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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.

CHILD NUTRITION BILL UNANIMOUSLY REPORTED OUT OF SENATE COMMITTEE

On Wednesday, May 19, 2004, the Senate Agriculture, Nutrition and Forestry Committee reported out by voice vote an unnumbered bill that would reauthorize federal adult and child nutrition programs

A total of 37 million children in the nation benefit from free or reduced-priced school lunch and breakfast benefits. Grants are distributed to state agencies and school districts based on their share of eligible children from families below 185 percent of the poverty line. Children from families with incomes below 130 percent of the poverty line are granted free lunches (subsidized by federal and state resources) and breakfasts under current law, while families with income between 130 and 185 percent of the poverty threshold receive reduced-price meals.

Because of budgetary constraints and uncertainty over federal resources, the reported bill makes limited changes to the expired 1996 Child Nutrition and National School Lunch Acts and contains some programmatic funding ambiguities. In opening remarks, Committee Chair Thad Cochran (MS) outlined some of bill's main provisions including: strengthening and simplification of application processes by mandating direct certification for children from TANF or food stamp families; limited expansion of program to include year round school lunch and breakfast benefits; authorization of greater access to local foods; and greater access to nutrition education for parents and students. One specific provision of the Senate draft authorizes \$1 million in subsidies to California local governments and nonprofits for providing summer meals and snack services to children. Many California schools employ a year-round track system to prevent overcrowding.

Though the Senate draft measure does not significantly increase nutrition spending or expand free lunch and breakfast eligibility as some committee members had hoped, it does establish a number of pilot projects to address various nutrition concerns. One such pilot project would raise income eligibility ceilings for free lunches and breakfasts from 130 percent of poverty to 185 percent. Although no specific authorization is provided for the eligibility expansion pilot project, Senate language instructs the Secretary of Agriculture to select 5 states as pilot-project designees. Similarly, unspecified funding amounts are included for other pilot projects dealing with obesity prevention, expanded fruit and vegetable use, healthy school nutrition, school garden grants, and food service professional standards.

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The Senate bill reauthorizes the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) through 2008. A program serving 1.3 million California participants, WIC was authorized in 2003 at \$4.696 billion. The Senate draft prohibits alliances between state WIC agencies within states with over 100,000 participants in the program. Alliances are formed to gain leverage when soliciting bids from infant formula manufacturers. Alliances of 100,000 plus participants already in place may continue and expand as long as they do not involve additional states.

An amendment offered by Ranking Member Tom Harkin (IA) to combat obesity and diabetes failed by a vote of 7 to 12. The \$6 million amendment would have funded federal technical assistance to schools wishing to set campus wellness policies and nutritional guidelines, and funded a National Academy of Sciences study on school nutrition. Sen. Harkin expressed outrage at the state of child health, citing statistics that show only 2 percent of teenage children meeting nutritional requirements and a ten fold increase in the onset of juvenile diabetes from 1982 to 1994. "We should be doing more to promote nutrition" he said, "I don't understand why we're abdicating our responsibility." Sen. Harkin plans to submit more nutrition strengthening amendments when the bill is submitted for floor consideration.

Federal nutrition Acts reauthorized by the Senate plan expired last October, though Congress' enactment of temporary extension measures has extended the legislation. The most recent extension measure is scheduled to expire at the end of June, giving members of Congress a limited time-frame to complete work on an overhaul bill.

The full Senate is expected to consider the reported bill after the completion of Congress' Budget Resolution. The House-passed legislation was approved on March 24 by a voice vote.

For more information on this mark up or on the activities of the Senate Agriculture, Nutrition and Forestry Committee, visit the committee website at: <http://agriculture.senate.gov/>.

HOUSE AFFIRMS DELAY IN BASE CLOSURES, PASSES DEFENSE BILL

A contentious conference and a White House veto threat await the FY 2005 defense authorization bill that was approved by the House of Representatives on Thursday, May 20, 2004. As does the Senate, the House bill authorizes expenditures of \$422 billion for the fiscal year that begins October 1, but it also would delay the scheduled 2005 round of domestic military base closures until 2007.

The bill that emerged from the House Armed Services Committee and authored by its Chairman, Rep. Duncan Hunter (Alpine) included a provision delaying the base closure round. Specifically, the bill requires that DOD produce several reports in early 2006, with a 14 month window between submission of the reports and the start of the BRAC round in order to "provide an opportunity for Congress to review, and DOD to implement into the BRAC decision making process, the findings of the reports before any base closure or realignment recommendations are made by the Secretary of Defense." By a floor vote of 162-259, the House rejected an amendment by Rep. Mark Kennedy, (MN) that would have deleted this provision from the bill.

Later on Thursday, after rejecting a motion to recommit by a vote of 202-224, the House approved the bill by a vote of 391-34.

On Friday, the Senate was expected to continue work on its version of the bill (S.2400), which does not include a comparable base closure round delay. In fact, on May 18, the Senate voted 47-49 to retain the current plan to conduct the next round of closures in 2005. The Senate had been expected to complete work this week, but final passage is now not expected until after the Memorial Day recess.

The Pentagon and the White House advocate a 2005 base closure round in an effort to free up resources for other military and homeland security funding priorities. Critics of the base closure plan argue that the cleanup and other costs of closure offset the potential savings, and that bases should not be closed during a period of heavy military activity.

During the first four rounds of military base closures, held in 1988, 1991, 1993 and 1995, California shouldered a disproportionate share of personnel cuts. Despite housing just 15 percent of the nation's total

military and civilian DOD personnel before the closure rounds began, 60 percent of the nation's net cuts came from California.

In other provision, H.R. 4200 proposes \$2.9 billion for procurement of 42 new F/A-18E/Fs Superhornet fighters (plus an additional \$24 million for procurement of shared reconnaissance pods for the F/A-18F), \$2.3 billion for Navy JSF development, \$2.3 billion for Air Force JSF development, \$343 million for B-2 bomber system development (\$98.0 million more than the Administration's request), \$104.6 million (\$95.8 million more than the Administration's request) for B-1B modifications to begin the regeneration process for an additional 10 aircraft, and \$100 million in research and development funding for the next generation bomber program. In addition, the House bill provides \$9.023 billion for ballistic missile defense to focus on near-term missile defense capability development and testing. It would provide increased missile defense funds to support initial defensive capability of five ground-based interceptors in Alaska and three more at Vandenberg Air Force Base in California, by the end of 2004.

The Senate Defense Authorization bill recommends \$7 million in funding for the Focus Center Research Program, a joint federal/industry venture to perform basic research to create advanced semiconductor technology to support industry and Defense needs. In March 2004, several California delegation members sent a letter to House Defense Appropriators supporting continued funding for the program. See [Bulletin, Vol. 11, No. 8 \(3/12/04\)](#).

For details regarding the defense bill, visit the House Armed Services Committee website, at <http://armedservices.house.gov>.

SENATE TRANSPORTATION STANDOFF CLEARED, CONFEREES TO BE NAMED

The month-long Senate stalemate over the naming of transportation bill conferees ended on Wednesday, May 19, 2004, after an agreement was struck by Senate leaders to the satisfaction of rank and file members. A question mark remains however over an agreeable funding level for highways and transit programs that would gain the approval of House, Senate and White House officials.

It's been three months since the Senate approved its six year, \$318 billion surface transportation bill by a vote of 76 to 21. The House reported a less expensive \$284 billion measure known as the Transportation Equity Act: Legacy for Users (TEALU) in March, by a vote of 357 to 65. But since then no action has been taken to reconcile the bills in conference.

One hurdle has been Administration opposition to the House and Senate bills. Both have been deemed too expensive by top White House advisors who have threatened to recommend a presidential veto on any bill costing more than \$256 billion over six years. House Speaker Dennis Hastert (IL) convened a series of meetings with Senate GOP leaders and White House representatives pledging to gain consensus on a funding level before naming conferees.

The delay on the naming of conferees however carried over into the Senate after Minority Leader Tom Daschle (SD) refused to support the bill's advance unless Democrats were given a stronger say in Conference negotiations. A breakthrough was achieved when Senate Majority Leader Bill Frist (TN) pledged to Democrats that no conference report would be approved without reflecting the bipartisan consensus of the Senate's \$318 billion bill.

It appears that Conference discussions will now move forward without a settlement being struck on overall funding between the legislative and executive branches.

Chair of the Senate Environment and Public Works Committee James Inhofe (OK) will be the lead Senate conferee, "We are now ready to roll up our sleeves and work together in a bipartisan way" he said. Though the names of conference participants are not confirmed, Sen. Barbara Boxer is expected to participate in conference negotiations since she sits on two of the bill's authorizing committees.

Since October 2003, the 1998 national transportation authorization bill's (TEA-21's) expiration has been temporarily extended by Congress by the passage of a series of stopgap measures. Lawmakers have until the end of June to complete work on a long term renewal, if a decision doesn't take place before then to approve

another extension or to postpone the bill's completion until after the November elections.

HOUSE SUBCOMMITTEE REVIEWS 2002 FARM BILL

On Thursday, May 20, 2004, the Subcommittee on General Farm Commodities and Risk Management of the House Committee on Agriculture held an oversight hearing to review the implementation of the Farm Security and Rural Investment Act of 2002, also known as the 2002 Farm Bill, and to examine its impact on the farm economy.

The Subcommittee members heard testimony from three panels of witnesses consisting of: Dr. Keith Collins, Chief Economist, U.S. Department of Agriculture (USDA); Mr. Kenneth Dierschke, President, Texas Farm Bureau, representing the American Farm Bureau Federation; Mr. David J. Frederickson, President, National Farmers Union; Mr. Mark Gage, President, National Association of Wheat Growers; Mr. Dee Vaughan, President, National Corn Growers Association; Mr. James Vorderstrasse, President, National Grain Sorghum Producers; Mr. Bryan Moery, Member of the Board, USA Rice Federation; Mr. Bart Ruth, Past President, American Soybean Association; and Mr. Woody Anderson, Chairman, National Cotton Council.

Dr. Collins provided a review of the performance of the farm economy and the commodity programs under the 2002 Farm Bill, and also outlined USDA's accomplishments in implementing it. He testified that under the USDA estimate 95 percent of the 2002 Farm Bill has now been implemented, with a few remaining provisions to be implemented over the next several months. Dr. Collins further updated the Subcommittee members on the current status of key 2002 Farm Bill provisions, including the commodity provisions of Title I, conservation provisions of Title II, rural development provisions included in Title IV, the energy provisions of Title IX, and the compilation and public disclosure provisions of Section 10708. Specifically, Dr. Collins said that the 2002 Farm Bill continues the price support program for milk as part of the Dairy Export Incentive Program through the end of 2007, and also authorized a new program that provides direct payments to dairy producers, the Milk Income Loss Contract (MILC) program. California, along with Arizona, Idaho and New Mexico account for about one-third of total milk production and their producers have received approximately 10 percent of the MILC payments. He noted that under the 2002 Farm Bill, the index of prices received by farmers has reached the highest point since 1910 despite a good U.S. harvest in 2003 and occasional disruptions in the livestock and poultry trade. In addition, U.S. farm exports are projected to reach \$59 billion in FY 2004, fueled by the lower U.S. dollar and China's growing net imports of agricultural products (*See, Bulletin, Vol. 11, No. 14 (4/30/04)*).

Both Mr. Dierschke and Mr. Frederickson testified about their respective support of the Farm Bill and the positive progress it has made, though Mr. Frederickson offered several words of caution on the implementation of some of the bill's provisions. Mr. Dierschke argued that the 2002 Farm Bill is working as intended and it helps U.S. farmers and ranchers weather financial storms by providing a safety net to producers when prices are low and appropriates funds for the nation's conservation needs. He warned that the results of the ongoing Doha Round of trade negotiations in the World Trade Organization (WTO) must be taken into account before the 2002 Farm Bill is modified or replaced. He also argued that the Conservation Security Program (CSP) must be available to all producers, and that funds must be appropriated to make it an effective conservation incentive program.

Echoing Mr. Dierschke's testimony, Mr. Frederickson recommended that the Subcommittee consider how best to address the market instability within the dairy production industry. In addition to his generally favorable testimony on the 2002 Farm Bill implementation, Mr. Frederickson warned his audience that the current improvement in producer commodity prices is sometimes taken for granted and that the safety nets now in place continue to represent but a fraction of a producer's total economic cost of production. Similarly, Mr. Moery testified that the 2002 Farm Bill has worked very well for the rice producers, as it provided an important financial safety net during periods of low prices, such as the 2002-2003 crop year. He noted that the Farm Bill supports are reduced automatically through the counter-cyclical nature of the program when prices improve. According to Mr. Moery, "the 2002 Farm Bill has given [rice] producers hope that a strong

agriculture economy may emerge that will allow producers to make long term plans and investments with the certainty that is needed to compete in an increasingly global economy.” In his concluding remarks, he urged the Subcommittee members to avoid future cuts to the support levels embodied in the 2002 Farm Bill.

To obtain copies of all the testimonies, please visit the House Committee on Agriculture website at: <http://agriculture.house.gov/hearings/statements.html> .

ROHRABACHER UNDOCUMENTED IMMIGRANT REPORTING BILL DEFEATED

By a vote of 88-331, the House under suspension of the rules failed to pass H.R. 3722, sponsored by Rep. Dana Rohrabacher (Huntington Beach). The bill would have required hospitals to report illegal immigrants to federal authorities, as well as deny them medical care unless they were suffering from life-threatening or community-threatening conditions.

Congressman Rohrabacher was promised the floor vote on H.R. 3722 by the House leadership in return for him support of the Medicare prescription drug law. He was opposed to a provision in that bill that authorized \$250 million a year for four years to reimburse hospitals for providing care to undocumented immigrants. Under his bill, in order for a hospital to receive reimbursement it would have been required to send the Department of Homeland Security information on its immigrant patients, including names, employers, immigration status, and biometric identifiers such as fingerprints and photographs. Under H.R. 3722, the U.S. government would have been required to begin deportation proceedings against the immigrant if he or she were undocumented.

SCIENCE COMMITTEE CONSIDERS HIGH-PERFORMANCE COMPUTING

On May 13, 2004, the House Science Committee held a hearing to consider the nation’s policies regarding high-performance computing and its implications for U.S. scientific competitiveness, and to review H.R. 4218, the High-Performance Computing Revitalization Act of 2004. Several committee members lamented that the world’s fastest computer is presently located in Japan rather than in the U.S. Witnesses and committee members commented that the U.S. should aim for nothing less than world leadership in high-performance computing and the technologies that depend on it. According to witnesses and panel members alike, the competitiveness of U.S. efforts in areas such as nanotechnology and advanced biological applications would be hampered if computing technologies lagged that of other nations.

The committee heard testimony from Dr. John H. Marburger III, Director of the White House Office of Science and Technology Policy (OSTP); Dr. Irving Wladawsky-Berger, Vice President for Technology and Strategy for IBM; Dr. Rick Stevens, Director of the Mathematics and Computer Science Division at Argonne National Laboratory (ANL); and Dr. Daniel Reed of the University of North Carolina at Chapel Hill.

Among the hearing topics were how high-performance computing affects the international competitiveness of the U.S. scientific enterprise, whether current efforts by NSF and the Department of Energy (DOE) in high-performance computing are sufficient to assure U.S. leadership in this area, and where the U.S. should target research efforts.

The participants noted that high-performance computers or supercomputers have been sustained by federal science agencies by funding research and development at universities, government laboratories and companies to develop hardware and software, and by providing researchers access to equipment via government-supported computers and by direct purchases.

The panel discussed H.R. 4218, the High-Performance Computing Revitalization Act of 2004, which would require the High-Performance Computing R&D Program to “provide for sustained access by the research community in the United States to high-performance computing systems that are among the most advanced in the world in terms of performance in solving scientific and engineering problems, including provision for technical support for users of such systems.”

Commenting that supercomputing can spur great advances in biotechnology, nanotechnology, artificial intelligence, and software development, Rep. Brad Sherman (Sherman Oaks) asked how close the U.S.

scientific enterprise is to developing artificial intelligence that rivals the human brain, particularly using the chaining of processors to build greater capabilities. Witnesses responded that there are many hurdles to be crossed.

On the same day as the House hearing, Sen. Lamar Alexander (chair of the Senate Subcommittee on Energy) advocated a similar focus on high performance computing and expressed similar concern about U.S. competitiveness. He quoted a *New York Times* editorial that argues the U.S. is “losing its dominance in science,” citing Japan’s Earth Simulator project as a primary example.

For information regarding the House hearing, visit the House Science Committee website, at <http://www.house.gov/science/>.

GOVERNOR ANNOUNCES BUDGET SAVINGS GARNERED FROM FEDERAL AGENCIES

Governor Arnold Schwarzenegger announced this week agreements reached with various federal agencies that could result in over \$455 million in savings for the state during the 2004-05 state budget cycle.

Details of the Agreements reached between the State and federal agencies are as follows:

Child Welfare Services - Case Management System - Because of previous computer system and administrative problems, the U.S. Administration for Children and Families had suspended its financial support for system costs. The state has now corrected problems in the maintenance and management of the child welfare system and these improvements have led to the restoration of approximately \$57 million in federal reimbursement to California.

South Central Los Angeles Regional Center - The federal government previously disallowed federal funding for the facility because of poor fiscal and management controls. The California Department of Developmental Services has worked with the center to improve its fiscal accountability to the satisfaction of federal officials and the federal government has allowed payment of nearly \$30 million of the disputed claims.

Food Stamp Penalty Cost Avoidance - For FY2000, FY 2001, and FY2002, the U.S. Department of Agriculture assessed financial penalties against California totaling nearly \$187 million because of error rates in the state's Food Stamp program. California and the USDA have reached an agreement to reduce the fiscal penalties by nearly \$175 million as a result of the State’s improvement of its administration program.

Child Support Services Penalty - California has paid in excess of \$600 million in penalties since 1998 for its failure to implement a single statewide automated child support system. The state reached an agreement with the U.S. Department of Health and Human Services to adjust this penalty payment schedule so that the state pays the full year penalty at the end of the federal fiscal year 2005, eliminating the need to pay a nearly \$220 million penalty in state fiscal year 2004-05. The payment schedule change gives California more time and resources to improve the operation of its automated child support system and apply for federal certification to verify the improved system meets national standards. If certification is requested by September 2005, up to 90 percent of the fiscal penalties can be waived, which would translate into \$220 million in savings if the certification is approved.

For additional information, a news release is posted at <http://www.governor.ca.gov>.

REVISED CALIFORNIA BUDGET ALLOCATES \$381 MILLION FOR CALFED

Governor Arnold Schwarzenegger’s revised budget (the “May Revise”) calls for an additional \$10.1 million in CALFED spending targeted at cleaning up drinking water drawn from the Delta. CALFED is a comprehensive 30 year plan to restore the San Francisco Bay-San Joaquin Delta, ensure a reliable supply of water for California farmers, and provide drinking water for 22 million Californians.

With the additional funding, the 2004-05 budget total will reach \$381 million for joint federal-state projects for CALFED. Since 2000, when the CALFED Record of Decision (ROD) was adopted, over \$2.5 billion has been invested in water supply, water quality, and ecosystem restoration programs and projects, according to the budget document. Of that, \$1.7 billion has been contributed by the State, with only \$494 million from local agencies (19 percent), \$202 million (8 percent) from the federal government, and \$172 million (7 percent)

from water users. The May Revise argues that the state is contributing a disproportionate share of the funding envisioned in the ROD, which it can no longer afford to do. As a result, the budget states: "The Administration will seek additional federal contributions and will support the enactment of a water user fee consistent with the "beneficiary pays" principle of the ROD. This will ensure that important water supply, water quality, environmental, and levee stability programs continue and receive appropriate levels of funding from all partners in the CALFED effort."

House and Senate Committees have recently reported out CALFED legislation that would authorize \$389 million in federal funding over six years. See, *Bulletin*, Vol. 11, Nos. [14 \(4/30/04\)](#) and [15 \(5/6/04\)](#).

CALIFORNIA PERFORMANCE REVIEW WILL PROPOSE CONSOLIDATIONS

In Sacramento on Thursday, May 20, 2004, state officials mapping out the California Performance Review (CPR) discussed the general outline of the sweeping plan that would seek to simplify government services and consolidate various California state departments, boards and commissions. Initially proposed shortly after Governor Arnold Schwarzenegger took office, the proposal will not be officially unveiled for another month.

CPR Executive Director Chon Gutierrez, a state government veteran who also heads the state's Department of Motor Vehicles, commented that a primary focus of the reorganization is the consolidation of the more than 300 state boards and commissions, some of which require substantial salary expenses but relatively limited output. He was quoted as saying, "The goal is not to reduce the number of employees, but rather to deliver services more efficiently." Competition between agencies and with businesses is expected to be another central focus. Some estimates place the potential value of consolidations at \$1 billion per year, but critics question whether the government can adequately serve a population of 35 million with the proposed cuts.

Although the official report will not be available for several weeks, numerous details regarding the California Performance Review are available at <http://cpr.ca.gov>.

CENSUS BUREAU REPORTS COLLEGE EDUCATION RANKINGS IN U.S.

In May 2004 the Census Bureau released a ranking of American Community Survey (ACS) data for 2002 on rates of college education in the United States. Some of the states with the highest percentages of college graduates were: the District of Columbia, 42.5%, Massachusetts and Colorado tied for second with 35.5%, and California ranked 13th with 28.5%. A key finding of the survey was six of the top twelve states with high percentages of graduates were located in the Northeast region. Also, six states with high percentages of college graduates were also among the states with the highest estimated median household income.

For large cities (population 250,000 or greater), Seattle ranked number one with 48.8%, with almost half of their residents 25 and older earning at least a bachelor's degree. Raleigh, North Carolina ranked second with 48%, followed by San Francisco with 47.8%. The national graduation rate was 25.9%.

The ACS also surveyed 231 counties with populations of 250,000 or more, with the top three highest percentages of graduates found in the Washington-Arlington-Alexandria, D.C.-VA-MD-WVA. metro area -- Howard County (Md.) had 58.2%, Montgomery County (Md.) had 56.3%, and Fairfax County (Va.) had 55.9%. San Francisco County ranked 8th with 47.8% of the population being college graduates. Other ranked counties in California were: San Mateo County with 43% (17th), Santa Clara County with 42.9% (18th), Santa Cruz County with 40% (36th), Alameda County with 39.6% (38th), Contra Costa County with 35.9% (54th), Orange County with 33% (69th), Sonoma County with 32.7% (73rd), Placer County 31.1% (91st), San Diego County with 29.9% (103rd), San Luis Obispo County with 29.8% (105th), Santa Barbara County with 29.2% (111th), Ventura County 28.2% (120th), Sacramento County 27.8% (123rd), Los Angeles County 27% (139th), Monterey County 26.5% (142nd), Solano County 25.7% (151st), Fresno County 19% (202nd), Riverside County 17.8% (212th), San Bernardino County 16.9% (217th), San Joaquin County 15.7% (223rd), Kern County 15.2% (226th), Stanislaus 13% (228th), and Tulare County 10.5% (231st).

The ACS data are based on responses from samples of households nationwide, in an effort by the government to obtain timely and relevant housing and population data. For more information about the study or other related data please visit www.census.gov/acs or <http://factfinder.census.gov>.

CALIFORNIA INSTITUTE WELCOMES REP. DEVIN NUNES

On Tuesday, May 18, 2004 the California Institute for Federal Policy Research held a breakfast featuring remarks by Congressman Devin Nunes. Rep. Nunes represents California's 21st Congressional district, which includes all of Tulare County and portions of Fresno County. Tim Ransdell, Executive Director of the California Institute, introduced the Congressman and briefly discussed his background. Mr. Nunes spoke regarding the significance of agriculture to his district and praised the House Resources Committee, of which he is member, for reporting out the CALFED water resources bill. Congressman Nunes fielded questions from attendees on various subjects ranging from immigration, to child nutrition, to the Congressional agenda for the remainder of the year. The Institute has reinstated these bipartisan delegation breakfasts as a way for its supporters to hear the views of members of the California delegation. Upcoming meetings will feature remarks by Reps. Linda Sanchez and Dennis Cardoza.

INSTITUTE BRIEFS LOS ANGELES COMMERCE REPRESENTATIVES

On Tuesday, May 18, 2004, the San Fernando Valley Industry and Commerce Association (VICA) together with the Los Angeles Chamber of Commerce sponsored a briefing regarding California's fiscal relationship with Washington, federal formula grant funding, and various immigration proposals for revising federal laws regarding immigration.

Presenter and California Institute Executive Director Tim Ransdell gave audience members an overview of California's return on federal tax dollars sent to Washington. Mr. Ransdell reported that though California did well in the early 1980s, it is currently running a \$58 billion deficit on its federal returns, translating into a 77 cent return for every dollar going to the federal treasury. The primary reasons for this shortfall in federal expenditures are structural and demographic in nature, however, and thus not easily correctable. California's higher incomes and younger-than-average population, for example, holds down the state's share of federal "direct payments" (comprising Social Security and Medicare, and accounting for nearly half of the federal budget), according to Mr. Ransdell. He noted that the fastest growth among budget categories has been in formula grants to state and local governments, which comprised nearly 20 percent of federal spending in 2002.

Mary Beth Sullivan, the California Institute's Legislative Counsel, discussed immigration related proposals circulating in the House and Senate this year. Ms. Sullivan noted that the Administration has not sent Congress a bill fleshing out the broad outlines of its immigrant guestworker proposal and it was unlikely that any action on the issue would be taken this year. She outlined the provisions in the House and Senate Agricultural Job Opportunity, Benefits and Security Act (AgJOBS/H.R. 3142 and S. 1645), which have attracted bipartisan support, as well as the support of agricultural interests, unions, and immigrant advocates. The Senate bill has garnered 60 co-sponsors, while the House measure has 103 cosponsors, making it possible that Congress could act on these bills before Congress adjourns. Heavily dependent on migrant laborers, California's multibillion dollar agricultural sector strongly supports a new guestworker program, while immigration advocates have ensured that the bill contains provisions providing for a path to legalization and better working conditions for undocumented migrant workers.

California members of Congress will also be devoting energy this year to increasing appropriations for the State Criminal Alien Assistance Program (SCAAP), which partially reimburses states for the costs of incarcerating undocumented criminal immigrants. Ms. Sullivan noted that California receives about 40 percent of SCAAP funds and that the state's share of SCAAP dollars has declined from \$220 million in 2002 to \$95 million in 2003, because appropriations for the program have been cut.

For more information on California's balance of payments with the federal government, visit the California Institute website at: <http://www.calinst.org>.

THE MANUFACTURING SECTOR AND JOB TRAINING IN CALIFORNIA

A recent report by the California Research Bureau (CRB) examines the manufacturing sector in California -- its 20-year history, the challenges it faces, and whether and how the state could help with training opportunities. Entitled "The Manufacturing Sector and Job Training in California," the report notes that the manufacturing sector is the second largest industry in California (after retail), with total employment in excess of two million and wages and salaries in excess of \$86 billion annually. However, authors Elias Lopez and Alicia Bugarin point out that there is concern that California's manufacturing sector is on the decline and that companies are moving elsewhere.

Despite the industry's major economic downturns in the 1990s, CRB notes that the manufacturing sector pays relatively high wages and salaries -- in 2000, its average wage was fifth highest among the 17 industry groups examined. Wages within the sector were fairly broad, with transportation equipment, chemicals, and petroleum and allied products at the high end of wages, and construction, textiles, and apparel products at the low end. It found significant losses in manufacturing jobs in the past two decades in Southern California, and modest gains in most other parts of the state. The CRB report found variations in training across the state, with greater demand for highly-educated workers.

This and other reports are available on the website of the California State Library, which houses the CRB, at <http://www.library.ca.gov/html/statseg2a.cfm>.

STATE POPULATION PROJECTIONS RELEASED

Though California's population will grow slower than previously expected over the next several decades, it is expected to increase by 20 million people by year 2050, up to 54.8 million from the current mark of 34 million, according to new projections released by the state. The California Department of Finance population forecast was based on data gathered during the 2000 Census, as well as birth and death records, county building plans, and migration patterns into and out of the state.

The report estimates that the state's ethnic makeup will evolve as well, with Latinos constituting a majority by 2038 and comprising 53.6 percent of the total population by 2050. By the same token, whites are projected to account for 23.3 percent, Asians 12.1 percent, blacks 6.4 percent, and American Indians and multiracial people 2.21 percent each in 2050. The report also contains population estimates of 50-year trends for individual California counties. Los Angeles will remain the biggest county in the state with 11 million residents by 2050, which roughly translates into one in five Californians. On the other hand, Riverside County is expected to add the most residents by 2050 with 2.8 million new residents and become the third largest county in the state behind Los Angeles and San Diego. While Riverside County is projected to expand the fastest numerically, San Joaquin County is projected to achieve the highest percentage gain with a 201 percent increase expected by 2050.

The report found that seven counties - Inyo, Marin, Modoc, Plumas, San Francisco, Siskyou, and Trinity - are projected to actually see a decrease of their populations due mostly to natural decreases. In addition, the new projections indicate that Sierra County will have the highest percentage of Caucasians of any county, and Imperial County will have the highest percentage of Hispanics. San Francisco City and County will have the highest concentration of Asians, San Mateo County will have the highest percentage of Pacific Islanders, Sacramento County will have the largest proportion of African Americans, and Alpine County will have the highest percentage of Native Americans. Californians identifying themselves as being multi-racial are expected to have the highest concentration in Inyo County.

To obtain the full copy of this forecast, please visit the California Department of Finance website at: <http://www.dof.ca.gov/HTML/DEMOGRAP/whatsnew.htm>.