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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.

NEW REPORT IN "FEDERAL FORMULA GRANTS AND CALIFORNIA" SERIES EXAMINES FACTORS THAT DETERMINE CALIFORNIA'S SHARE OF FUNDS

The newest product from the "Federal Formula Grants and California" series -- a joint venture between the Public Policy Institute of California (PPIC) and the California Institute -- examines various factors that formula grant programs use to distribute federal funding to state and local governments and other recipients.

Entitled "Factors Determining California's Share of Federal Formula Grants, Second Edition," this report significantly expands on its December 2002 predecessor, discusses several additional factors, describes more of the "special cases" that make formula grants analysis so challenging, and adds many more charts to graphically illustrate the differences between California and other states.

The report notes California's percentage share of the nation's total for various factors -- like population, poverty, income, immigrants, transportation stats, etc. -- and predicts whether factors are likely to increase or reduce California's share of federal money.

This new report is offered as a "web-only" update, and is available at http://www.ppic.org/main/publication.asp?i=484 . (A limited number of printed reports are being distributed to the California Congressional delegation.)

Factors examined include population, poverty, child poverty, income, fiscal effort and cost factors, employment and unemployment, urban/rural and metropolitan/nonmetropolitan populations, age-range populations, legal and undocumented immigrants, benefit recipients, crime rates, transportation statistics, and educational attainment.

In addition, the report details special provisions that influence funding flows for many formula programs, including data years, phase-in periods, hold harmless provisions, trigger levels, small-state minimums, growth minimums (floors) and growth maximums (caps and ceilings), pro rata redistribution, sliding scales, factor weighting, minimum thresholds, matching funds and matching requirements, maintenance of effort requirements, and set-asides.

A companion document, published in conjunction with the first edition of this report, illustrates California's historical shares of various federal

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grant programs from 1991 through 2001. The companion report has not been updated because the Office of Management and Budget (OMB) has discontinued publication of the annual source for most of the data underlying the report.

Information about this series and links to all its reports are available on the California Institute website at http://www.calinst.org/formulas.htm and on the PPIC website at http://www.ppic.org/main/series.asp?i=22 .

SENATE PASSES R&D TAX CREDIT AMENDMENT

On Wednesday, March 3, 2004, during consideration of its corporate tax bill (S. 1637), the Senate adopted an amendment to extend and modify the current Research and Experimentation ("R&D") tax credit, which is due to expire on June 30. The vote was 93-0.

The amendment extends the credit through December 31, 2005. It also provides for an increase in the Alternative Incremental Research Credit (AIRC) rates, and an alternative simplified credit calculation. Those modifications would be effective from January 1, 2005 through December 31, 2005.

The bill repeals the export tax break for U.S. companies that the World Trade Organization has found violates international rules. Currently, the EU has imposed five percent retaliatory tariffs on some U.S. goods because of the tax break and will increase those tariffs monthly until the tax break is eliminated. In exchange for repealing the current provision, the Senate bill would provide tax relief for U.S. companies on income earned overseas.

The Senate is expected to continue consideration of S. 1637 through the end of this week and then resume debate on the bill in late March, after dealing with the FY2005 budget resolution. Senators have filed more than 100 amendments to the bill.

HOMELAND SECURITY APPROPRIATIONS PANEL HEARS FROM SECRETARY RIDGE

On Thursday, March 4, 2004, the House Appropriations Committee's Subcommittee on Homeland Security heard testimony from and questioned Tom Ridge, Secretary of the Department of Homeland Security (DHS), regarding the Bush Administration's budget request for homeland security programs.

Secretary Ridge noted that the $40.2 billion request would represent a 10 percent ($3.6 billion) increase in resources available to the agency. Among the DHS accomplishments cited by Secretary Ridge was the provision of more than $8 billion to state and local first responders to help them prevent and prepare to respond to acts of terrorism and other potential disasters.

Ridge noted that the budget proposed to move funding out of the state and local first responder formula grant program, shifting the funds to the urban area security initiative (UASI), a discretionary grant program. He commented that the Administration believes it is prudent to move resources to "areas with a high probability of a terrorist action taking place" rather than to less threatened areas. He noted that UASI funds are intended to focus on areas with densely-settled population, large numbers of critical infrastructure assets (such as oil refineries, power plants, etc.), and a history of being targeted by terrorists. (He added that the budget proposes to change the formula for state and local grants to base funding on these factors.)

If enacted, such changes could inure to California's benefit. In the most recent fiscal years, California received less than 8 percent of funding from the state and local grant program but 20 percent of funds from the UASI. With an unusually large (0.75 percent) small-state minimum, the state and local formula provides a windfall to small states. In 2004, California received $5 per capita, whereas Wyoming received $38 per capita.

For a detailed analysis of California's receipts from these and other homeland security programs, see "Federal Formula Grants and California: Homeland Security," which outlines the federal programs that distribute grants to the nation's first responders, examines the mechanics of formulas that determine funding levels for California and other states, and discusses legislative proposals to change these formulas. It is available on the Public Policy Institute of California website at http://www.ppic.org/main/publication.asp?i=481 .

Criticized by some members for cutting funding for state and local grants from $1.7 billion to $1 billion, Ridge countered that the Administration proposes to reprioritize funding, moving the funds to urban area grants, which would increase by $850 million. (He also commented that the funding levels are consistent with those proposed in the prior year's Administration budget request.)

Ridge noted that the budget proposes to increase by $25 million funding for the Container Security Initiative (CSI), which seeks to pre-screen containerized cargo before it arrives in U.S. ports. The budget would also provide $15.2 million more for the Customs Trade Partnership Against Terrorism (C-TPAT), which enlists importers, carriers, brokers and freight forwarders to help protect trade traffic flows. Ridge also noted that the budget proposed a "One face at the border program," whereby a single, cross-trained border officer would perform three formerly-separate inspections: immigration, customs, and agriculture.

During questioning regarding visa overstays by Chairman Hal Rogers (KY), who noted that most people in the U.S. illegally came here initially by legal means, Ridge commented that by the end of 2003, DHS had installed visa checking systems in 1115 airports and 15 seaports.

Questioned regarding the budget's proposed elimination of the Department of Justice's Byrne Grants and the Local Law Enforcement Block Grant, as well as an 85 percent reduction in COPS program spending, Ridge responded that the new first responder grants and urban area security initiative programs have vastly increased overall funding for first preventers and first responders and that paying for police and fire employees has been traditionally the responsibility of the nation's state, county, and city governments.

Rep. Jo Ann Emerson (MO) urged that interior ports (she represents waterways near St. Louis) be considered when devising protections for the nation's port systems; Ridge responded that the Coast Guard is the first line of defense, ensuring that risks are addressed before vessels enter the nation's inland waterways.

Questioned regarding rural homeland security issues, Ridge noted a national agriculture inspection system and added that while the first of the "Homeland Security Centers of Excellence" is located at the University of Southern California, two of the three additional centers are likely to be agriculturally-focused.

Rep. Alan Mollohan (WI) expressed concern that the Emergency Management Performance Grants (EMPG) program would be altered to cap at 25 percent the proportion of funds that could be used for wages & salaries. Ridge replied that the focused funding would be better used for training and equipment.

Chairman Rogers also commented that funding is to flow in part based on critical infrastructure assets such as pipelines, trains, trucks, transportation facilities, and oil refineries, but that the nation does not presently have an inventory of these assets and how they are valued. Secretary Ridge noted that, by the end of this year, DHS will have a national infrastructure database (developed on consultation with local and state governments).

Rep. Lucille Roybal-Allard (Los Angeles) expressed concern that the Administration would fold a $46 million, separately-funded port security program into a broader program, and that overall funding for the category would be reduced by $80 million. She added that the Ports of Los Angeles and Long Beach consider the DHS port security funding stream to be "unreliable." Ridge replied that the budget reflects a point of view that such expenditures are a burden that should be assumed largely by the private sector portions of the supply chain. Roybal-Allard responded that the private sector should provide some financial resources, but expressed concern that the ports remain vulnerable. She urged the Administration to support greater rather than less federal assistance and recommended a scheme similar to the "letter of agreement" (LOI) funding approach underway to upgrade baggage screening at the nation's airports. Ridge did not endorse the LOI concept for port security.

HOUSE FINANCIAL SERVICES EXAMINES STOCK OPTION EXPENSING

The House Financial Services Subcommittee on Capital Markets, Insurance, and Government Sponsored Enterprises held a hearing on March 3, 2004, regarding H.R. 3574, the Stock Option Accounting Reform Act. The bill responds to the Financial Accounting Standards Board's (FASB) proposal to mandate that all stock options be immediately treated as an expense by the company offering them. H.R. 3574 would limit mandatory expensing to the top five executives in the company, thus allowing companies to continue to deliver option plans to rank and file workers. It would also exempt the expensing requirement for small businesses until three years after an initial public offering. In addition, it requires the Secretaries of Commerce and Labor to complete a joint study on the economic impact of mandatory expensing before the FASB proposal can become final.

In his opening statement, Rep. Ed Royce (Fullerton) praised Subcommittee Chair Richard Baker (LA) for introducing the bill, citing the need to maintain stock option plans for rank and file employees, and criticizing the complexity and subjective nature of FASB's plan.

The Subcommittee heard from a number of witnesses, including: Karen Kerrigan, Chairman, Small Business Survival Committee; Mark G. Heesen, President, National Venture Capital Association; Reginald Reed, Manager, Software Development, Cisco Systems; Prof. Robert Merton, Harvard Business School; and Arthur W. Coviello, President & CEO, RSA Security.

Professor Merton was the only one of the witnesses testifying who opposed the bill and called for expensing of stock options. He contended that compensatory stock options are a cost to the business equal to salaries, bonuses, and benefits and should be expensed as those costs are. He also argued that the value of compensatory options should be "the economic cost to the firm of granting those options and not the value placed on these options by the employees who receive them. The value of those options can be estimated, using market prices or pricing models." He also took exception to the argument that requiring the expensing of options would hurt start up businesses. While acknowledging that policy measures to encourage new businesses has merit, he objected to "the policy effectiveness of doing so by essentially creating the benefits from a deliberate accounting distortion proportional to companies' use of one particular form of employee compensation," and argued that other compensation incentives may in fact work better, even though they also must be expensed.

The other witnesses lauded the Chairman for introducing the bill and Ms. Kerrigan called it "an appropriate response to what seems to be general indifference at the Financial Accounting Standards Board (FASB) with respect to the business community's concerns about mandatory stock option expensing. The Board is about to unveil a stock option expensing rule that would be particularly complex and costly for small businesses. SBSC opposes the proposed rule."

Mr. Reed of Cisco spoke in support of the bill and testified to the personal experience he has had with stock options for mid-level employees. He stated that in his opinion there is no better way to motivate talented employees and noted the difference he sees in the employees he manages because of their awareness that their options are tied to the company's bottom line.

In statements submitted for the record, James P. Hoffa, General President, International Brotherhood of Teamsters, and Robert L. Trumpka, Secretary-Treasurer of the AFL-CIO, both opposed H.R. 3574.

The testimony of all the witnesses can be obtained through the committee's website at: http://www.financialservices.house.gov .

HIGHWAY PROGRAM EXTENSION SLOWS MOMENTUM FOR LONG-TERM PLAN

The President signed a second temporary extension of federal transportation programs on Sunday, February 28, 2004, keeping highways and transit programs in operation for two additional months. By pushing back the transportation program expiration until April 30, 2004, the extension's enactment avoided a looming Department of Transportation shutdown and prevented the delay of transportation projects nationwide.

Transportation programs would have expired last October -- on the September 30 sunset date for the Transportation Equity Act for the 21st Century (TEA-21) -- if Congress had not approved a five month stopgap measure keeping programs alive until February's end. Another extension became necessary when growing doubts occurred over Congress' ability to complete work on a long term authorization bill before the five month deadline would be reached.

Transportation reauthorization has been held up due to disagreements between Administration, House, and Senate leaders on overall funding levels. The Senate last month approved a $318 billion comprehensive surface transportation bill, S. 1072, by a 78-12 vote. The President's plan proposing $270 billion over 6 years for highways and transit programs has been shelved, while the House has yet to act on a proposed $375 billion bill.

The House pared a four-month extension plan approved in mid-February to two months after complaints from Senate leaders that too much of a delay would reduce pressure on House members to complete work on a final bill. Both House and Senate extensions were approved unanimously late last week.

In the face of a budget deficit, the Bush Administration has threatened to veto any transportation bill that would raise taxes or add extra burdens to the general fund. The House bill known as the Transportation Equity Act: Legacy for Users or TEALU, proposes to do both to finance its $375 billion cost. Though no details have been made public, transportation insiders are saying they are preparing for a possible shorter and lower-funded two-year package that would set limited authorization levels in line with the President's proposal (the Safe, Accountable, Flexible and Efficient Transportation Equity Act or SAFETEA) until 2006.

House Transportation and Infrastructure Committee sources say that the House will hold committee markups on its proposal in late March after members have agreed on an adequate authorization level and revenue plan to finance the bill. No specific dates have been set.

CHILD NUTRITION REAUTHORIZATION REPORTED OUT OF HOUSE EDUCATION AND WORKFORCE COMMITTEE

By voice vote on Thursday, March 5, 2004, the Subcommittee on Education Reform of the House Education and Workforce Committee considered and reported out unanimously the Child Nutrition Improvement and Integrity Act, as amended. The bill, H.R. 3873, was introduced by the Committee Chair John Boehner (OH) and the Subcommittee Chair Mike Castle (DE), and has various bipartisan co-sponsors.

The bill would reauthorize the National School Lunch and Breakfast Programs, Child and Adult Care Food Program, After-School Snack Program, Summer Food Service Program, and the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) program. It would also make minor changes to the programs, which benefit disadvantaged children and families. Specifically, the bill extends participation in child nutrition programs for eligible children whose parents are in the Armed Forces and living in privatized military housing. It would provide more than $15 billion in funding annually, promote nutritional education and physical activity at the state and local level, and prohibit the federal government from specifying to local school districts the content of wellness policies to encourage nutrition and physical activity. According to promotional documents provided by the committee, the bill also promotes partnerships between local farms and the child nutrition programs, makes improvements to the school lunch certification process, and affords dairy foods a central role in the National School Lunch Program.

The bill would make children receiving food stamps automatically eligible for program benefits, and it would authorize a 10-site demonstration project to consider including fruit and vegetable products as WIC-eligible foods. It would also clarify that the Department of Health and Human Services and not the Office of Management and Budget should be the source of formula poverty data (OMB has never issued poverty guidelines, despite laws mistakenly relying on OMB for such guidelines).

For more information regarding the bill, visit the House Education and Workforce Committee website at http://edworkforce.house.gov .

CALIFORNIA UTILITY COMPANIES BRIEF DELEGATION STAFF ON ENERGY EFFICIENCY

On Tuesday, March 2, 2004, representatives of California's major investor-owned utility companies briefed staff to the bipartisan California Congressional delegation regarding California's energy efficiency efforts. Representatives of the utility companies were in town to receive federal "Energy Star" awards for their accomplishments in conservation and efficiency.

Gene Rodrigues of Southern California Edison described California's long history of energy efficiency promotion, dating back to the energy crisis in the 1970s, and he noted that the current leadership in California, including the California Energy Commission, the Public Utilities Commission, and the state's utilities are committed to promoting efficiency. He added that the state's municipal utilities also promote efficient energy usage. He noted that California's good weather is only a small part of the state's success in keeping electricity consumption low. The state consumes less than 7,000 kilowatt hours (kWh) per person, whereas the national per capita rate is 12,000 kWh.

Frank Spasaro of Southern California Gas Company and San Diego Gas & Electric pointed out that energy efficiency produces other collateral benefits (such as lowered water usage by energy efficient washing machines and dishwashers), and the increased electric grid reliability that comes from minimizing the amount of electricity needed by appliances.

Spasaro said that California far surpasses other states in financial support for energy efficiency. The State budget provides $818 million for energy efficiency in 2004-2005, including $573 million from state legislation-created programs - a "Public Goods Charge" (PGC) on customers' electricity bills and a "Demand Side

Management" (DSM) charge on natural gas bills. In addition, California utilities provide an additional $245 million via the energy efficiency component of the state's long-term procurement plan, using resource acquisition, integrated resource planning, demand side management, demand response and other techniques to control costs and ensure the power grid remains reliable and robust.

Also in town to receive an "Energy Star" award was Steve McCarty of Pacific Gas and Electric Company, but his schedule prevented him from appearing at the California delegation briefing.

SENATE PANEL REVIEWS HIGHER EDUCATION'S LINK TO WORKFORCE DEVELOPMENT

Higher education officials delivered testimony, on March 4, 2004 to the Senate Committee on Health, Education, Labor and Pensions (HELP) at a hearing on the relationship between postsecondary education and competitive workforce preparation. Sen. Mike Enzi (WY), chairing the Committee on behalf of Sen. Judd Gregg (NH), called attention to finding ways to retain American jobs and businesses by matching skills training in colleges and universities to meet the needs of the economy.

Beth Buehlmann, Vice President of the US Chamber of Commerce's Center for Workforce Development (and formerly the head of the California State University's Washington office) described qualified workforce development as among the top three concerns of business members. She called the changing face of the US economy and workforce the primary challenge for US competitiveness, noting rapid technological advances make it difficult for the workforce to keep pace with the changing economy. Meanwhile, she noted, 85 percent of today's jobs are classified as skilled, compared to 80 percent classified as unskilled in 1950. On the other hand, net growth in workers with more than a high school education is projected to be 19 percent between 2000 and 2020, as compared to 138 percent between 1980 and 2000, according to Ms. Buehlmann. She suggested a number of solutions to improve higher education performance in the wake of these present challenges including: closer attention to the realities of the global economy; adapting financial aid policies to help growing non-traditional student populations; eliminating a "50 percent rule" to accommodate distance learning; developing flexible and modularized curricula and training programs; and improving collaboration efforts between all types of institutions of higher learning.

Dr. Charles Bohlen of Laramie County Community College gave an account of how his campus had helped students enter high-growth and high-wage job sectors by building a key partnership with local businesses and members of the community. Dr Bohlen's policy suggestions included: a greater role for higher education in producing skilled workers (including creation of a new program to support community colleges); avoiding establishment of a "single definition" for institutions of higher learning; eliminating the 50 percent rule; and adding accreditation oversight to higher learning institutions with expanded distance learning services.

For more information on this hearing or to view copies of the testimony, visit the Senate HELP Committee website at: http://labor.senate.gov/bills/edu_36_bill.html .

CALIFORNIA OFFICIALS CELEBRATE MARS ROVERS' SUCCESSES AT JPL

For the past month and a half, NASA's Jet Propulsion Laboratory (JPL), managed by the California Institute of Technology (Caltech) in Pasadena, has been enjoying the success of the twin Mars Rovers, Spirit and Opportunity. Rep. David Dreier (San Dimas) hosted Members of Congress and their staff and a number of state officials at JPL for Spirit's landing on January 4, 2004. On hand for Opportunity's landing on January 24, were California State Governor Arnold Schwarzenegger, Rep. Adam Schiff (Pasadena) and various other officials.

Since landing on Mars in January, the explorers have regularly beamed photos and related data back to JPL scientists, providing fresh data regarding Mars and its composition. It is believed that this data will allow scientists to re-create the history of Mars, and to determine whether water - and, by extension, life - has ever existed on the planet.

For additional information, visit the JPL website at: http://www.jpl.nasa.gov .

California Business Roundtable Study Reviews State's Business Climate

A startling 100 percent of surveyed business executives said they view California's business climate unfavorably, specifically with respect to regulatory issues, and 40 percent of the state's firms plan to move some jobs out of the state, reports a study issued by the California Business Roundtable on Thursday, February 26, 2004. Titled "California Competitiveness Project" and conducted by a consulting firm Bain & Co., the study was based on interviews with large and small companies in California, which together represent some 500,000 employees and more than 95 percent of the state's industry sectors.

The study found that the state's cost of doing business is 30 percent higher than in other western states, mainly due to higher state regulations and costs for employees and electricity. Workers' compensation, the approval process for building housing developments, and state taxes were among the most frequently voiced regulatory complaints cited in the study. In addition, the study also said that regulatory costs in California are 106 percent higher than in other western markets, and that electricity costs are 127 percent higher. Half of the companies surveyed said they have decided to stop adding more workers in the state. Overall, California's regulatory environment is the most costly, complex, and uncertain in the nation, according to the study.

The study made several recommendations, among them overhauling workers' compensation and overtime laws, streamlining regulatory processes, and encouraging private investment in a new electricity infrastructure.

For a complete copy of the study, please visit the California Business Roundtable website at: http://www.cbrt.org/http://www.cbrt.org .

Home Prices Continue to Climb, According to CAR Survey

According to the newest monthly survey by the California Association of Realtors (CAR), released February 25, 2004, the housing market experienced double-digit increases in home prices across the state in January.

The median price of an existing home in California in January increased 20.7 percent, from $336,210 in 2003 up to $405,830 this year, and sales increased 5.3 percent compared to the same period a year ago, the survey found. In addition, the number of months needed to deplete the supply of homes on the market at the current sales rate fell to two months in comparison to 2.8 months last year, according to CAR's Unsold Inventory Index.

House prices and unit sales vary widely on a regional basis. In Los Angeles County, unit sales increased by 0.2 percent in January, but the median price leaped by 27.4 percent (up to $390,830), while Orange County saw unit sales rise by 13.6 percent, with median prices increasing 18.7 percent (up to $523,380). The Riverside-San Bernardino area experienced similar growth where unit sales increased 2.4 percent and median prices gained by 28.5 percent (up to $245,090). San Diego County saw unit sales decrease by 3.8 percent but a 21.4 percent price increase to $468,450. The Bay Area's resale market also experienced, albeit modest, growth. Unit sales in the San Francisco Bay area in January, 2004 were up by 0.5 percent over the year, while the median price increased by 16.7 percent, up to $573,700. Specifically, in San Jose, unit sales moved up by 8 percent, while the median price went up by 8.2 percent (up to $555,000). In the Central Valley region, sales increased by 1.1 percent and prices jumped 15.5 percent (up to $234,650) from the previous year. The Sacramento region, on the other hand, experienced a price increase of 16 percent (up to $263,740), but saw a decline of 4.5 percent in home sales.

The survey also offers lists of cities with the highest property values and those with the greatest median home price increases. Statewide, the cities and communities with the highest median home prices in California during January 2004 were: Malibu ($1,395,000), Burlingame ($1,175,000), Los Altos ($1,169,500), Beverly Hills ($1,150,000), Laguna Beach ($1,137,500), Palos Verdes Estates ($1,100,000), Manhattan Beach ($1,012,500), Calabasas ($995,000), Los Gatos ($942,500), and Saratoga ($886,250). Cities that experienced the greatest median home price increases in January 2004 compared to the same period a year ago were: Malibu (106.7 percent), La Quinta (54.1 percent), Oxnard (53.4 percent), Inglewood (48.5 percent), Upland (47.2 percent), Colton (47.1 percent), Perris (43.5 percent), Riverbank (42.7 percent), Arcadia (41.5 percent), Rancho Santa Margarita (40.2 percent).

For more information, visit the California Association of Realtors (CAR) website at: http://www.car.org .

UNEMPLOYMENT RATES DECLINING ACROSS THE STATE

California's Employment Development Department (EDD) released its monthly employment statistics, and the state and local numbers look encouraging. California's unemployment rate was 6.1 percent in January, down several percentage points from the December 2003 rate of 6.5 percent and a comparable 6.8 percent rate during the same period last year. The state fared better in comparison with the national figures: the jobless rate was 5.6 percent, down only 0.2 percent from January 2003.

On a regional basis, the Southern California jobless rate was 5.7 percent, or 0.5 percentage points below last year's reading of 6.2 percent, while the Bay Area January unemployment rate was 5.9 percent, which was 1.2 percentage points lower than the 7.1 percent registered in January 2003. In Southern California, Los Angeles County's jobless rate was 6.5 percent, Ventura County registered a 5.3 percent rate, Orange and Riverside counties saw increases of 0.3 percentage points to 3.5 percent, and San Bernardino County's rate rose to 5.5 percent. In the Bay Area region, Santa Clara (including San Jose) registered the highest unemployment rate of 7 percent, though the current rate is 2.1 percentage points lower than last year's comparable rate of 9.1 percent. In addition, the San Francisco County's jobless rate was 6 percent (7.4 percent in January 2003), and Alameda County dropped from 7.2 percent a year ago to 6.2 percent this year.

The EDD also released the January 2004 nonfarm jobs report, which indicates that the state's seasonally adjusted nonfarm employment was up in January over both the month (increase of 22,200) and the year (8,800). The figures show that on an unadjusted basis, year-to-year increases were recorded by administrative & support services (increase of 50,000 jobs of which 48,600 were in employment services temporary help), followed by health services (increase of 30,800 jobs), and leisure & hospitality (increase of 23,500 jobs). The state lost in government sector (decrease of 58,000 jobs), and manufacturing (decrease of 54,100 jobs).

For more statistics, visit the Employment Development Department website at: http://www.edd.ca.gov .

CALIFORNIA HOME TO FIVE MOST CONGESTED AREAS IN THE NATION

California is home to both the five most congested freeway interchanges in the nation, and the number one bottleneck in the nation, reports the American Highway Users Alliance(AHUA) in a study released on February 18, 2004. All of the California locations identified on the most congested list were in Southern California, with most of them in the Los Angeles area.

The nation's worst bottleneck is the Ventura (101) Freeway at Interstate 405 in Los Angeles, which had ranked number 5 in 1999. Other California locations included on the list of the 15 most congested freeway interchanges in the nation included: Interstate 405 at the Interstate10 interchange in Los Angeles (which ranked 5th); Interstate 10 at the Interstate 5 interchange (ranked 8th); followed by Interstate 405 at the Interstate 605 interchange in Long Beach (9th); and Interstate 5 at the State Road 22/State Road 57 interchange in Orange County (which took the 13th place on the list). Chicago, Phoenix, Atlanta, and Washington DC-MD-VA areas had two each of the locations on the list, while Providence and Houston scored one (though the Houston location ranked as the second worst).

The study noted that major bottlenecks have grown by 40 percent over the past five years, from 167 during AHUA's last survey in 1999 to 233 this year. The study also noted that seven of the 18 previous top bottlenecks were fixed by construction projects, and suggested that modest improvements at the current 233 choke points would prevent 449,500 crashes and 1,750 fatalities over 20 years.

The report is available on the American Highway Users Alliance website at http://highways.org .

RECEPTION TO COMMEMORATE 5TH ANNUAL CALIFORNIA SPACE WEEK

A reception for the California Congressional Delegation will be held in conjunction with the celebration of the 5th Annual California Space Week. The reception, sponsored by the California Space Authority (CSA), will be held from 5 PM to 7 PM on Wednesday, March 17, 2004 in Room 2325 of the Rayburn House Office Building in Washington. Members of the California Congressional Delegation and their staffs are invited to attend.

During California Space Week, government and industry representatives will discuss the CSA and space enterprise needs in California generally, and to focus particularly on issues related to base closures, support for the President's initiative to the Moon and Mars, export controls, and homeland security efforts that utilize space enterprise. For more information regarding CSA, visit http://www.californiaspaceauthority.org/ .