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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 donations from Sun Microsystems and IBM Corp.*

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## BUDGET EXTENDED TO NOVEMBER 17

The House by voice vote on Tuesday, and the Senate by unanimous consent on Wednesday, approved a fifth budget extension bill (H.J. Res 78). The measure extends the life of the 1999 fiscal year, which technically ended on October 1, through midnight next Wednesday, November 17. Work is not complete on five of the thirteen FY 2000 appropriations bills, and hopes faded Tuesday that an agreement could be reached before the Veterans' Day holiday. While an agreement has apparently been reached regarding teacher-hiring funds in the massive Labor-HHS-Education spending bill, as well as an array of other points, some difficulties remain in this and other bills, as well as spending offsets.

The final five measures may be handled individually, though a single, omnibus bill is under consideration. In addition to Labor-HHS-Education, outstanding unfinished appropriations bills include Foreign Operations (H.R. 2606), Commerce-Justice-State (H.R. 2670), Interior (H.R. 2466), and the District of Columbia (H.R. 3194). The D.C. bill is considered the most likely candidate to act as an omnibus measure, if that route is selected.

The House and Senate will reconvene for votes on Tuesday, in the hope that a budget accord will have been struck over the weekend.

## TEACHER HIRING COMPROMISE ACHIEVED

On Wednesday, Congressional and Administration negotiators reportedly reached agreement on a plan to provide additional funding for a program to hire teachers, an issue which had stalled talks on the FY 2000 federal budget. The compromise will provide $1.325 billion in so-called "class size reduction" funds, slightly less than the $1.4 billion that the Administration had sought. The compromise will increase from 15% to 25% the amount of such funds which may be used by for professional development, teacher teacher and certification rather than for teacher hiring. In addition, schools with more than 10% of their teachers uncertified would be allowed a waiver to use funds for training rather than hiring.

The program provides funds for reducing class sizes in grades 1-3 by moving toward a goal of hiring 100,000 new teachers, though the number actually hired with these funds may be considerably lower in the first years of the program, which had been intended to be a seven-year effort.

The allocation formula for the funds is based on the higher of the share of two existing federal education programs – the Title I program for disadvantaged students or the Eisenhower Professional Development Grant program. (The Eisenhower program, in turn, is 50% based on Title I grants.) California has received receives roughly 11% of the nation's funds from each program, though our Title I share has been slowly increasing. For a breakdown of last year's teacher hiring receipts by California county, refer to the California Institute website at http://www.calinst.org/pubs/clasredn.htm .

One press report quoted sources as indicating that the compromise on education programs will provide for the phase out of the Goals 2000 program at the end of FY 2000.

## E-SIGNATURES BILL PASSES HOUSE

The House voted 356-66 to pass H.R. 1714, the Electronic Signatures in Global and National Commerce Act, on Tuesday, November 9, after amending the bill to include protections for consumers. The bill establishes the validity of electronic signatures for contracts, and allows businesses to send out notices and records electronically. It preempts state contract laws, except those governing health and safety protections. *See, Bulletin, Vol. 6, Nos. 32 (10/07/99), 33 (10/14/99), & 36 (11/4/99).*

The consumer protection amendment was offered by Reps. Jay Inslee (WA), Anna Eshoo (Atherton), and Zoe Lofgren (San Jose). It requires that consumers be allowed to "separately and affirmatively" consent to accept electronic records and requires that the consent be "conspicuous and visually separate" from the other terms of the contract. It also ensures that federal and state consumer protection laws are not preempted by the bill. The amendment passed overwhelming by a vote of 418-2. An amendment that would have limited the validity of electronic signatures to commercial transactions affecting interstate commerce was defeated 126-278.

The bill has broad-based bipartisan support among California's delegation.

## HOUSE BANKING REPORTS DISASTER INSURANCE BILL

The House Banking Committee reported H.R. 21, to establish a federal natural disaster reinsurance program, after a two-day markup on Tuesday and Wednesday, November 9-10. The bill would establish the Disaster Reinsurance Fund, operated by the Treasury Department, to provide disaster reinsurance for state programs and private insurance companies.

During the markup, the Committee considered a plethora of amendments to the bill. It rejected an amendment offered by the sponsor of H.R. 21, Rep. Rick Lazio (NY), that would have reinstated a hard cap of $25 billion on the federal government's annual exposure from all disasters. The committee print which served as the markup vehicle limits the government's liability based on a formula negotiated by the Committee and the Treasury Department, which factors in the estimated damages from once in 100 years and once in 500 years catastrophic disasters. The Lazio amendment was defeated 18-27.

Among other amendments considered, the Committee approved by voice vote an amendment offered by Rep. Ed Royce (Fullerton). The amendment requires Treasury to track the resale of the insurance contracts, so that it will be able to measure and sell them at their true market value, ensuring that resales do not provide a windfall for other parties. Another Royce amendment was rejected, by a vote of 19-22, which would have allowed the government to auction off coverage programs on a regional basis, but would have stripped the provisions allowing the sale of policies to state programs.

By a vote of 25-22, the Committee approved an anti-redlining amendment. Redlining is the practice of discriminating against low income homeowners by refusing to sell them insurance policies; it is prohibited under the federal Fair Housing Act. The amendment prevents Treasury from selling reinsurance to any entity that has been adjudicated in violation of the Fair Housing Act, or has entered into a consent decree or settlement concerning redlining. Before accepting the amendment, the committee agreed to a unanimous consent request made by Rep. Tom Campbell (Campbell) to clarify that only consent decrees and settlements entered into after the effective date of the Act would be considered in applying the anti-redlining language. The committee also indicated that it would draft report language to try and limit the operation of the amendment to cases where the decree or settlement reflects more of a decision not to pursue expensive litigation rather than an admission of guilt.

By a vote of 23-31, the Committee defeated a substitute amendment offered by Reps. Bernie Sanders (VT), Ed Royce, Rick Hill (MT), and Janice Schakowsky (IL). The amendment would have required a study on the availability and affordability of reinsurance for disasters before Congress passed legislation establishing a reinsurance program.

After defeating the substitute, the Committee favorably reported the bill by a vote of 34-18.

## TAX CREDIT TO STOP RUNAWAY FILM PRODUCTION GAINING ATTENTION IN HOUSE

A provision to allow tax credits to small film producers was initially included in the minimum wage tax bill considered by the House Ways and Means Committee on Tuesday, November 9. Although it was dropped before the Committee reported the bill, 23-14, the provision is gaining support on the Hill and is expected to remain a viable issue. Several California members, including Reps. Xavier Becerra (Los Angeles), Howard Berman (Valley Village), Gary Condit (Ceres), and Bob Matsui (Sacramento), are fighting for its passage this year.

The provision is aimed at stopping the practice of “runaway production” by film companies. More and more, U.S. companies are producing movies and television shows in other countries, especially Canada, to take advantage of large subsidies. Canada and several of its provinces offer tax credits of up to 30 percent to production companies. Proponents of the runaway production measure estimate that the U.S. has already lost 20,000 jobs to these productions, with the number of lost projects growing from 100 in 1990 to 285 in 1998. The measure would apply to production projects of $10 million or less, and allow a tax credit of 20 percent on the first $20,000 in wages paid annually to individuals working on motion pictures, miniseries, and pilots. The measure also contains safeguards to prevent the credit from benefitting adult film productions.

Although the provision was dropped from the Ways and Means Committee bill, and the fate of any minimum wage bill remains up in the air as this session draws to a close, proponents of the runaway production tax credit will continue to push for its enactment as soon as possible.

## BILL INTRODUCED TO ALLOW STATES TO WAIVE MTBE REQUIREMENTS

Sens. Dianne Feinstein and James M. Inhofe (OK) introduced legislation to give states flexibility in meeting Environmental Protection Agency clean air standards while still maintaining safe drinking water. S. 266 would allow California to apply its own air quality standards, which are more strict than federal standards, but do not mandate the use of oxygenate. California’s own formula for reformulated gasoline, the “predictive model,” allows for the production of clean-burning gas with oxygenates, or with less than 2% oxygenates, or with no oxygenates. S. 266 would allow California to use the predictive model, ensuring both clean air and safe drinking water.

The Clean Air Act requires the sale of reformulated gasoline in cities with the worst ozone standard violations. It further mandates a formula for the reformulated gasoline, requiring that it contain 2% oxygen by weight. One oxygenate, MTBE, has been used in 85% of reformulated, cleaner burning gasolines but has contaminated over 10,000 groundwater sites in California. Because of a lack of other oxygenates to replace the use of MTBE, and the inability to make reformulated gas without oxygenates, California can not rid its use of oxygenates all together without gasoline supply disruptions. Despite several calls for action by Governor Davis and Senator Feinstein and the California Congressional delegation, EPA has not granted California a waiver of the 2% rule.

On the House side, 50 members of the California delegation have signed onto Rep. Brian Bilbray's MTBE bill, H.R. 11.

## HOUSE PASSES CENTRAL VALLEY PROJECT WATER TRANSFERS; GOVERNOR DAVIS SUPPORTS MEASURE

On Monday, November 8, by voice vote, the House passed H.R. 3077, to facilitate water transfers in the Central Valley Project (CVP). The bill amends the San Luis Act of 1960, so that users of the San Luis Unit of the CVP may purchase water from the State Water Project (SWP).

The Central Valley Project has traditionally relied on exported water supplies from the Sacramento-San Joaquin River Delta. In the past few years, however, federal water supplies to the CVP have been reduced, adding to water management's demand for water transfers. This demand, coupled with the increased awareness of maintaining reliable water supplies, has encouraged integration of federal and state laws to facilitate water transfers.

Governor Davis sent a letter to Rep. Cal Dooley (Visalia) in support of H.R. 3077, arguing that the bill "is appropriate to remove barriers that might otherwise restrict transfers between the two projects." Davis also voiced his support of a recent amendment to the bill, which would prevent irrigation drainage problems or degradation of water quality in the transfer of water between the SWP and CVP.

## LETTER CIRCULATING TO SUPPORT GREATER DISCLOSURE IN WINE LABELING

Reps. Mike Thompson (St. Helena) and George Radanovich (Mariposa) are circulating a letter addressed to Secretary of the Treasury, Lawrence H. Summers, to support greater information in wine labeling. Specifically, the letter relates to wine producers who may add water, sugar, fruit juices, alcohol, and natural or artificial flavors to wine, while still using varietal names such as Merlot and Cabernet Sauvignon on their labels. The letter contends that "wine specialty products" labels which include the phrase "with natural flavors" are misleading to the consumer, who may mistake these hybrid wines for varietal wines. Unlike varietal wines, which require 75% of the grape wine to be a particular variety of that grape, "wine specialty products" do not require a set percentage of a particular grape.

The letter contends that the labels on these products "mislead customers and create unfair competition for the rest of the wine business." In 1998, both the Bureau of Alcohol, Tobacco and Firearms (ATF) and the California Association of Winegrape Growers (CAWG) conducted a survey which indicated that consumers do not understand the meaning of the phrase "with natural flavors."

Last year, a similar letter was signed by 28 Members and sent to the Bureau of Alcohol, Tobacco and Firearms and the ATF Director.

For more information or to sign the letter, contact Tom Lafaille with Rep. Thompson at 6-7370 or Tricia Geringer with Rep. Radanovich at 5-4540.

## HOUSE PASSES BILL TO PRESERVE STANISLAUS DAMS AND WEIRS

On Monday, November 8, by voice vote, the House passed H.R. 359, to require the maintenance and operation of eighteen concrete dams and weirs, located in the Emigrant Wilderness Area in the Stanislaus National Forest. The construction of the dams was finished in 1954, twenty years before wilderness designation was considered for the area. Wilderness designated areas prohibit the use of motorized activity, even in an emergency search or rescue mission. In the past, the Forest Service has taken measures to leave the eighteen dams out of the Emigrant Wilderness Area. However, the Forest

Service's new management plan would maintain only eight of the dams for their historical value and would allow the rest to deteriorate through non-repair.

Specifically, H.R. 359, would provide that the Secretary of Agriculture enter into a cooperative agreement with a non-federal entity to retain, maintain and operate the dams and weirs. It would also authorize $20,000 for administrative costs incurred by the Secretary to comply with the National Environmental Policy Act.

## PPIC Reveals Changes in California's Hospital Ownership

In *Who Owns California's Hospitals?*, the Public Policy Institute of California (PPIC) provides the first part of a systematic study of hospital ownership in California, including the effects of ownership changes on costs, service, access to care, and patient outcomes. In this part of the study, authors Joanne Spetz, Jean Ann Seago, and Shannon Mitchell look at changes in short term hospitals from 1986-1996, describe California's major hospital corporations, examine regional trends of hospital ownership, and reveal the differences between nonprofit and for-profit hospitals

The report states that, despite legislators' concerns over for-profit hospitals taking over California's hospitals and health care organizations, over the past 15 years, only 13 ownership changes of a total of 296 such changes involved conversions from nonprofit to for-profit ownership. The majority of change in hospital ownership can be attributed to mergers and consolidations of hospitals into multi-hospital organizations. In fact, PPIC reports that "at least half of all hospitals in California are now affiliated with multi-site hospital corporations, and six organizations operate over one-third of the state's hospitals: Catholic Healthcare West, Tenet/OrNda, Kaiser Foundation Hospitals, Sutter Health, Columbia/HCA, and Adventist Health."

Regional trends in hospital ownership reveal that 90 percent of the entire state's mergers happened in urban areas, with Sacramento leading the state with the most concentrated hospital market. San Diego, Los Angeles, and San Francisco hospital markets are also highly concentrated. PPIC reports that smaller urban areas vary in their hospital ownership patterns, and have shown few hospital transactions since 1986 when compared to the larger cities.

The report further outlines the differences between for-profit and nonprofit hospitals, and speculates how a change in ownership may affect care. While nonprofit hospitals charge lower prices, employ more staff, pay lower administrative costs, for-profits price their services more aggressively, enjoy higher net incomes, and spend less on uncompensated care. Furthermore, nonprofits are required to provide benefits to local communities. However, the report concedes that until mortality rates among hospitals converting their ownership status are compared with rates in hospitals with stable ownership, it is difficult to speculate whether the change from nonprofit to for-profit or vice versa will have any impact on quality of care. The consolidation of hospitals into corporations may also affect access and quality of care. However, PPIC reports that those effects would be highly dependent on which services were consolidated and the characteristics of the community as a whole.

PPIC hopes to clarify the above speculations through further research in their ongoing study. For more information, or a full text of the report, contact PPIC at 415-291-4400 or at their website: http://www.ppic.org .