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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.*

## CALFED WATER BILL PASSES HOUSE; GOES TO PRESIDENT FOR SIGNATURE

The House of Representatives under suspension of the rules on Wednesday, October 6, 2004, passed H.R. 2828, the CALFED bill, as amended by the Senate. The bill now goes to the President for signature. H.R. 2828 authorizes the state-federal water restoration project that will restore the Sacramento-San Joaquin Bay Delta ecosystem, as well as provide improvements in statewide water supply, flood control and water quality. The original authorization of the program expired in 2000, and in recent years that lapse has prevented federal funds from being appropriated to the project. The bill incorporates changes negotiated over the last several weeks among California congressional delegation members on the House and Senate sides. See, [Bulletin, Vol. 11, No. 28 \(9/17/04\)](#).

The bill is widely supported by the bipartisan California congressional delegation and during floor consideration, several Californians rose in support of the bill, including Reps. Richard Pombo (Tracy), Ken Calvert (Corona), sponsor of the bill and Chair of the Resources Subcommittee on Water and Power, Grace Napolitano (Norwalk), a co-sponsor of the bill and Ranking Member of the Water and Power Subcommittee, David Dreier (San Dimas), and George Miller (Martinez).

The final version authorizes \$389 million in federal funding for CALFED through 2010, and bring four new surface storage reservoir studies to completion. It also funds work at the Salton Sea, fish survival improvements at Folsom Reservoir, and a feasibility study at Alder Creek in El Dorado County.

## HOUSE/SENATE NEGOTIATORS AGREE ON CORPORATE TAX CONFERENCE REPORT

After reaching a House-Senate agreement on a final version of the corporate tax bill, the House took up H.R. 4520 (American Jobs Creation Act) on the evening of Thursday, October 7, 2004. The bill, authored by Ways & Means Committee Chairman Bill

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Thomas (Bakersfield) was approved on a vote of 280 to 141. Although the Senate is poised to take up the Conference Report before adjourning for the elections, the bill may face a Senate filibuster because it contains a \$10 billion buyout for tobacco growers but does not include authorization for the Food and Drug Administration to regulate tobacco. However, observers believe the bill's supporters have the 60 votes necessary to ensure Senate passage.

The underlying purpose of the bill is in response to European Union sanctions imposed on U.S. exports as a result of the World Trade Organization's finding that a U.S. tax provision (FSC-ETI) constitutes an unfair export subsidy for U.S. companies. The bill repeals FSC-ETI and replaces it with \$137 billion in new tax cuts for numerous sectors of the economy. Primarily, H.R. 4520 provides a 9 percent tax deduction (equivalent to a 3 percent rate cut) on all domestic manufacturing activity. The deduction is available to C corporations, S corporations, partnerships, sole proprietorships, cooperatives, and estates and trusts. It also includes an alternative minimum tax (AMT) hold harmless.

Among the bill's provisions of particular interest to California is one that would provide a \$336 million tax break for U.S. movies and television shows produced in the United States rather than a foreign country (an incentive intended to mitigate against so-called "runaway production"). The bill also grants a tax holiday to pharmaceutical, high-tech and other companies allowing them to repatriate foreign profits at a lowered tax rate of 5.25 percent. Farmers and fishermen will also be able to use income averaging without being adversely affected by Alternative Minimum Tax consequences. Beginning in 2006, the maximum threshold for corporations to be allowed exemption from the AMT will be raised from \$7.5 million to \$20 million. In addition, the bill would also replace reduced tax rates on gasoline with an excise tax credit, and it would repeal of other alcohol-based fuel incentives.

Following House passage of the bill, Chairman Thomas commented, "The mounting sanctions on American products presents an opportunity to bring our tax code into compliance while providing relief to a broad range of American job creators."

Further details regarding the tax bill may be obtained through the House Ways and Means Committee website at: <http://waysandmeans.house.gov>.

## **SPECIALTY CROP BILL PASSES HOUSE**

The Specialty Crops Competitiveness Act of 2003, H.R. 3242, passed the House by voice vote on October 7, 2004. The bill, sponsored by Rep. Doug Ose (Sacramento), provides subsidies to aid the growers and producers of specialty crops, defined as all agricultural products except wheat, feed grain, oilseeds, cotton, rice, peanuts, sugar and tobacco. The bill authorizes \$44.5 million in annual funding to "create consumer demand for specialty crops, enhance food safety efforts, and support production-related research." The bill's primary motivation was to increase U.S. specialty crops competitiveness in an increasingly difficult international specialty crop market.

The bill is likely to benefit California, which is far and away the largest specialty crop producing state in the nation. The U.S. specialty crop industry adds \$60 billion to the nation's economy.

For additional information regarding the details of the specialty crop bill and California's specialty crop industry, See, [Bulletin, Vol 11, No. 30 \(9/30/04\)](#).

## **HOUSE JUDICIARY EXAMINES P2P PIRACY ON CAMPUSES**

The House Judiciary Subcommittee on Courts, the Internet, and Intellectual Property held a hearing on Tuesday, October 5 entitled "*Oversight Hearing on Peer-to-Peer Piracy (P2P) on University Campuses: An Update.*" The subcommittee heard from a number of witnesses, including: Cary Sherman, President, Recording Industry Association of America (RIAA), Co-Chair, Joint Committee of the

Education and Entertainment Communities; and Dr. Jim Davis, Associate Vice Chancellor, Information Technology, Professor of Chemical Engineering, University of California, Los Angeles;

Mr. Sherman pointed out the actions that the industry is taking to educate students on piracy issues and encourage legitimate use of the Internet. He testified that the Campus Action Network (CAN), a program led by Sony BMG and supported by other record companies, has worked to encourage and facilitate the launch of legitimate music services on campuses across the country. Also, the motion picture industry has instituted a program to work with schools to address P2P piracy on campus. At the same time, however, Mr. Sherman testified that the industry takes student piracy seriously, and since March of this year, 190 students at 61 universities have been included in a series of lawsuits directed at infringers of copyrighted material on P2P networks.

Dr. Davis explained the "UCLA Quarantine" approach that the University uses to deal with copyright infringers. The "approach turns a copyright infringement notification into a campus judicial matter. Upon receiving a claim of infringement, the offending computer is identified and put into quarantine: that is, file sharing is effectively blocked internally and externally. Access to on-campus student services such as library resources and registration is still maintained while in quarantine, recognizing that an individual needs to continue to function in his or her educational capacity even as the claim is adjudicated." For a first offense, the quarantine can be lifted by an automatic process upon acknowledgment and agreement with policy and the removal of the material. The University makes clear that a repeat offense will result in being summoned by the Dean of Students, where sanctions can range from warnings to suspension. Since instituting the quarantine, Dr. Davis testified, there has been a decline in notifications of infringement and no repeat offenses after the quarantine was imposed. Dr. Davis also testified that the University continues to look for other methods to complement the quarantine, especially ones that are less defensive in nature, and noted several groups that UCLA is working with to solve the problem of P2P violations on campus.

The witnesses' testimony can be obtained at: <http://www.house.gov/judiciary> .

## **DEFENSE BILL CONFEREES OPT AGAINST DELAYING 2005 BASE CLOSINGS ROUND**

Conferees for the 2005 Defense Authorization bill have decided not to delay a round of military base closures currently scheduled for next year. The bill authorizes a total of \$447.2 billion for the Department of Defense (DOD) for fiscal year 2005. After receiving Rules Committee authorization for same-day consideration of the conference report, the House is expected to consider the bill on Friday.

Some uncertainty remains regarding whether the Senate will be able to consider the legislation before Congress recesses this Friday for the election. Additionally, the floor votes on the conference report may not necessarily proceed smoothly. During Senate consideration of the bill earlier this year, an amendment that would have eliminated the domestic base closures in favor of overseas base reorganization failed by two votes. On Wednesday, three Senators (two Republicans and one Democrat), including Sen. Dianne Feinstein, authored and published a letter to the ranking Democrat of the Senate Armed Services Committee urging the delay. In addition, the House DOD authorization, which passed with 259 supporting votes, originally included the closure delay.

The base closure issue resonates particularly with California. During the first four rounds of base closures, the state shouldered 60% of the nation's net cuts in DOD personnel, despite having housed just 15% of the nation's personnel before the closures began in 1988. Specific base closure decisions in the upcoming round will not be announced until next Spring; initially they will be proposed by the Pentagon, then reviewed by a Base Realignment and Closure Commission, and finally presented for an up-or-down vote in Congress. California still houses a significant number of bases and personnel that could be affected by the upcoming round. (Statistics on California's existing base assets are available on the California Institute website, at <http://www.calinst.org> .)

## **HOUSE CONSIDERS BILL TO REVAMP INTELLIGENCE, ALTER HOMELAND FORMULA**

On Thursday, October 7, 2004, the House of Representatives took up H.R. 10, a bill to overhaul the nation's intelligence system. Debate, which carried into Friday, will include consideration of 23 amendments, although some Members complained that the rule for the bill's consideration would not allow for consideration some purportedly viable substitutes.

Differences between the House bill and the Senate's version, S.2845, are likely to set up a complicated conference. Unlike the House version, the Senate bill would give the new National Intelligence Director significant budgetary discretion, and it would designate a centralized counterterrorism center. At midnight Thursday night, the House rejected (203-213) an amendment by Rep. Bob Menendez to adopt unchanged the Senate's version of the bill (as well as another Senate-passed measure).

The House bill incorporates legislation by House Homeland Security Select Committee Chairman Christopher Cox (Newport Beach), the "Faster and Smarter Funding for First Responders Act." The bill would alter the frequently-criticized formula for allocating federal homeland security funding to state and local first responder agencies and reduce the per-state funding guarantee from the unusually large 0.75 percent minimum in current law. (That existing formula has greatly advantaged small states over large states -- California received \$5 per capita in 2004, compared to \$38 per capita for Wyoming.) H.R. 10 instead includes a state minimum of 0.25 percent (a common level for programs that include such a guarantee), though it specifies a higher minimum of 0.45 percent for states with a "significant" international border or that are "adjoining a body of water within North America through which an international boundary line extends." Although it still retain a state-level funding minimum, regardless of threat or risk, the altered formula provisions of the House bill would go a long way to ameliorate the share inequities in the existing law.

For more regarding homeland security grants on California's share thereof, see "Federal Formula Grants and California: Homeland Security," part of a publication series by the Public Policy Institute of California (PPIC) and the California Institute at: <http://www.ppic.org/main/publication.asp?i=481> .

## **SENATE PASSES INTELLIGENCE OVERHAUL BILL RETAINING FIRST RESPONDER FORMULA'S SMALL-STATE MINIMUM**

On Wednesday, October 6, 2004, the Senate -- after adopting a variety of amendments - passed S.2845 on a vote of 96 to 2. The bill would overhaul the nation's intelligence structure, creating a position of National Intelligence Director and is estimated to incorporate 39 of the 41 recommendations of the bipartisan 9/11 Commission.

The Senate bill, sponsored by Sen. Susan Collins (ME), includes a complicated restructuring of homeland security grant programs. The discretionary Urban Area Security Initiative (UASI) program would receive 25 percent of total homeland grants -- a portion roughly comparable to the FY2004 level but below the share in both the House and Senate FY2005 Homeland Security appropriations bills. For remaining funds, now funded as the State Homeland Security Grant Program (SHSGP), the Senate bill would retain the 0.75 percent small-state minimum that has resulted in widely-publicized funding discrepancies between low funding for larger states that have significant terrorism threat and risk issues, and large funding shares for small states that do not have comparable issues. The bill does add an alternative per capita population-based minimum calculation that would not focus solely on small states, but its operation would not likely alter the existing formula allocation structure significantly.

The Senate bill would require some amount, above the 0.75 percent per-state floor, be distributed to every state. Language would require funding be provided to every state that has a "substantial

percentage” of its population living in metropolitan areas (which can house as few as 50,000 persons); an international border or coastline; or has at least one “key asset,” which is not defined but could be a hospital, refinery, military base, state capitol building, etc.

In addition, while at first glance there is language of the Senate bill also appears to create a new “Large High-Threat States” fund to compensate states hurt by the formula’s minimum, and provide for a pro rata reduction of funds to equalize funding somewhat. However, upon closer inspection, it appears that the operation of the fund would be unlikely to significantly increase funds to large states.

Last year, California received 20 percent of UASI funds and 8 percent of SHSGP money. A preliminary assessment indicates that this funding split - 20 percent for urban funds and 8 percent of the remainder - would likely persist under the formula provisions of S.2845.

For more information on homeland security grant programs in 2003 and 2004, and on California’s share thereof, see “Federal Formula Grants and California: Homeland Security” -- one of a series of joint publications by the Public Policy Institute of California (PPIC) and the California Institute reviewing state’s share of formula funds, available at: <http://www.ppic.org/main/publication.asp?i=481> .

## **CONFEREES AGREE ON HOMELAND SPENDING**

On Thursday afternoon, October 7, 2004, a conference committee began to work out differences between House and Senate versions of the Homeland Security Appropriations bill for Fiscal Year 2005. The conference ran into challenges regarding unrelated provisions, however, regarding drought aid and hurricane relief payments. Negotiations were put on hold Thursday evening, but not before conferees reached agreement on the bill’s \$32 billion in major homeland security funding provisions. The conference was expected to resume on Friday, October 8.

The conferees reportedly agreed to spend \$5.1 billion for the Transportation Security Administration (TSA), \$1.1 billion for research and development, and \$9.8 billion for customs and border protection. It includes \$4 billion for first responder programs, but as this Bulletin was being finalized, specific formula grant and high-threat urban grant funding amounts were unavailable. (Going into conference, both the House and Senate appropriations bills proposed increasing funds for urban area grants and reducing formula grants, a change that would likely raise California’s share of homeland security spending. The Senate bill proposed \$1.55 billion for state grants, now distributed via a widely criticized Patriot Act formula that favors small states, and \$1.2 billion for urban area grants. The House bill included \$1.7 billion for state formula grants and \$1.1 billion for urban area grants. Last year, California received 8 percent of formula grants, but 20 percent of urban area grants.)

## **TERRORISM REINSURANCE EXTENSION PROPONENTS SEEKING VEHICLE**

Supporters of extending federal terrorism reinsurance laws had hoped that one of the 23 of amendments would renew the Terrorism Risk Insurance Act (TRIA), but it did not. Subsequent to the September 11, 2001 terrorist attacks, the federal government enacted the Terrorism Risk Insurance Act (TRIA) to help stabilize the commercial property and casualty insurance markets. The law requires insurers to make terrorism coverage available to commercial policyholders but provides for federal government reimbursement to insurers for a portion of insured losses above a particular threshold. The Act is set to expire on December 31, 2005.

The House Financial Services Committee on Wednesday, September 29, approved a bill, (H.R. 4634) to extend TRIA for two additional years. Insurers argue that the extension is needed because they are currently negotiating policies that extend beyond the current sunset date. H.R. 4634 was given bipartisan approval by voice vote after an agreement was reached between Committee Chair Michael Oxley (OH) and Ranking Member Barney Frank (MA) to include group life insurance coverage in the final bill.

However, further House action is uncertain because limited session time remains, and Senate prospects are complicated by Senate Banking Committee Chairman Richard Shelby's desire to hold hearings next year and examine the results of a Treasury Department report on TRIA's effectiveness that is expected in June 2005.

A recent RAND report suggesting issues that might be considered in considering extending, modifying, or ending TRIA is available at: <http://www.rand.org/cnsrd/1004/publications/OP/OP135/>.

## **ADMINISTRATION DROPS PLAN TO REQUIRE HOSPITALS TO IDENTIFY IMMIGRATION STATUS OF PATIENTS**

The Centers for Medicare and Medicaid Services (CMS) announced last week that it was dropping a proposal to require hospitals to determine the immigration status of patients in order to receive federal reimbursement for the cost of providing emergency services. As part of last year's Medicare drug bill, \$250 million per year for four years was appropriated to partially reimburse hospitals that handle a significant number of uninsured, regardless of their immigration status. Two-thirds of the money will be distributed among all the states, with the remaining share going to states with the largest numbers of undocumented immigrants. California is expected to receive a significant amount of that one-third share.

Initially, CMS had indicated that hospitals would have to ask patients about their immigration status in order to receive funds. However, last week CMS Administrator Mark McClellan sent a letter to hospital and advocacy groups saying that CMS would determine hospitals' eligibility for the one-third share of the funds by other means. Opponents of the requirement argued that undocumented immigrants would not seek emergency medical care if they had to prove their immigration status, and might thus pose a public health risk.

## **HOUSE VOTES TO DIVIDE 9<sup>TH</sup> CIRCUIT**

On Tuesday, October 5, the House voted 205-194 to divide the 9<sup>th</sup> U.S. Circuit Court of Appeals, based in San Francisco, into three distinct appellate circuits. Under the bill's guidelines, California would remain in the 9<sup>th</sup> Circuit along with Hawaii, Guam and the Northern Mariana Islands. A new 12<sup>th</sup> Circuit would encompass Montana, Idaho, Nevada and Arizona; and a new 13<sup>th</sup> Circuit would include Alaska, Oregon and Washington. Currently, the 9<sup>th</sup> Circuit is the largest geographical appellate area and encompasses all of the aforementioned states and territories.

The bill, S. 878, which also would create dozens of federal judgeships, passed the House after nearly failing to garner enough votes. Republican leadership was able to convince a number of Republican Representatives, including several members of the California Delegation, to switch their votes in favor of the bill's passage during the last 15 minutes of the extended voting period. However, the vote may ultimately become merely a symbolic protest against the liberal 9<sup>th</sup> Circuit; Senate opposition to the bill will likely derail any possibility of enacting the legislation. Senator Dianne Feinstein (CA) promised to block the bill in the Senate and blamed the House for sabotaging non-partisan components of the bill.

## **REP. OSE HOLDS SUBCOMMITTEE HEARING ON WEST NILE VIRUS**

In a hearing before the House Subcommittee on Energy Policy, Natural Resources and Regulatory Affairs, chaired by Representative Doug Ose (Sacramento) on October 6, 2004, experts addressed the "Current Challenges in Combating the West Nile Virus." West Nile Virus is a seasonal disease, primarily transmitted to humans by mosquitos, that has killed over 600 people in the last five years and 16 people in California in 2004 alone. A particular issue during the hearing was confusing Environmental Protection Agency (EPA) regulations that significantly hinder mosquito abatement officials in their ability to contain and control the spread of the disease. A Ninth Circuit ruling specifying that pesticide

“applicators require permits to apply aquatic pesticides to waters of the United States” and unclear subsequent EPA response to that decision created an atmosphere of uncertainty for Mosquito Vector Control officials. Rep. Ose and witnesses described the extra time and expenses wasted in combating the spread of the disease. “I strongly urge the EPA to promulgate a regulation to replace its non-binding guidance to provide unchallengeable clarity to this issue,” said Ose.

David Brown, Chair of the Integrated Pest Management, Mosquito and Vector Control Association of California spoke of “hurdles agencies face...including vague requirements and inadequate funding.” Dr. Anthony S. Fauci of the National Institute of Allergy and Infectious Diseases at the National Institute of Health, described progress on a West Nile Virus vaccine that might be on the market “within the next two to three years.” Dr. Stephen Ostroff, Deputy Director of the National Center for Infectious Diseases at the Centers for Disease Control “outlined specific priorities in addressing the threat of WNV (West Nile Virus), including: strengthened public health laboratory capacity, increased surveillance and outbreak investigation capacity, education and training for clinical and public health professionals...and communication of health information and prevention strategies to the public.”

California has suffered through a particular bad West Nile Virus season this spring, summer, and fall. In 2004, California has reported 583 human West Nile Virus infections and 16 West Nile Virus deaths to the CDC, constituting 31% of the nation’s total infections and 27% of all deaths.

For more information on the Subcommittee’s hearing, visit <http://reform.house.gov/EPNRRRA/> . For more information on West Nile Virus, visit the CDC’s West Nile Virus webpage at <http://www.cdc.gov/ncidod/dvbid/westnile/index.htm> .

## **SENATE JUDICIARY DISCUSSES CONSTITUTIONAL AMENDMENT TO OPEN PRESIDENCY TO NATURALIZED CITIZENS**

Will Governor Arnold Schwarzenegger ever be eligible to become the President? That was the question before the Senate Judiciary Committee and two witness panels on Tuesday, October 5, 2004, in a hearing entitled “Maximizing Voter Choice: Opening Up the Presidency to Naturalized Americans.” Current American law, established in the Constitution, limits eligibility for the presidency to “natural born citizens,” a relatively vague phrasing that has prohibited naturalized citizens from becoming President. In moves largely viewed as responses to the popularity of Gov. Schwarzenegger, who was born in Austria, the Senate and House have both introduced constitutional amendments, S.J. Res. 15 and H.J. Res. 104, respectively, that would open the presidency to naturalized citizens who meet minimum citizenship and residency requirements.

The first panel of the hearing was comprised of Sen. Don Nickles (OK) and a bipartisan group of five Representatives, including California Rep. Dana Rohrabacher (Huntington Beach), who sponsored the House amendment, and Rep. Darrell Issa (Vista). All six of the witnesses expressed their support for opening up the presidency, citing a variety of constitutional and practical reasons. All of the panelists agreed that the restrictions on the presidency not only unfairly deny adopted children and American citizens born overseas from becoming President, but restrict the public’s ability to choose their Commander-in-Chief. The panelists’ fears of undo foreign influence on a naturalized President were assuaged by the rigorous scrutiny dedicated to American presidential campaigns.

A second panel consisting of constitutional and presidential academic experts, including Professor Akhil Amar of Yale Law School, Dr. Matthew Spaulding, Director of the Center of American Studies at the Heritage Foundation, and Professor John Yinger of Syracuse University, espoused their support for opening up the presidency. While the three academics varied in the specifics of their proposals, particularly on the minimum number of years between naturalization and eligibility for the presidency, all three agreed that opening the presidency to naturalized citizens would be in the spirit of American and

constitutional history. In the face of Judiciary Committee member Diane Feinstein's (CA) reluctance to support such a constitutional amendment, Yinger and Amar expressed doubts that a candidate subject to foreign influences could possibly withstand electoral scrutiny. Dr. Spaulding partially agreed with the caution, but felt that a high minimum citizenship requirement, perhaps 35 years, would eliminate any potential security problems.

For more information on the hearing, visit <http://judiciary.senate.gov/>.

### **CALIFORNIA INSTITUTE SUPPORTER BREAKFAST FEATURES REP. ED ROYCE**

On October 5, 2004, the California Institute for Federal Policy Research held a breakfast featuring remarks from Representative Ed Royce, who represents Fullerton and other portions in northern Orange County. Rep. Royce serves on two committees, the Committee on Financial Services and the Committee on International Relations. He chairs the International Relations Subcommittee on Africa, and he serves on the Subcommittee on East Asia and the Pacific. On the Financial Services Committee, Rep. Royce serves on the Subcommittee on Financial Institutions and Consumer Credit, and on the Subcommittee on Capital Markets, Insurance and Government Sponsored Enterprises. Following an introduction by California Institute Executive Director Tim Ransdell, Rep. Royce began his comments by noting California's recent energy crisis and the State's enormous energy consumption and discussing US dependence on foreign energy sources. He urged examination of oil and natural gas development in Africa. He also focused on the influence of radical Islam on moderate African states, and the threat that influence poses. Additionally, Rep. Royce spoke regarding the humanitarian crisis in the Darfur region of the Sudan. The Institute has reinstated these bipartisan delegation breakfasts as a way for its supporters to hear the views of members of the California delegation.

### **PPIC/INSTITUTE BRIEFING: REAUTHORIZATION PLANS WON'T RAISE CALIFORNIA TRANSIT FORMULA GRANT SHARE**

On October 1, 2004, the California Institute and the Public Policy Institute of California (PPIC) conducted a luncheon briefing on federal highways and transit formula grants for Capitol Hill staff members and industry stakeholders. Presenters Tim Ransdell, Executive Director of the California Institute, and Shervin Bolorian, the Institute's formula grant project associate, discussed the mechanics of federal formula grants, reviewed the expected impact of current transportation reauthorization proposals on California, and outlined the findings of the latest report in the ongoing *Federal Formula Grants and California* series.

After describing California's balance of payments with the federal treasury, and noting that the state's federal returns are far below the amount sent to the federal treasury through California taxes, Mr. Ransdell focused most of his discussion on federal grants. He noted that most federal grant dollars are spent on formula grant programs -- of which California receives about 11.8 percent of total U.S. spending -- and he detailed the functions of highway formula programs and California's returns under those programs. According to Mr. Ransdell, California received 9.1 percent of highway funding under TEA-21 (the Transportation Equity Act for the 21st Century, which still governs highway spending), and the state wins its highest share of returns from the Congestion Mitigation and Air Quality Improvement (CMAQ) program. Mr. Ransdell drew attention to language in the Senate's transportation reauthorization bill, S. 1072, that would alter the CMAQ formula and reduce California's share of CMAQ receipts by an estimated \$160 million over six years. He stated that the Senate's higher authorization levels and boosts in the minimum guaranteed return to states could counteract those prospective losses, however.

Mr. Bolorian commented on the structure and operation of transit programs. He noted that California's 15 percent share of total transit grants somewhat balances the state's comparatively low highway returns. Transit programs, making up 20 percent of the overall surface transportation account, are split between two categories: Formula Grants, which accounts for about half of transit spending, and the Capital Investment Program (CIP), which represents nearly all of the remainder. Mr. Bolorian noted that 48 percent of the total transit budget is apportioned to states under the Urbanized Area Formula (UAF) program. California's higher transit receipts can be partially explained by the state's heavy urbanization and the DOT's use of urbanized area data to apportion UAF funds (transit usage statistics also account for the state's share). Consequently, the UAF formula awarded California 17.1 percent of UAF grants in 2003, or \$584 million. California received a much lower share of Nonurbanized Area Formula (NAF) grants and Elderly and Persons with Disabilities (EPD) grants, 4.3 percent and 11.7 percent respectively, according to the presenters.

Mr. Bolorian analyzed the impact of formula related changes in the transit titles of House and Senate transportation reauthorization proposals, noting that neither bill is likely to increase California's share of transit spending. He highlighted provisions in both bills that would shrink UAF grants and increase NAF grants. A proposed \$2.2 billion high population growth and high population density formula grant created in the Senate bill would provide little aid to California, according to Mr. Bolorian, who estimated that California would be eligible to receive an extra \$230 million if those funds were instead apportioned using the existing UAF formula.

On the other hand, the House bill's plan to convert the Jobs Access and Reverse Commute (JARC) program from discretionary to formulaic would provide gains for California. If the House TEA-LU formula language using each state's share of persons in poverty and welfare enrollees as formula factors is retained, California's share of JARC grants would grow by 10 percent, according to Bolorian.

The new report, entitled *Federal Formula Grants and California: Federal Transit Assistance Programs* is the eighth in the formula grant series, which is a joint venture between PPIC and the California Institute. Previous reports have explained the workings of highways, welfare, special education, Head Start, and homeland security formula programs. For a copy of the report visit the PPIC website at: <http://www.ppic.org/main/publication.asp?i=550>.

## **NUMEROUS CALIFORNIA-RELATED BILLS APPROVED IN PAST TWO WEEKS**

As the pre-election Congressional session winds toward a close, Congress passed a flood of bills over the past two weeks. Below is a concise list of many minor bills that passed either the House or the Senate that will affect California, along with brief descriptions. We apologize for omissions or errors.

### **Senate passed:**

S. 2495 - To extend coastal wetland conservation projects from 2009 to 2019.

H.R. 2608 - To authorize the National Earthquake Hazards Reduction Program, and for other purposes

### **House passed:**

H.R. 4469 - To authorize \$15 million for the restoration of the Angel Island Immigration Station in San Francisco.

H.R. 2929 - The Securely Protect Yourself Against Cyber Trespass Act (SPY Act) to prevent the unknowing downloading of spyware.

H.R. 3954 - To Authorize the Interior Department to compensate private landowners who purchased land in San Diego County based on erroneous land-boundary lines.

H.R. 4617 - To authorize two land exchanges between private land owners and the Forest Service and the Agriculture Department that would otherwise not be allowed under the Small Tracts Act. Would authorize the Agriculture Department to acquire two small parcels of land in Tahoe National Forest.

H.R. 3586 - To authorize the Interior Department, acting through the Bureau of Reclamation, to conduct a study with the El Dorado Irrigation District of Southern California into the feasibility of the Alder Creek Water Storage and Conservation Project. Would authorize \$3 million to conduct the study.

H.R. 4606 - To create the Southern California Groundwater Remediation Fund. Would provide grants to local California water authorities for costs associated with the design and construction of projects to restore groundwater quality.

H.R. 3954 - To authorize the Interior Department to compensate private landowners who purchased land in San Diego County based on erroneous land-boundary lines. Would allow for some compensation of public lands, cash payment or combination of land and cash.

H.R. 4389 - To authorize the Secretary of the Interior to construct facilities to provide water for irrigation, municipal, domestic, military, and other uses from the Santa Margarita River, California, and for other purposes.

H.R. 4817 - To facilitate the resolution of a minor boundary encroachment on lands of the Union Pacific Railroad Company in Tipton, California, which were originally conveyed by the United States as part of the right of way granted for the construction of the transcontinental railroad.

H.R. 4569 - To provide for the development of a national plan for the control and management of Sudden Oak Death, a tree disease caused by the fungus like pathogen *Phytophthora ramorum*, and for other purposes.

H. Con. Res. 464 - To honor the 10 communities selected to receive the 2004 All-American City Award. Stockton, California was won of the recipients.

H.R. 4794 - To amend the Tijuana River Valley Estuary and Beach Sewage Cleanup Act of 2000 to extend the authorization of appropriations and for other purposes.

## **REVISED CALIFORNIA POPULATION PROJECTIONS SHOW SHARP DECLINE**

Revised population estimates released by the California Department of Finance forecast a dip in the future number of California residents, chiefly as a result of a declining birthrate among California Latina women. Comparing birth statistics from 2003 and 1990, state demographic researchers state that California's overall birthrate now stands at 2.13 children per woman of childbearing age, a drop from a rate of 2.46 recorded in 1990. Across California ethnic groups, the most significant slip in birthrates over the last 13 years is found among Latina childbearing mothers who saw their average fertility rates fall from 3.41 percent to 2.6 percent. With Latinas accounting for over half of birthrate reductions, experts are attributing the shifts to greater awareness, accessibility of contraception and family planning advice, and a growth in the number of women entering the workforce.

The state's population currently houses 36 million persons. When factoring the drop in the state's birthrate, revised estimates adjust California's projected population in 2040 from 58 million to 51 million, with annual growth rates (including births and deaths and immigration inputs) now reading 400,000 persons per year rather than the prior estimate of 600,000, according to demographers.

State statistics for 2003 also show a continued growing trend of childbirth among mother's between the ages of 30 to 34. The highest frequency of births still belongs to women of age 25 to 29 though the gap between the two age groups has now narrowed to just over 5,000 births per year.

To view spreadsheets demonstrating current and projected fertility rates for the state, visit <http://www.dof.ca.gov/HTML/DEMOGRAP/NetBirth.HTM>.

## **HOUSE VA-HUD REVIEW AVAILABLE**

A California analysis of the House appropriations for the Departments of Veteran Affairs, Housing and Urban Development, and Independent Agencies is now available on the California Institute's website

at <http://www.calinst.org/publications.htm> . The analysis provides a brief description of funding levels in the appropriations bill and includes a comprehensive list of earmarks designated for California.