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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.

CONTENTS:

SENATE ENERGY CONSIDERS LAKE TAHOE RESTORATION BILL

The Senate Energy and Natural Resources Committee on Thursday, February 10, held a hearing on S. 1925, the Lake Tahoe Restoration Act. Sen. Dianne Feinstein, a sponsor of the legislation testified; Sen. Barbara Boxer, also a sponsor, and Rep. John Doolittle (Rocklin), author of the House bill, H.R. 3388, submitted statements for the record. These California members, joined by their Nevada counterparts, developed the bipartisan legislation, in conjunction with bipartisan private sector parties from the Lake Tahoe area.

Sen. Feinstein testified that the water clarity of the Lake has dropped precipitously over the last three decades – from 100 feet of clarity down to 70 feet. She commented that scientists have concluded that if action is not taken over the next decade to restore water clarity, it will be lost forever.

S. 1925 calls for a public/private partnership to restore the Lake. $300 million is authorized in federal funding, to be matched by $300 million in funding from the states of California and Nevada, and another $300 million to be raised by local governments and businesses. Of that authorization, $200 million would be used by the Forest Service to develop and undertake environmental restoration projects, based on the best available science. The Forest Service would be required to give special consideration to five key activities: acquisition of environmentally sensitive land from willing sellers, erosion and sediment control, fire risk reduction, cleaning up MTBE contamination, and traffic and parking management, including promotion of public transportation.

Senator Boxer's statement points out that although the Tahoe Regional Planning Agency has identified $900 million in critical environmental enhancement projects, the federal government has so far provided about $16 million in funding, and this year's budget only requests about $3.65 million more.

DISASTER BILL REPORTED BY SENATE ENERGY; FEMA SLOWS RULEMAKING

The Senate Energy and Public Works Committee reported S. 1691 by voice vote on Wednesday, February 9. The bill would require that public facilities and other entities must be insured before they are eligible to receive disaster assistance from the Federal Emergency Management Agency (FEMA). In effect, it would legislate the Public Assistance Insurance Proposal that FEMA is currently considering instituting by regulation. *See, Bulletin, Vol. 6, Nos. 19 (6/10/99) & 25 (7/29/99)*.

The bill also establishes a disaster mitigation program, "Project Impact," designed to provide financial assistance to communities to help them prepare for disasters. The hope of Chairman James Inhofe (OK), sponsor of the bill, is that FEMA would save money in the long run if communities were better prepared to survive natural disasters. Sen. Chris Bond (MO), however, is reserving judgment on the bill until the Congressional Budget Office estimates its cost. The bill is not expected to go to the Senate floor until CBO's report is received.

The House passed similar legislation, H.R. 707, last year, which the Senate Committee also approved by voice vote on Wednesday. The Committee is expected to substitute the language of S. 1691 for the House bill when they go to the floor.

In the meantime, FEMA has recently announced that it will not yet publish a proposed rule on the public assistance insurance issue. Instead it will publish in the next few days an advanced notice of proposed rulemaking, with a comment period. Only after this comment period ends would FEMA then publish a proposed rule, which would have to go through OMB again, as well as an additional comment period.

House And Senate Examine Failed WTO In Seattle

The House Ways and Means Subcommittee on Trade held a hearing on Tuesday, February 8, to consider the results of the World Trade Organization (WTO) Ministerial meeting held in Seattle in December, and the Senate Finance Committee followed with a hearing on Thursday. Both hearings focused on the failure of the meeting to launch a new round of WTO negotiations and the prospects for future WTO negotiations.

The House Trade Subcommittee heard from several witnesses including Rep. Maxine Waters (Los Angeles), U.S. Trade Representative Charlene Barshefsky, and Rhett Dawson, President of the Information Technology Industry Council (ITI). The Subcommittee also heard testimony on a recent GAO report entitled *World Trade Organization, Seattle Ministerial: Outcomes and Lessons Learned*.

Rep. Waters expressed concern that the WTO's policy benefits wealth and powerful special interests. As an example, she cited the European banana regime case which the U.S. took to the WTO, even though the U.S. does not export bananas. She alleged that the U.S. action was taken on behalf of a major U.S. company to the detriment of Caribbean family farmers. Ms. Waters called for a reevaluation of the existing WTO rules to rectify these alleged abuses.

Ambassador Barshefsky downplayed the failure of the ministerial, stating that it was the result of an "unfortunate, but familiar, impasse" on major policy issues, and it should come as "no surprise that we at times have encountered deadlocks" on politically difficult choices. She stressed that consultations are underway with the WTO on ways to move ahead, and that preliminary dates have now been set for initial meetings on services and agriculture. Ambassador Barshefsky testified that these two areas, agriculture and services, must head the agenda for negotiations. She also recognized that the WTO must "act with greater generosity of spirit toward the least developed countries," and cited a proposal introduced last year by the U.S., Bangladesh, Lesotho, Nigeria, Senegal and Zambia to improve the technical assistance and capacity-building programs available from the WTO to the less-developed nations.

Ambassador Barshefsky's complete testimony is available at the USTR's website: http://www.ustr.gov/testimony/barshefsky_33.pdf .

The Subcommittee also heard from Rhett Dawson of the ITI. Mr. Dawson testified that although the information technology industry was disappointed in the outcome of the ministerial meeting, the progress made on e-commerce left the industry heartened. He believes that an agreement on e-commerce would have been reached in Seattle had a complete trade package come together, and he is optimistic that trade negotiations on e-commerce will resume in the very near term.

Complete testimony from the House hearing can be obtained at the committee's website: http://www.house.gov/ways_means/trade/106cong/tr-18wit.htm.

On Thursday, the Senate Finance Committee discussed the U.S. trade agenda after the Seattle Ministerial. Members of the committee and witnesses touched on a variety of issues, including unilateral sanctions, environmental and labor issues, an increase in market access, the role of developing nations in the World Trade Organization (WTO), and the accession of China to the WTO. Witnesses included: U.S. Trade Representative Charlene Barshefsky; Thomas J. Donohue, President and CEO of U.S. Chamber of Commerce; Allen F. Johnson, President, National Oilseed Processors Association; Mark Van Putten, President and CEO, National Wildlife Federation; Richard Trumka, Secretary-Treasurer AFL-CIO; and Susan S. Westin, Associate Director of International Relations and Trade at the General Accounting Office.

Ambassador Barshefsky touched on many of the same issues she discussed Tuesday, but also attempted to clarify the Administration's position on whether environmental and labor issues would be a precondition to discussions on increasing market access in the future. Senate Finance Committee Chairman Roth questioned Barshefsky on the Administration's stance, to which she responded that environmental and labor issues should be discussed in tandem with market access.

One of the witnesses, Thomas J. Donohue, President and CEO of the U.S. Chamber of Commerce, testified that a "relentless drive" to open foreign markets for U.S. exports and services will only increase opportunities for American farmers, companies and workers around the world. He further encouraged the Senate Committee to help open the WTO to trade with China. Donohue emphasized that expanding trade, especially to developing nations, will help raise standards of living, creating a cleaner environment, elevated working conditions, and more open societies. Lastly, Donohue openly opposed America's use of unilateral sanctions in "74 countries across the world, covering 70% of the world's population." He stated that sanctions hurt American influence around the world and further damage our farmers and businessmen.

Another witness, Mark Van Putten of the National Wildlife Federation testified that while trade liberalization is important, it is not necessary. He stated that he opposed fast track, but supported the establishment of the North American Free Trade Agreement (NAFTA). Van Putten declared that Seattle was a turning point, from which the WTO must move forward in a new era where environmental protection and trade liberalization must work hand in hand, not as a precondition, but as a necessary corollary.

Accession of China into the WTO, with the concomitant granting of permanent normal trade relation (NTR) status by the United States, has become a major legislative issue this year for California's information technology and entertainment industries. Under the U.S.-China agreement, for example, the number of U.S. films China would allow into its market would double to 20 per year. The agreement would also give Hollywood more access to China's market by allowing companies to buy into Chinese movie distributorships and theaters.

H-1B BILL INTRODUCED

Sen. Dianne Feinstein joined Sen. Orrin Hatch (UT), Chairman of the Senate Judiciary Committee, in introducing a bill to again increase the number of H-1B skilled worker visas available on an annual basis. The legislation is in response to the needs of the high technology industry for skilled workers. In 1998, Congress increased the H-1B visa level from 65,000 to a high of 115,000. But the booming economy has outstripped the workers available. The increased levels were already reached by June last year, and are expected to max out in March this year.

See, Bulletin, Vol. 5, No. 18 (5/21/98), and Vol. 6, Nos. 20 (6/17/99) & 26 (8/05/99).

Under the new legislation, the maximum number of six-year H-1B visas would be increased to 195,000 for the next three years. Additionally, foreigners who work for U.S. universities and research centers, and those who received a graduate degree from a U.S. university in the prior six months would be exempt from the cap. This could potentially increase the number of visas by another 20,000 a year. Other provisions in the bill would continue the safeguards added to the 1998 Act to protect against abuse.

Rep. Zoe Lofgren (San Jose) has introduced a bill in the House that would establish a pilot program to allow foreign students with masters or doctorate degrees to remain and work in the U.S. for longer periods of time.

CALIFORNIA AND VIRGINIA WINERIES SUE NEW YORK OVER CONSTITUTIONALITY OF BAN ON INTERNET SALES

On Thursday, February 3, Lucas Winery of Lodi and a Middleburg, Virginia winery filed suit against the New York State Liquor Authority in U.S. District Court for the Southern District New York The federal suit seeks to repeal New York state laws making the direct shipment of wine to consumers from out-of-state wineries a criminal offense or felony. (Florida, Georgia, Indiana, Kentucky, Maryland, North Carolina and Tennessee also have similar laws.) New York, along with thirty other states, have laws banning the shipment from out-of-state wineries as a result of the 21st Amendment repealing Prohibition. In some states, consumers who vacation at wineries cannot legally ship wine to themselves at home. The lawsuit further seeks to repeal laws limiting all advertising, including advertising on the Web, for wines by out-of-state wineries.

The Institute for Justice filed the suit on behalf of Lucas Winery, a family winery in Virginia, and three consumers from New York. They claim that the ban on out-of-state sales and advertising infringes on First Amendment free speech rights, stifles consumer information and impedes free trade. Lucas Winery argues that the current system encourages a monopoly of liquor wholesalers who control out of state wine in New York and receive between18-25% of the retail price.

In the current “three-tier system” whereby wineries sell to wholesalers, who sell to retailers, and then to consumers, small wineries in California and other states find it impossible to make it to the first tier and market their wine. Internet sales bypass the wholesaler and are, therefore, advantageous to the 1,580 smaller wineries producing 10% of the nation’s wine. Twenty wineries produce 90% of the country’s wine. Moreover, the now 1600 total wineries have less than 300 wholesalers throughout the country to choose from--a number that has dropped from almost 11,000 in the past fifty years.

Wholesalers and retailers opposed to the lawsuit argue that a free sale of wine on the Internet could lead to sale of alcohol to minors and a significant loss of local sales tax dollars. But small wineries argue that the current laws are outdated and dismiss the notion that a minor would make a purchase of fine wine on-line and then wait for weeks to receive the alcohol. Those in favor of the repeal further point out that wholesalers’ tax concerns apply to all interstate sales of products, not just e-commerce. Courts have yet to allow discrimination against interstate sales of products.

In California wine is a $17 billion industry, accounting for 145,000 jobs and $4.3 billion a year in wages. The state is home to a large number of small wineries.

CALIFORNIA MEMBERS URGE SUPPORT FOR WEST COAST GROUNDFISH FISHERMEN

On Monday, February 7, the fourteen members of the California delegation, led by Reps. Lois Capps (Santa Barbara) and Elton Gallegly (Oxnard) sent a letter to President Clinton urging his support of the West Coast groundfish fishermen. The letter requests that the President include funding for groundfish relief in the supplemental appropriations request.

West Coast fisherman could be faced with an estimated $15 million in losses due to the reduction in groundfish catch in the region, according to the letter. In November, the Pacific Fishery Management Council (PFMC) recommended a reduction in optimum catch of up to 90% of groundfish species. As a result, Governor Davis requested a disaster declaration from Commerce Secretary Daley, which was announced last week.

Half of west coast trawlers, long liners, and open access fishers are located in California. In addition to these mostly family-owned fisheries, larger businesses are also being affected negatively by the regulation.

In addition to Reps. Capps and Gallegly, those who signed the letter include Reps. Mike Thompson(Eureka), Gary Miller(Diamond Bar), Nancy Pelosi (San Francisco), Lucille Roybal-Allard (Los Angeles), Henry Waxman (Los Angeles), Howard Berman (Mission Hills), Julian Dixon (Los Angeles), Tom Lantos (San Mateo), Pete Stark (Freemont), Woolsey (Petaluma), Anna Eshoo (Palo Alto), and Sam Farr (Monterey).

CALIFORNIA'S TRANSPORTATION AND WAREHOUSING INDUSTRIES GENERATE $37 BILLION IN REVENUE; 12% OF NATION'S $300 BILLION

On Thursday, February 10, the U.S. Census Bureau released its "Transportation and Warehousing" breakout from its 1997 Economic Census, which provides detailed data by industry and geography, statistics on the nation's transportation and warehousing sector. The entire U.S. transportation and warehousing sector reported $300 billion in revenues, and employed over 2.9 million workers at almost 200,000 locations in 1997.

California led the nation with $37 billion in revenue, representing 12.3% of the nation's total revenue. Texas also had a large share of the revenues, at $29 billion, or 9.6% of the total. California maintained 16,056 establishments and 317,832 paid employees.

More specifically, California's truck transportation business, with a revenue of $11 billion, generated about 34% of the state's total $37 billion in revenue and almost 8% of the nation's $141 billion in truck transportation revenues. Truck transportation also accounted for the most employment, with close to 104,000 jobs at approximately 8,000 locations. Support activities for transportation, which include support in freight, road, water, air, rail and towing, accounted for 16% of the total revenue at $6.3 billion. Next came California's couriers and messengers ($5.2 billion), air transportation ($4.4 billion), pipeline transportation ($3.2 billion), water transportation ($3 billion), transit and ground transportation ($1.5 billion), warehousing and storage ($1.3 billion), and scenic and sightseeing transportation ($225,000).

The vast majority of the state's transportation and manufacturing revenues, jobs and locations was concentrated in the state's metropolitan areas. The Los Angeles-Riverside-Orange County region accounted for almost $22 billion in revenue or 60% of California's total revenue in these industries. Within that broad region, Los Angeles-Long Beach generated close to $15 billion of those revenues. Similar to California as a whole, the Los Angeles-Riverside-Orange County region generated most of its revenue from truck transportation, support activities, and couriers.

The next largest region in revenue was the San Francisco-Oakland-San Jose area, with $8.6 billion in revenues, led by San Francisco with $3.6 billion. Other notable geographic regions include San Diego and San Jose, each with over $1 billion in revenue. The areas outside California's major metro regions accounted for $496 million in revenues, 751 establishments and over 5,000 jobs.

All 1997 Economic Consensus data was collected via the North American Industry Classification System (NAICS) at the Census Bureau.

For a breakdown of the report for any region in California, or the entire report, go to http://www.census.gov/prod/www/abs/trans-wh.html .

STATE DEPARTMENT OF FINANCE FINDS CALIFORNIA'S POPULATION CONTINUES SHARP RISE; COUNTY BREAKDOWNS PRESENTED

California continues to grow at a rapid clip, having strongly exited the stagnancy which plagued the state in the first half of the 1990s. On Wednesday, the California State Department of Finance (DOF) unveiled its estimates of the state's population as of mid-1999. DOF found that the population on July 1 had crept across the 34 million threshold, rising by 542,000 (or 1.6%) from the same time one year before.

However, there are two different sets of commonly-used population figures, however, which sometimes can lead to confusion. Estimates produced by the U.S. Census Bureau will often differ substantially from DOF numbers. While many consider the DOF estimates to be more reliable, because their use of driver's license address change data, the Census numbers are used for distributing federal formula dollars and other federal purposes.

For example, while DOF found that there were 34,036,000 Californians last July, the Census Bureau calculated just 33, 145,000. When juxtaposed against a total U.S. population figure of 272,691,000 persons, the Census Bureau estimate shows California represents 12.15% of the nation, while the DOF estimate puts California nearer the 12.5% mark. If applied to distribute federal funds and Congressional seats, the discrepancy could mean at least one Congressional seat and hundreds of millions of federal formula dollars. Fortunately, the 2000 decennial census, to be conducted by the U.S. Census Bureau this April, will "reset the clock" on all of the figures used.

The primary difference between the state and federal numbers continues to be in estimates of migration. The DOF figures showed a positive flow of domestic migrants (persons moving to and from other states) of 15,000 people gained between 1998 and 1999, the Census Bureau continues to believe that flow is negative -- roughly 81,000 people lost. Less discrepancy between the two sets of figures exists between the figures for international migration, and virtually none exists for the state's natural increase (births minus deaths).

The Department of Finance also compared growth at the county level. Between July 1998 and July 1999, DOF found the largest numeric gains in the large Southern California Counties of Los Angeles (150,200), San Diego (55,200), Orange (49,800), Riverside (45,600), and San Bernardino (28,900), followed by Sacramento (25,900), Alameda (20,400), Santa Clara (16,200), Contra Costa (15,100) and Ventura (13,400).

The largest percentage gains in population during that period took place in the Counties of Placer (4.0%), San Benito (4.0%), Riverside (3.1%), Kings (2.5%), Solano (2.3%), and Sacramento (2.0%).

Eleven of the state's 58 counties experienced slight declines in population from 1998 to 1999, though no shrinkage exceeded 350 persons.

Data from the Census Bureau, with state-level information only is available at http://www.census.gov/population/www/estimates/statepop.html . Data from the California State Department of Finance is available via their press release, with links to county figures, at http://www.dof.ca.gov/html/Demograp/E-2press.htm .