank of San Francisco. Titled "*Western Economic Developments*", the survey offers an analysis of the economic well-being of the Bank's Twelfth District, which includes California and eight other states.

Overall, the Twelfth District states fared better than the rest of the nation in adding employees to their payrolls, with California adding jobs since August, despite job losses at the beginning of the year. Industries that accounted for the majority of the employment growth included construction, trade, transportation and utilities, and professional and business services, with even the manufacturing sector posting employment gains. The survey found consumer spending improved towards the end of the year, paralleling a national pattern of improved consumer confidence. The manufacturing sector also seems to be on an upward swing, with lumber, machine tool, and IT makers reporting increased sales and orders. The report notes a sharp increase in worldwide shipments of microprocessors, which is significant for the Twelfth District as it is home to two of Intel's primary microprocessor plants. In addition, business services and real estate sectors are getting stronger. The survey reports an increase in business investment in IT products and the leveling off of lease rates for commercial real estate. Data remains positive with respect to housing markets, as well; home sale prices continued to rise steadily all through the year, and the housing markets in the Twelfth District remained highly active in recent months.

The report also explores several economic aspects on the state level. In California, the unemployment rate dropped to 6.6 percent in October from a 6.8 percent figure reported in October of last year. The state gained jobs in natural resources and mining (3.7 percent), leisure and hospitality (2.6 percent), trade, transportation and utilities (1.9 percent), construction (1.5 percent), education and health services (1.3 percent), and financial activities (0.7 percent) sectors. On the other hand, California's employers reported job losses in information (3.4 percent), manufacturing (2.4 percent), professional and business services (1 percent), and other services (0.3 percent). According to the report, the state also experienced a decrease in exports. California accounted for \$56.2 billion in exports in 2003, down from a \$77.5 billion figure reported in 2002.

To obtain a complete copy of this survey, please visit the Federal Bank Reserve of San Francisco website at: <http://www.frbsf.org/publications/economics/wed/index.html>.

REPORT IDENTIFIES CALIFORNIA'S REGIONAL QUALITY OF LIFE CHALLENGES

A recent report by The California Children and Families Association and the California Center for Regional Leadership (CCRL) examines and analyses a number of quality of life indicators across the state to measure economic, environmental and social health within the state and across regions. The goal of the report is to help identify the strengths and challenges of individual regions, to inform policy choices, to strengthen interregional partnerships, and to serve as a mobilization tool for stakeholders and leaders to address their priority concerns.

The pioneer report, entitled "*Telling our Story, Measuring Our Progress: California's Regional Quality of Life Indicator Projects*" takes a broad approach based on a conceptual framework of co-dependent and interrelated systems, economies and social networks. It synthesizes the results of 14

Regional Quality of Life Indicator projects tracking a series of demographic, social, environmental, economic, and civic engagement indicators.

Some of the report's key findings expose a number of concerns including: heightening demographic and economic transitions across many of the state's regions; growing housing affordability challenges and the negative effects of urban sprawl; disparities in educational and workforce attainment across regions and the growth of child poverty; and increasing health concerns among California children.

A copy of this report can be viewed online at the CCRL website: <http://www.calregions.org>

HEALTH COVERAGE FOR CHILDREN STILL FRAGMENTED

While California's rate of uninsured children has dropped by one-third in the past ten years, 14.3 percent of children statewide (one in seven) remain uninsured, found a new study released by Children Now. Titled "*California Report Card 2003*", the report focuses on infant health, health insurance and access to care, oral and mental health, nutrition and physical fitness. It was based on state and federal statistics and UCLA's 2001 California Health Interview Survey of more than 50,000 respondents.

The report found wide differences in health coverage for children in different counties. Solano county has the lowest rate of uninsured children with 4.3 percent, while Santa Barbara County has the highest number, with almost one in five children lacking health coverage (19 percent). Santa Barbara County, along with San Diego and Riverside, also ranked lowest in children's medical and dental coverage and prenatal care, while Alameda, San Francisco, and Sacramento, placed in the top 10 in these indicators. Overall, California ranks 45th out of the 50 states with 1.3 million children without health insurance. The report finds, however, that the number of uninsured children in the state could be reduced by two-thirds if all children eligible for public insurance programs like Medi-Cal and Healthy Families were enrolled.

The report also found that children's health coverage diverged along ethnic lines. Among those that are uninsured, Korean-American and Latino children have the highest uninsured rate, with 32.8 percent and 24 percent, respectively, lacking health care coverage. In comparison, 5.8 percent of Chinese-American children lack coverage, as do 16.8 percent of Native-American children, 9.1 percent of Asian children, 8.2 percent of white children, and 6.1 percent of African-American children. The report offers several probable underlying reasons to explain such differences in coverage for different ethnic groups, including high instances of self-employment in the Korean-American community, and fear that enrolling their children in health programs will place their immigration status in danger on the part of some Latino and Asian families.

In addition, the report looks at the prevalence of asthma in the state. It found that in California, 1.2 million children (13.6 percent) have been diagnosed with the illness, compared with a national average of 7.3 percent. Siskiyou, Lassen and Trinity counties have some of the lowest asthma rates in the state (9.5 percent each), while Fresno (21 percent) and Solano (21.3 percent) have some of the highest. African-American (22.1 percent) and Native American (26.8 percent) children tend to be diagnosed with asthma at higher rates than Latino (10.3 percent), Asian-American (12.5 percent) and white (15 percent) children. Similar results were published by the UCLA Center for Health Policy Research, which reported that 9.6 percent of California's children and 8.5 percent of its adults are diagnosed with asthma.

The study found that more than a third (34 percent) of low-income parents find it consistently hard to provide food for their children, while just a quarter of California's children meet state standards for physical fitness. The report concludes by making several recommendations to improve children's health in California, including improving delivery of nutrition programs for low-income children, expanding access to fluoridated water to prevent dental decay, ensuring children get daily physical exercise, and developing an electronic system to enroll children in state health programs at birth and in schools.

To get more information about this report, please visit the Children Now website at:

<http://www.childrennow.org/publications.cfm> .