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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.

CALIFORNIANS SUPPORT GREATER WINE LABELING

On Wednesday, March 29, twenty-nine California Members sent a letter to the Bureau of Alcohol, Tobacco and Firearms (ATF) in support of the California Association of Winegrape Growers' concerns with the Bureau's creation of a new wine class.

Last November, 43 Members of Congress requested that ATF conduct a rulemaking to ensure that consumers not be misled into believing that a beverage labeled "Wine with Natural Flavors" or "wine specialty product" is the same as a true varietal wine made entirely from Cabernet Sauvignon or Chardonnay grapes. As a result, in December, ATF proposed that a new class called "Flavored Wine Product" be created, characterized by wine that has flavoring materials added. In response, the California Association of Winegrape Growers filed their concerns with the new class, stating that it is too broad and that ATF should prohibit the use of varietal, semi-genetic or geographic distinctive designations on labels for wine specialty products. The letter to the ATF supports the CAWG position.

CALFED AND CVP OPERATIONS ADDRESSED IN HOUSE WATER AND POWER SUBCOMMITTEE

On Thursday, March 30, the House Resource's Water and Power Subcommittee met to discuss CALFED and Central Valley Project (CVP) operations, the state-federal cooperative program with management and regulatory responsibility in the San Francisco Bay and Sacramento River Delta estuary area. The California-led Subcommittee heard testimony from government officials and various leaders in the water community on the extension of funding authorization for CALFED. California Members on the committee include: Chairman John Doolittle, Ranking Member Calvin Dooley, Reps. Ken Calvert, Richard Pombo, George Radanovich, Grace Napolitano, and George Miller, ranking member of the full committee. Rep. Gary Condit also participated in the hearing.

Three panels testified at the hearing. Panel one included: Richard M. Moss, General Manager, Friant Users Authority; Edward Bamert, Chairman, Regional Council of Rural Counties (RCRC); Stan

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Sprague, General Manager, Orange County Municipal Water District; and Tom Hannigan, Director, CA Department of Water Resources. The second panel consisted of: Dante John Nomellini, Manager and Co-Counsel, Central Delta Water Agency; David Yardas, Senior Scientist, Environmental Defense Fund; Brenda Southwick, Associate Counsel, California Farm Bureau Federation; and Hon. David Hayes, Deputy Secretary of Interior. The third panel included: O.L. Tenny, General Manager, Glenn-Colusa Irrigation District; Larry Wilson, Board of Directors, Santa Clara Valley Water District; Justin Bradley, Interim Environmental Director, Silicon Valley Manufacturing Group; Wally Bishop, General Manager, Contra Costa Water District; and Grant Davis, Executive Director, The Bay Institute.

Chairman Doolittle opened his remarks by focusing on the budget of CALFED, its impact on the ecosystem, and the future needs of California. Specifically, Rep. Doolittle expressed concern that over \$210 million had been appropriated to CALFED so far, but that only \$35 million has been expended to date. He pointed out that water users have lost 300,000 acre feet from the current system, which he says, lacks a foundation of science. Further, Doolittle pointed to what he calls an obvious solution -- the Auburn Dam -- which would provide 2.3 million acre feet in storage.

Chairman Doolittle, along with Reps. Pombo and Radanovich, all expressed concerns over future drought years, and stressed the vital importance of storage facilities. Mr. Pombo pressed the issue of on stream storage, arguing that it is the only way to create water.

Rep. Radanovich also argued the need for above ground storage facilities and further stressed the importance of finding short-term relief and regulatory certainty for agricultural users. After commenting that CALFED “gets a big fat F” due to what he believes is an ambiguous and unspecific agreement, Mr. Radanovich called for the codification of the Bay-Delta accord and expressed concern that the current CALFED discussion is taking place behind closed doors.

While concerned with the possibility of future droughts, Rep. Miller commended the advance preparation in anticipation of future droughts that has already started to happen in California. Mr. Miller further stressed that the current discussion revolves around bringing a system that was unbalanced for 35 years back into balance, and it will require some time to do that.

Rep. Dooley added that he hopes that Governor Davis and Secretary of the Interior, Bruce Babbitt will consider all stakeholders’ needs in the CALFED decision-making process.

One of the witnesses, Tom Bamert of RCRC testified in opposition to the effort of reviving the Delta and increasing California’s water supply through CALFED, remarking that CALFED has been “buying the ground from underneath our counties and their water.” Another witness, Hon. Tom Hannigan of the CA Department of Water and Resources remarked that CALFED needs to be a success, and when pressed by Committee Members revealed that he believes storage solutions like Auburn Dam are not viable as a timely solution for California.

In written testimony submitted to the subcommittee, David Yardas of the Environmental Defense Fund testified that no changes to the CALFED authorization be made to support the extension of the 1996 Bay-Delta Act but that the crosscut budget prepared by the Department of Interior and the State of California be updated, expanded, and should include ecosystem, water management, and other water resources funding throughout the Bay-Delta region.

Brenda Southwick of the California Farm Bureau Federation recommended that CALFED formally document the specific areas of financial responsibility within the project for greater efficiency, transparency, and accountability. Hon. David Hayes of the Department of the Interior testified in support of an extension of the Bay-Delta Act and added that the Bureau of Reclamation and Fish and Wildlife Service within the Department are addressing environmental and water management problems through the Environmental Impact Statement/Environmental Impact Report (EIS/EIR). He further stated that the Department, through CALFED, is developing ways to increase water supply reliability through “joint point of diversion” whereby the State cooperates with Reclamation to fill San Luis Reservoir once the state has filled its storage space.

Justin Bradley, of the Silicon Valley Manufacturing Group, testified that while he supports the President's FY2001 budget request of \$95 million for CALFED, he and others in the Santa Clara Water Valley District outlined recommendations for improvement in a letter to Secretary Babbitt and Governor Davis. Their proposals include: source water quality improvements, treatment technology implementation, feasibility studies for regional alternatives, watershed management programs, conservation and recycling, ecosystem restoration and implementation and integrated storage investigation. For more information, contact the House Committee on Resources' Subcommittee on Water and Power at (202)225-8331 or at their web site: <http://www.house.gov/resources> .

WAYS AND MEANS CONSIDERS U.S. MEMBERSHIP IN WTO

The House Ways and Means Committee held a hearing on Thursday, March 30 to consider H.J.Res. 90, a resolution to withdraw the United States from membership in the World Trade Organization (WTO). The Committee heard from numerous witnesses, including: the Governor of Minnesota, Jesse Ventura; Clayton Yeutter, former U.S. Trade Representative and former Secretary of Agriculture; William Weiller on behalf of the U.S. Alliance for Trade Expansion and National Association of Manufacturers; Charles P. Schroeder of the National Cattlemen's Beef Association; Dale Grogan on behalf of the U.S. Chamber of Commerce; and Peter Lichtenbaum on behalf of the International Law and Practice Session, American Bar Association.

All of the witnesses testifying before the Committee opposed U.S. withdrawal from the WTO. However, the American Textile Manufacturers Institute, which submitted testimony for the record, expressed concern that since the establishment of the WTO five years ago, the U.S. textile industry has not received any significant new market access for its textile and apparel exports.

Governor Ventura testified in support of U.S. membership in the WTO and permanent normal trade relations status (PNTR) for China. He pointed out that the U.S. Department of Agriculture estimates that in this century, Asia will account for 75 percent of the growth in U.S. farm exports, and 50 percent of that growth will be to China.

Mr. Grogan and Mr. Weiller, both of whom run small businesses, also testified in support of PNTR for China, pointing out that small businesses must rely more heavily on exports now to stay profitable. While acknowledging the imperfections in the WTO, Mr. Lichtenbaum testified that membership has advanced U.S. interests far more than withdrawal would.

Copies of all the witnesses testimony can be obtained through the Committee's website at: www.house.gov/ways_means .

HOUSE APPROVES FY00 SUPPLEMENTAL SPENDING BILL

The House on Thursday, March 30, voted 263-146 to approve a \$13 billion supplemental spending bill for fiscal year 2000. The bill, H.R. 3908, now includes about \$9 billion to beef up military spending. Some of that money will go towards shoring up the military's health system and increasing recruitment efforts. The Air Force would receive an additional \$73 million for aircraft procurement, as well as authority to reprogram another \$90 million. The House included \$2 billion in spending for U.S. peacekeepers in Kosovo, and rejected an amendment, 200-219, that would have required U.S. withdrawal of troops from Kosovo if U.S. European allies did not increase their financial aid for the area. The bulk of the rest of the funding goes to Columbia to assist in its drug-fighting efforts, and for disaster assistance in the wake of Hurricane Floyd.

In smaller funding items, \$20 million is contained in the bill to build a new Food and Drug Administration laboratory in Los Angeles. It also amended previously-enacted language to allow CSU Hayward to partner with the Oakland Unified School District to implement an African-American Literacy

and Culture Project. There is an additional \$26 billion for space shuttle modifications and upgrades, as well as \$49 million for other NASA emergency uses.

The bill also includes some funding for transportation projects, and requires that \$4 billion be used to pay down the national debt. An additional \$35 million is provide for foster care, a program of whose funds California typically receives about one fourth.

SENATE BUDGET COMMITTEE APPROVES FY01 SPENDING BILL

The Senate Budget Committee on Thursday, March 30, voted along party lines, 12-10, to pass a \$1.83 trillion budget for Fiscal Year 2001. Similar to the House-passed bill, it also proposes to cut taxes by \$150 billion over the next five years and holds domestic spending increases for FY01 to 2.6 percent.

During the markup, the Committee agreed by voice vote to an amendment to set aside \$20 billion for Medicare prescription drug funding, regardless of authorizing legislation, and would up that amount by another \$20 billion if legislation authorizing a Medicare drug benefit is enacted.

The Committee accepted an amendment offered by Sen. Barbara Boxer during the markup, which will provide \$2 billion over ten years in tax incentives to encourage private-sector donation of computers, sponsorship of community technology centers, and technology training for workers. The amendment also provides \$150 million to help train all new teachers to be technology efficient; \$100 million to create 1,000 Community Technology Centers; \$50 million for public/private partnerships to expand home access to computers for low-income families; \$45 million to promote innovative applications of information technology for underserved communities; \$25 million to accelerate private-sector deployment of broadband networks in poorer communities; and \$10 million to prepare Native Americans for careers in information technology fields.

HOUSE FLOOR CONSIDERATION POSTPONED FOR EDUCATION SAVINGS ACCOUNTS, SCHOOL CONSTRUCTION LEGISLATION MAY BE CONSIDERED AS WELL

Education measures which had been expected to hit the House floor this week were pulled from consideration and may held until after the two-week Easter recess in late April. H.R. 7, which is supported by the House leadership, would expand the amount parents could deposit in education savings accounts (ESAs) from \$500 to \$2,000 and permit their use for either public or private school expenses, rather than solely higher education as in current law. Reps. Nancy Johnson (CT) and Charles Rangel (NY) sought this week to attach a \$25 billion school construction bonds measure to H.R. 7 during its floor action. The House leadership elected to hold off on consideration of the measures until a later date.

The Johnson-Rangel proposal, which resembles an Administration proposal, would provide federal tax credits to bond purchasers in order to pay interest costs on bonds for constructing or renovating schools. It would propose that 60% of funds be allocated to states according to their share of the nation's school age population, while the remaining 40% would go directly to school districts based on their Title I receipts. California receives about 12.3% of Title I funds and houses 12.5% of school age children. While the President had threatened to veto the ESA legislation, some predict that a compromise which included school construction funding might prove acceptable.

CONFEREES SET FOR ELECTRONIC SIGNATURES BILLS

The House and Senate have now both named their conferees for the electronic signatures legislation. The Senate had delayed naming conferees because of a dispute over whether to include members of the Banking Committee. The Senate conferees are: Sens. John McCain (AZ), Conrad Burns (MT), Ted Stevens (AK), Slade Gorton (WA), Kay Bailey Hutchison (TX), Spencer Abraham (MI), Ernest Hollings (SC), Daniel Inouye (HI), Jay Rockefeller (WV), John Kerry (MA) and Ron Wyden (OR), from the Commerce Committee; Phil Gramm (TX), Robert Bennett (UT), and Paul Sarbanes

(MD) from the Banking Committee; and, Orrin Hatch (UT), Strom Thurmond (SC) and Patrick Leahy (VT) from the Judiciary Committee.

The House had appointed its conferees on February 16; they are: Reps. Tom Bliley (VA), Billy Tauzin (LA), Michael Oxley (OH), John Dingell (MI), and Ed Markey (MA).

The conferees are expected to hammer out differences between the House-passed bill, H.R. 1714, and the Senate version, S. 761. The Senate and House bills both legalize the validity of electronic signatures on contracts, but the House bill allows other important commercial documents and records to be transmitted electronically, as well. Additionally, the House bill includes several notice and consent provisions aimed at protecting consumers' rights.

UCLA FORECAST PREDICTS CONTINUED STRONG STATE ECONOMY

On Wednesday, March 29, the UCLA Anderson Forecast predicted that 2000 would be a very strong year for the California economy, with unemployment finally declining to parity with the national rate, thus ending 10 years of above-average joblessness for the state. The researchers expect that the California and U.S. unemployment rates, presently at 4.6% and 4.1%, respectively, will converge at about 4.5% sometime this year.

The survey predicts a 3.5% increase in nonfarm jobs this year, up from 3.1% last year, before slowing to a still respectable level of 2.6% in 2001. A press report indicated that the state, which accounts for just 12% of the nation's population, accounted for 18% of the nation's new job growth over the last three month. Personal income was expected to grow a solid 7.6% during 2000, or 5.3% after adjusting for the expected 2.3% inflation.

Dr. Tom Lieser, Director of the UCLA Anderson Forecast, predicted that taxable sales would rise by 7.1% this year, then taper off to 6.4% for the ensuing two years. He predicted that last year's 140,000 building permits would rise to 150,000 this year, slip to 143,000 in 2001, and leap to 157,000 for 2002. Home prices were expected to increase as well. For detailed home price and home sales figures for the state, see the California Association of Realtors website at <http://www.car.org/>.

While current UCLA Anderson Forecast information is available only to the project's paid subscribers, limited information is available at their website, <http://www.anderson.ucla.edu/research/forecast/index.htm>.

CALIFORNIA'S ROADS AMONG THE WORST IN NATION; OCCUPY FIVE OUT OF THE TOP TEN SLOTS FOR AREAS RATED WITH WORST ROADS

On Tuesday, March 21, The Road Information Program (TRIP) released a report "Road Conditions in Metropolitan Areas and The Impact on Motorists" which names California metropolitan areas most frequently in its evaluation of the roadways in the 50 largest urban areas in America. According to the report, nationally, one-third of America's major roads have "significant deterioration and need resurfacing or reconstruction." On average, 19% of U.S. roads are in poor condition.

While New Orleans and Detroit tied with the highest percentage of poor roads (35%), Los Angeles rated not far behind with 33% of its roads rated poor and 23% rated mediocre. San Jose, San Francisco-Oakland and Sacramento came next with poor road conditions for between 25-30% of their roads. San Jose ranked fifth worst nationally, with San Francisco-Oakland ranking at sixth, and Sacramento at tenth worst in the nation. These four areas all exceed the national average (19%) in the percentage of poor road conditions. Fifteen percent of Riverside-San Bernardino roads and 12% of roads in San Diego are also rated as poor.

Because of the nation's poor road conditions, drivers are experiencing what TRIP refers to as a "hidden tax" or the added costs needed to maintain and repair cars that travel in poor road conditions. The report attributes poor road conditions to an increase of 32% in overall travel on major urban roads

between 1988 and 1998, especially large truck travel, which increased 46% during that same time period. Moreover, TRIP suggests that maintenance and infrastructure development has not kept pace with the increase in travel: investment in roads as a share of economic output remains at a level that is below historical averages. The report further shows that motorists are paying just half of what they did 20 years ago in fuel costs to drive the same distance, when adjusted for inflation.

The TRIP report recommends that cities maintain a continual pothole repair program using the latest technology and resources available to patch holes. Furthermore, the report adds that metro areas should set the goal of insuring that 75% of local road surfaces are in good condition. This would involve reconstruction using latest design standards and repairing roads with the most durable mix of materials. For more information, contact The Road Information Program report at <http://www.tripnet.org> or contact the group at (202) 466-6706.

1999 CALIFORNIA WINE SALES REACH RECORD LEVELS

According to a Wine Institute report, California winery shipments to the United States and abroad reached a record high of 446 million gallons in 1999 – an increase of three percent over 1998 and the sixth consecutive year of growth. California wines accounted for 72 percent of U.S. sales in 1999, with an estimated shipment retail value of over \$13 billion. California wine exports, which represent the lion's share (90 percent) of all U.S. wine exports, were estimated at \$540 million in 1999 – an increase of two percent. Abroad, California's biggest wine export markets were the U.K., Canada, Netherlands and Japan, according to Gomberg, Fredrikson & Associates of San Francisco.

Consumption of "High Premium Wines," or the \$7 and above wines, grew along with an escalation of consumption of champagne/sparkling wine due to the Millennium celebration. Wines above \$7 constitute the fastest growing segment of the California table wine category, showing growth of 14 percent. According to the report, supermarket sales in wine increased three percent in '99 with Chardonnay accounting for 18 percent of the market share by volume. Merlot surpassed Cabernet Sauvignon for the first time in supermarket sales, growing the fastest among all varietals.

For more information, contact the Wine Institute at <http://www.wineinstitute.org>.

CALIFORNIA'S RESPONSE TO CENSUS RUNNING SLIGHTLY AHEAD OF US AVERAGE

In an indication that the state's investments in census awareness may be paying off, California's response rate to date (as of Thursday, March 30) were slightly exceeding the national average, with 51% of Californians responding so far, compared to 49% responding from the nation as a whole. The Census Bureau is seeking to receive 70% of responses by mail,

Response rates for California and other states, California counties, and for nearly 500 cities within the state are available on a special census website, at <http://rates.census.gov/>

As of Thursday evening, there was significant variation among response rates in various California counties, from a high of 58% in Ventura County to a low of 21% in Mono County (see table below). Other high response rates included Orange, Stanislaus and Sonoma Counties (56%); Shasta, Inyo and Marin (55%); Yolo, Sutter, Santa Barbara and Santa Clara (54%); and San Mateo (53%). Other low response counties included Sierra (33%), Alpine (34%), Plumas (35%), and Lassen (38%).

The variation is greater among California cities, from a high of 68% in Seal Beach and Laguna Woods to a low of 12% in Blue Lake, 16% in Mammoth Lakes and 17% in Truckee.

Census 2000 Response Rates, by California County (as of 3/30/2000)

Geographic area	Resp. %		
National	49	-- Orange County	56
-- California	51	-- Placer County	52
-- Alameda County	47	-- Plumas County	35
-- Alpine County	34	-- Riverside County	50
-- Amador County	45	-- Sacramento County	50
-- Butte County	52	-- San Benito County	50
-- Calaveras County	40	-- San Bernardino County	50
-- Colusa County	45	-- San Diego County	56
-- Contra Costa County	52	-- San Francisco County	45
-- Del Norte County	43	-- San Joaquin County	51
-- El Dorado County	45	-- San Luis Obispo County	52
-- Fresno County	52	-- San Mateo County	53
-- Glenn County	48	-- Santa Barbara County	54
-- Humboldt County	48	-- Santa Clara County	54
-- Imperial County	41	-- Santa Cruz County	49
-- Inyo County	55	-- Shasta County	55
-- Kern County	48	-- Sierra County	33
-- Kings County	49	-- Siskiyou County	45
-- Lake County	40	-- Solano County	51
-- Lassen County	38	-- Sonoma County	56
-- Los Angeles County	48	-- Stanislaus County	56
-- Madera County	50	-- Sutter County	54
-- Marin County	55	-- Tehama County	50
-- Mariposa County	42	-- Trinity County	42
-- Mendocino County	44	-- Tulare County	48
-- Merced County	52	-- Tuolumne County	40
-- Modoc County	40	-- Ventura County	58
-- Mono County	21	-- Yolo County	54
-- Monterey County	46	-- Yuba County	48
-- Napa County	50		
-- Nevada County	42		

Source: U.S. Census Bureau.