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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.

CLINTON DELIVERS FINAL STATE OF THE UNION

On Thursday evening, President Bill Clinton delivered his eighth and last state of the union message, covering a range of topics.

On education, the President asked Congress for continued support for a teacher hiring initiative, a \$1 billion increase for Head Start, and school infrastructure funds to repair 5,000 schools and build or modernize 6,000 schools, and a tax deduction for up to \$10,000 in college tuition costs. He proposed expansion of health insurance for low-income persons, boosting the earned income tax credit for families with more than two children, broadening child care funding, increasing the child care tax credit, and expanding empowerment zones.

Clinton singled out technology companies, thanking them for supporting efforts to close the “digital divide” between those with access to computers and technology and those without. He praised the biomedical industry for its breakthrough research, and noted that the technology sector represents 8% of employment, yet one third of the economy. He asked support for a \$3 billion increase in federal research, a proposal outlined last weekend during a speech at Caltech.

Calling a global economy the “central reality of our time,” Clinton urged a new consensus on open trade and that Congress pass permanent normal trading relations with China as soon as possible this year. He noted that U.S. markets are already open to China, and permanent NTR would open those markets to U.S. companies.

He urged a focus on urban livability, including boosting advanced transportation systems and open space preservation.

On regional matters, the President singled out economic development needs in the Great Lakes and improving communities in the Mississippi Delta, but he made no reference to California.

DELEGATION URGES EPA TO WAIVE MTBE OXYGENATE MANDATE

Forty-one members of the bipartisan California congressional delegation wrote EPA Administrator Carol Browner urging a “swift and favorable” response to California’s request for a waiver from the Clean Air Act’s two percent oxygenate mandate. The letter, originated by Sen. Dianne Feinstein and Rep. Ellen Tauscher (Pleasanton) on January 14, 2000, stresses that the benefits of relief from the oxygen mandate have been thoroughly documented over the last four years by both the State and

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Congress. The state has clearly shown that substantially greater reductions in pollutants can be achieved if the mandate is lifted, according to the letter.

MTBE, an oxygenate that meets the Clean Air Act mandate, has been proven to be contaminating the groundwater in California. Several bills, including H.R. 11 by Rep. Brian Bilbray (Imperial Beach) have been introduced to deal with the problem by allowing the state to eliminate MTBE use, because other methods are as effective in reducing pollution. For background, see, *Bulletin*, Vol.6, [Nos. 26 \(8/5/99\)](#), [25 \(7/29/99\)](#), [15 \(5/6/99\)](#), [12 \(4/15/99\)](#), [11 \(4/1/99\)](#), [10 \(3/25/99\)](#), & [4 \(2/4/99\)](#).

As previously reported, Governor Gray Davis wrote a letter to Administrator Browner on December 15, 1999 urging a waiver, and Senator Barbara Boxer wrote a separate letter in December.

ENCRYPTION REGULATIONS EASE EXPORTS

The Commerce Department issued its regulations easing exports on encryption products on January 12, 2000. The new regulations eliminate artificial limits placed on the strength of encryption products that may be exported, and instead will allow exports of all readily available retail products. The products can be exported to any foreign user, including foreign governments, with the exception of the so-called rogue nations, which support terrorism.

The new regulations mark a significant victory for encryption product manufacturers and the information technology industry, which has been fighting for several years to bring U.S. policy in line with the realities of increased encryption abilities on a wide-scale commercial basis. Rep. Zoe Lofgren (San Jose) has been among the leaders in this fight in Congress over the years with the introduction of the Security and Freedom Through Encryption Act (SAFE). See, *Bulletin*, Vol. 6, No. 40 (12/9/99). Rep. Lofgren was quoted as saying that "much of what we hoped to achieve through SAFE has been achieved through these regulations."

Although some concerns remain that the new regulations are complex and cumbersome, most industry parties agree that they are substantially better than the regime previously in place.

CALIFORNIA MEMBERS SEEK FUNDS TO FIGHT PIERCE'S DISEASE

On January 13, Rep. Mike Thompson (Napa Valley) and 32 members of the California Congressional delegation sent a letter to the Office of Management and Budget (OMB) Director Jack Lew aimed at designating \$2 million of next year's budget towards the fight against Pierce's Disease. The letter, circulated by co-chairman of the Congressional Wine Caucus Rep. Mike Thompson, hopes to control Pierce's Disease, which has destroyed vineyards in southern California and is spreading to vines in the state's Central Valley, the coastal regions and Northern California. The disease threatens 110,000 jobs and \$11 billion of the state economy that California grape growers and wineries create.

Senator Barbara Boxer has sent a similar letter to OMB requesting \$2 million for the fight against Pierce's Disease. Also, in October 1999, Rep. Ken Calvert (Riverside) circulated a letter urging the Department of Agriculture to designate FY 2000 funds from the APHIS contingency fund towards the research and mitigation of Pierce's Disease. See *Bulletin*, Vol. 6., No. 34 (10/21/99).

On February 1st, President Clinton will announce details of his budget for fiscal year 2001, which begins on October 1, 2000. California historically receives a small share of federal agriculture research funds (less than 5% in 1998) despite the fact that it is the nation's largest agricultural state, growing nearly twice the product value of the number two state, Texas.

CALIFORNIA COASTAL ROCKS AND ISLANDS TO BE NATIONAL MONUMENT

On Tuesday, January 11, President Clinton declared his support for legislation reintroduced by Rep. Elton Gallegly (Oxnard) and Rep. Sam Farr (Carmel) that designates California Coastal Rocks and

Islands as a national monument. H.R. 2277 would designate California coastal rocks and islands as part of the National Wilderness Preservation System instead of its designation as a component of the Bureau of Land Management. Clinton's support for the area as a national monument allows the coastal region the same wilderness protection. There was no opposition to the President's move.

The coastal region is a resting and feeding place for many types of sea lions, seals and thirteen species of seabirds in California, some of which are endangered.

CALIFORNIANS BRIEFED ON BAY AREA SCIENCE INFRASTRUCTURE CONSORTIUM

On behalf of the Bay Area Economic Forum (BAEF) on January 19, Dr. Ron Stoltz of the Sandia National Laboratory in Livermore briefed California Congressional staff regarding the structure, goals and importance of the Bay Area Science Infrastructure Consortium (BASIC). The Consortium provides a coordinated effort through the BAEF to link the area's R&D infrastructure to the regional, state and federal economy and scientific leadership. The idea for BASIC stemmed from the Bay Area Forum's regional competitiveness report "The Bay Area: Winning in the New Global Economy," which established that the success of the Bay Area's innovative economy is intertwined with its advanced research and development infrastructure (*See article below*).

The BASIC Executive Board governs the consortium and is composed of leaders in major research universities, national research laboratories and developmental companies. The Executive Board includes but is not limited to UC Berkeley Chancellor, Dr. Robert M. Berdahl, Stanford University Vice Provost and Dean of Research and Graduate Policy Dr. Charles Kruger, Sandia National Laboratories Vice President Dr. Miriam John, and BASIC and Bay Area Economic Forum Chairman Dr. Chang-Lin Tien. Through its Board and breakdown into task forces, BASIC serves as a resource for meeting regional challenges, technology collaboration, and providing outreach.

Stoltz revealed that BASIC's importance stems from the critical need to coordinate the Bay Area's R&D infrastructure and the economic competitiveness of the region. He points out that BASIC will lead those efforts and act as an informational resource for state and federal lawmakers on the need for adequate R&D funding. BASIC will also aim at spreading awareness of possible national and world wide competitors in the research and development environment. Lastly, BASIC hopes to improve the technological collaboration among research universities, national research laboratories, and R&D companies.

For more information on BASIC, or the BASIC briefing, contact Ronald E. Stoltz, Governmental Relations, Sandia National Laboratories: (925) 294-2162.

\$50 MILLION AWARDED TO CALIFORNIA FOR 1995-1999 FLOOD DAMAGE

On December 14, Senator Barbara Boxer announced that the U.S. Department of Transportation (DOT) will award \$49.92 million in Emergency Relief funds for California to reimburse the California Department of Transportation (Caltrans) for road repair after the five floods between 1995 and 1999. California's grant represents more than half of the \$90 million awarded nationwide in 1999. DOT is authorized to award up to \$100 million a year from the Emergency Relief Fund to reimburse costs associated with rebuilding and repairing roads. On November 10, Boxer had sent a letter to DOT Secretary Rodney Slater in support of the Caltrans request for emergency relief. In a statement, Boxer noted that, "Even with this award, California will still have a backlog of \$280 million in emergency relief projects."

In addition, the Federal Highway Administration on December 21 announced that California would receive \$11.6 million in discretionary funding (half of all nationwide funds) for seismic retrofitting of bridges.

PPIC REPORTS INCREASE IN MULTIRACIAL AND MULTIETHNIC INFANT BIRTHS

In its latest segment of "California Counts: Population Trends and Profiles," called "Check One or More...Mixed Race and Ethnicity in California," the Public Policy Institute of California compares the multiracial and multiethnic climate of California during the 1977 Census count to the climate today.

In the study, author Sonya M. Tafoya focuses on multiracial and multiethnic births in California, the effects of which can be seen in the methods used for the census count. In 1977, the OMB established a two-question format for census data collecting that excluded any detailed indication of multiracial Americans. On the OMB forms, multiracial Americans had to choose whatever racial category fit most with their community. After criticism of this method, in 1993 the OMB reviewed the categories and later found that 25% of California's population was foreign born (1997). By 1997, OMB changed its guidelines by enabling those with multiracial backgrounds to check one or more of the racial categories (to be in effect no later than January 1, 2003).

Tafoya explains that the OMB's decision to change its method of collecting data reflects the growing number of multiracial and multiethnic infants. Vital Statistics Birth Records define a multiracial/ethnic child as one who has one parent from one racial/ethnic group and the other parent from another. Multiethnic/racial births represent nearly 15 percent of all births in the state, accounting for the third largest category of births in California -- finishing only behind Hispanics and whites. In 1997, births to couples in which one partner was white non-Hispanic and the other was Hispanic accounted for 53% of multiracial/ethnic births. Further, the most dramatic increase in multiracial/ethnic births between 1982-1997 (14%-21%) occurred in native-born mothers. Additionally, studies reveal that native-born immigrants are less likely to marry a member of a different racial/ethnic group. Multiracial/ethnic infant statistics also vary according to group size, residential segregating, and sex ratios of future immigrant populations.

While Tafoya realizes that it is too early to predict the public policy implications of these statistics, she states that California and the nation must acknowledge the growth of this multiracial population in order to ensure protection from discrimination of these people.

For more information, contact the PPIC at (415) 291-4400 or at <http://www.ppic.org>.

CHI REPORTS GROWTH IN CALIFORNIA BIOMEDICAL INDUSTRY

In its recent study "Millennium Report on California's Biomedical R&D Industry," the California Healthcare Institute highlights factors that have helped the biomedical industry thrive in the past half-century, explains how these factors have contributed to California's economy, and suggests ways to sustain and expand those contributions in the future. Roughly one-third of the nation's biomedical industry is located in California.

According to CHI, investment in California's biomedical industry has spurred unprecedented economic growth and has allowed the industry to act as a major influence on California's health and quality of life. For example, the National Institutes of Health (NIH) invested nearly \$1 billion in California's life sciences in 1998 alone. Over the past fifty years, NIH funding along with investment from the National Science Foundation and various individual entrepreneurs have developed California into what the report calls the "world headquarters for biomedical research and development."

In its report, CHI states that investment and the industry's entrepreneurial spirit have made it a major player in California's economy. Through employment, trade, academic infrastructure development, product development, and research, the biomedical industry has helped to keep California's economy strong, therefore improving the quality of life for many Californians.

In 1998, the biomedical industry employed more than 212,000 Californians. More than 170,000 are directly employed by organizations developing therapeutics and diagnostics, manufacturing medical

devices, preparing laboratory instruments and equipment, supplying laboratory services, and distributing medical products. This number is expected to reach 220,000 in 2010. Furthermore, 41,000 Californians are involved in biomedical and clinical research at our state's federal facilities, private research institutes, and major universities. The state's biomedical industry paid \$13.7 billion in wages and salaries in 1998.

In addition, exports of healthcare technology products account for \$4.2 billion of California exports. In the past six years, trade in medicines from biotechnology and pharmaceutical companies has increased by nearly 90%, and total industry exports have doubled since 1989. The majority of California's exports of healthcare products include laboratory instruments (44%), medicines from biotechnology and pharmaceutical companies (31%), and surgical and medical instruments (25%). Abundant trade equates to job growth, higher industry demand for supplies, increased buying power for employees, and a better balance of payments on the national level, CHI comments.

Nearly one-fifth of all Californians employed directly in healthcare technology jobs work in the academic sector, with the University of California alone providing nearly 22,000 bioscience and health-related jobs. The report further notes that investment in academic research also contributes to the state's economy. The nine-campus University of California, Stanford University, the University of Southern California, Caltech, and private research institutions all add to the wealth of knowledge behind biomedical development. Further, international organizations have chosen to build R&D facilities in California, creating jobs, heightening California's reputation for R&D, and investing in communities.

Lastly, the report reveals that while the typical timeline of a breakthrough medicine hitting the market takes 12-15 years and \$500 million, technology companies typically have three products in development simultaneously. Biomedical research facilities and companies target cardiovascular disease, cancer, pulmonary disease, AIDS/HIV, and degenerative diseases in their experimentation and development of new medicine. While medical innovation maybe lengthy, risky and costly, the report concludes that technology products contribute to both the nation's economy and the quality of life.

For more information, contact Molly Ingraham at the California Health Institute: (858) 551-6677 or at their web site <http://www.chi.org> .

SEMICONDUCTOR SALES CONTINUE TO SOAR

Worldwide semiconductor sales reached an all-time high of \$14.2 billion for November 1999, according to the Semiconductor Industry Association (SIA). The new figure broke October's record of \$13.4 billion. Year to date sales through November 1999 are up 17.1 percent over the first 11 months of 1998. In the Japan and Asia markets, the industry grew 38.6 percent and 39.3 percent, respectively, from last year. The SIA forecast calls for continuing growth this year. See <http://www.semichips.org> .

BAEF AND BAC PROFILE ECONOMIC PERFORMANCE IN BAY AREA

In "The Bay Area: Winning in the New Global Economy, A Profile of Comparative Economic Performance," the Bay Area Economic Forum and the Bay Area Council explore the region's place in today's global economy, highlighting major factors accounting for the Bay Area's high productivity.

The report first explains the Bay Area's high business performance through a mixture of a GRP growth rate (7.2% in the past three years), coupled with the steady increase of Fortune 500 companies from 18 in 1988 to 26 in 1998. Other indicators of business performance show the Bay Area remains one of the fastest growing private business sectors when compared with Los Angeles, New York, Houston, Seattle, Phoenix, Boston and Charlotte. Furthermore, the annual growth in shareholder return for large companies in the area is 40%. The report also found that Bay Area companies are innovation driven, with 90% of invested venture capital going towards knowledge-based sectors like communications, software, electronics, and biotechnology.

High business performance can also be attributed to the Bay Area's high productivity rate. In 1998, the Bay Area ranked first in output per employee in the environmental technology, bioscience, telecommunications, multimedia, and computers and electronics industry clusters. San Francisco leads in the environmental technology cluster, accounting for 70% of output and reporting an annual productivity rate of over 9%. One of the most productive industry clusters in the nation, bioscience in the Bay Area is comprised of 1,100 firms, and many competitive academic institutions of research, and is a substantial source of regional economic growth. Due to Internet telephony, the telecommunications industry cluster is driven by Alameda and Santa Clara counties, which experience double digit annual productivity rates and account for more than 80% of the total Bay Area output. The multimedia industry cluster is centered in Santa Clara County which represents 67% of output and experiences a 14% productivity rate. Santa Clara County, also center to the Bay Area computer and electronics industry, employs more than 94,000 workers and had a productivity growth rate of 16% between 1993 and 1998. The report indicates that relative to other regions noted above, the Bay Area shows the highest overall relative productivity growth rate of 3.7% - better than Phoenix (3.1%), New York (1.7%), and Los Angeles (0.4%).

The report speculates that the Bay Area's high productivity and business performance rates are a major player in today's global economy, increasing its ability to compete. Recent political and economic changes have opened up markets around the world, allowing for greater opportunities for trade and exports. Furthermore, an integration in capital markets and decreasing interaction costs due to the Internet have helped the Bay Area's strengths.

BAEF and BAC further report that as a result of its heavy involvement in the new global economy, the Bay Area has reaped some benefits. The area's average per capita income is a remarkably high \$38,300. Bay Area residents are surrounded by some of the top academic institutions in the country, with five ranking on the 1999 *U.S. News and World Report's* top 10 list of leading academic programs.

The Bay Area, however, faces challenges to maintain its position as a powerful player in today's economy. The area must continue to attract its skilled and productive workers. Maintaining an adequate workforce includes maintaining an adequate infrastructure and a high quality of life. Key current concerns of Bay Area residents include rising housing prices and an inadequate transportation infrastructure. Further, the Bay Area K-12 system performance on Standardized Testing And Reporting (STAR) testing has dropped in recent years.

For more information, contact the BAC at (415) 981-6600, <http://www.bayareacouncil.org> or the BAEF at (415) 981-7177, <http://www.bayeconfor.org>.

CALIFORNIA MEMBERS LEAD BURBANK FORUM ON RUNAWAY PRODUCTION

On January 19, California Representatives Howard Berman (Valley Village), Gary Condit (Ceres), Buck McKeon (Santa Clarita) and James Rogan (Glendale) participated in a forum on the movement of entertainment production projects to other countries (particularly Canada), a phenomenon which has come to be called runaway production. The forum was sponsored by Film U.S., an industry group organized to combat the problem, and provided an opportunity for bipartisan collaboration and sharing of ideas. Participants reportedly expressed concern about subsidies by foreign governments, including tax rebates.

A 1999 report by the Monitor Company estimated that runaway production has cost U.S. entertainment industry workers more than 60,000 full-time equivalent positions in the preceding three years. The Screen Actors Guild and the Directors Guild of America last June issued a report estimating that the direct costs of runaway film and television production was \$2.8 billion in 1998, caused by the flight of 27% (285 out of 1,075) of U.S. productions that year. The report found that Canada has captured 81% of all 1998 economic runaways, and more than 90% of runaway movies in particular.