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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.*

## **HOUSE SUBCOMMITTEE REDUCES WAIT FOR HIGH PERFORMANCE COMPUTER EXPORTS**

The House International Relations Subcommittee on International Economic Policy and Trade reported H.R. 3680 on Thursday, April 6. The bill, introduced by Reps. David Dreier (Covina) and Zoe Lofgren (San Jose), reduces from 180 days to 30 days the congressional review period for adjustments made in the allowable strength of high performance computers. The subcommittee's voice vote to report the bill was unanimous.

Under the 1998 National Defense Authorization Act, after the Administration increases the processing capability (measured in millions of theoretical operations per second (MTOPS)) of computers that may be exported, Congress has 180 days to review the change and legislatively preempt it if it chooses. In the fast moving world of computer technology such a lengthy delay has impeded U.S. exporters of computers. Apple and IBM, for example, came out with new systems last year that exceeded the allowable MTOPS. Although the Administration decided in July to increase the MTOPS level, Apple and IBM still could not export their new products, because the new levels did not take effect until the end of the 180 congressional review period in January 2000.

## **HOUSE COMMERCE REVIEWS INTERNET ADVISORY COMMISSION WORK**

The House Commerce Subcommittee on Telecommunications, Trade and Consumer Protection held a hearing on Thursday, April 6 to review the results of the Advisory Commission on Electronic Commerce. The Commission was established by Congress to conduct a thorough study of federal, state, local and international taxation of electronic commerce. (The legislation to establish the Commission was authored by Rep. Chris Cox (Newport Beach) and Sen. Ron Wyden (OR).)

Governor James Gilmore of Virginia, the Chair of the Commission testified before the Subcommittee. The Governor stressed that although the Commission was unable to obtain the required

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two-thirds majority for some of its policy proposals, all of the proposals it is submitting to Congress received at least a majority vote. Among the proposals the Commission recommends are: 1) eliminate the 3 percent federal telephone tax; 2) extend the current Internet tax moratorium on multiple and discriminatory taxes for five more years through 2006; 3) make permanent the current moratorium on Internet access taxes; 4) prohibit taxation of digitized goods sold over the Internet; 5) establish "bright line" nexus standards for businesses engaged in interstate commerce; and 6) place the burden on states to simplify their own "labyrinthine" telecommunications, sales and use tax systems. Governor Gilmore also pointed out that the Commission did reach the two-thirds majority on the need to protect consumer privacy and to bridge the digital divide.

Governor Gilmore's testimony can be obtained through the Committee's website at:

<http://www.house.gov/commerce> .

## **HOUSE AND SENATE COMMITTEES EXAMINE EXPORT ADMINISTRATION ACT**

On Tuesday, April 4, the Senate Commerce Committee and the House International Relations Subcommittee on International Economic Policy and Trade held hearings on S. 1712, the reauthorization of the Export Administration Act (EAA), which has already been reported by the Senate Banking Committee.

The Senate Committee heard from: Sens. Mike Enzi (WY) and Fred Thompson (TN); Undersecretary of Defense for Policy James Bodner; John Holum, Senior Advisory to the Secretary of State for Arms Control and International Security; Undersecretary of Commerce for Export Administration William Reinsch; John Douglass, President, Aerospace Industries Association; and William Schneider, President, International Planning Services.

The Administration witnesses all testified in support of reauthorizing the Export Administration Act. Mr. Reinsch pointed out that the Administration has not yet taken a position on S. 1712, but stated that its increased enforcement powers and licensing and commodity jurisdiction reforms are in keeping with the Administration's proposals. Mr. Bodner stressed that although multilateral sanctions are preferable, there are times when unilateral sanctions must be used and the EAA should offer the flexibility to impose them when necessary.

On the House side, Roger Majak, Assistant Secretary for Export Administration, Department of Commerce, testified. Mr. Majak, tracking the testimony from the Senate witnesses, also supported reauthorization of the EAA, and laid out the Administration's principles. They are: 1) a preference for export controls exercised in conjunction with multilateral nonproliferation regimes; 2) focus on economic security by increased discipline on unilateral controls; 3) a simplified and streamlined export control system; 4) strengthened enforcement powers; and 5) expanded rights for exporters to petition for relief from ineffective controls.

Both the House and Senate have been considering legislation to reauthorize the Export Administration Act, but have been unable to reach a consensus position as yet. [See, Bulletin, Vol. 7, No. 10 \(3/23/00\).](#)

## **U.S. BLASTS TRADING PARTNERS FOR UNFAIR TRADE PRACTICES**

The United States Trade Representative's (USTR) office released a 434-page report, *Foreign Trade Barriers*, citing 52 nations and three trading blocs for erecting numerous unfair trade barriers against U.S. exports. The Administration hopes the report will strengthen its negotiating powers to help lower the massive trade deficit. USTR Charlene Barshefsky stated that "Our goal is the creation of an open and fair world economy, which will support higher-wage jobs in the United States and enhance prosperity for American workers, farmers and businesses."

The most number of complaints were alleged against the European Union, with Japan and China falling into second and third place. If China is granted permanent normal trade relations status and joins the World Trade Organization, the Administration stated that the concessions China has promised to make in return would eliminate all of the barriers cited in the report. The report also cited South Korea for impeding the sale of American cars, and Canada for its barriers to U.S. farm products.

The report can be obtained through the USTR's website at: <http://www.ustr.gov>.

## **BRIEFING NEXT THURSDAY ON CHANGING FACE OF CALIFORNIA AND THE NATION**

On Thursday, April 13, the Population Resource Center and the California Institute will cosponsor a briefing entitled "America's Demography in the New Century: Aging Baby Boomers and New Immigrants as Major Players." The briefing will be held from 9:30 a.m. to 11:00 a.m. in 1116 Longworth. It will be moderated by Hon. Tony Beilenson, a former Member of Congress from California, and will feature Dr. William H. Frey, a Senior Fellow with the Milken Institute.

The briefing will focus on two groups – the baby boom generation and new immigrants to the United States – which will have a profound impact on the changing face of America in the new century, creating a new demographic divide in this country. A new report disputes long-held views that America will become either a "nation of Floridas," with large numbers of aging baby boomers across the country, or a "nation of Californias," with its diverse ethnic population. Instead, this analysis shows that these two groups will create distinct regional demographic divisions in the U.S. Large numbers of baby boomers will begin retiring and their numbers will grow in largely white areas in the West and Southeast, while the single melting pot view of immigrants will be supplanted by multiple melting pots that are becoming increasingly younger, multi-ethnic and culturally vibrant. The briefing will examine the new players in America and consider the policy implications for Congress as a result of the growing "yuppie elderly" and the new "melting pot metros."

Those interested in attending the briefing should RSVP to PRC by April 7 via fax at 202-467-5034, e-mail at [prc@prcdc.org](mailto:prc@prcdc.org) or phone at 202-467-5030.

## **SENATE FINANCE AND FOREIGN RELATIONS DISCUSS CHINA'S ACCESSION INTO WTO AND PNTR; DAVIS AND PRESIDENT ANNOUNCE PNTR SUPPORT LETTER**

On Thursday, April 6, the Senate Finance Committee and Senate Foreign Relations Committee examined the possibility of China joining the World Trade Organization (WTO) and its implications on the U.S. high tech industry.

The Senate Finance Committee heard from: Hon. Sam Gibbons, Former Chairman of the House Ways and Means Committee; Robert D. Hormats, Vice Chairman, Goldman Sachs International; Dr. Nicholas R. Lardy, Senior Fellow in Foreign Policy Studies, The Brookings Institution; Hon. Ira Shapiro, Long, Aldridge & Norman and Former USTR Ambassador and Chief Negotiator for Japan and Canada; Dr. Dermot J. Hayes, Pioneer Hi-Bred International Chair in Agri Business, Iowa State University; and Douglas Lowenstein, President, Interactive Digital Software Association.

Supporters of granting China permanent normal trade relations (PNTR) cite greater access to Chinese markets, an accelerated reform process in China, and an increased enforceability of existing trade agreements. Witnesses stressed that failing to grant PNTR does not mean that China will be prevented from accession into the WTO. The United States accounts for just one out of the 45 WTO countries voting on this issue. Those in opposition to PNTR point to China's history of human rights and environmental violations and its breaching of other trade agreements.

The Senate Foreign Relations Committee heard from several witnesses, including: Hon. Stuart Eizenstat, Deputy Secretary of Treasury; Hon. Frank Carlucci, Chairman, Board of Directors, Nortel

Networks; and Richard Younts, Executive Vice President and Senior Advisor to the CEO of the Office on Asian Pacific Affairs, Motorola Inc.

The Senate Foreign Relations Committee focused on the economic impact of granting PNTR to China, specifically how it will affect the U.S. high tech industry. All witnesses testified in support of PNTR, stating that the provision will protect American workers from unfair pricing, abusive investment practices, and import surges through the "product-specific" safeguard. As the leading U.S. investor in China, Motorola Inc. has already witnessed market reform and changes in China which Mr. Younts attributes to the economic progression already underway.

On a similar note, this week the House leadership announced its plans to take up the PNTR vote during the week of May 22nd.

Additionally, at a speech at the Tech Museum of Innovation in San Jose, President Clinton and Governor Gray Davis announced that a bipartisan group of over 40 of the nation's governors have signed a letter supporting granting permanent normal trade relations with China. The governors cite the opportunities that will be created for their companies and farmers and the increase it will bring in high-wage American workers.

For more information or detailed testimony, contact the Senate Finance Committee at (202) 224-4515 or the Senate Foreign Relations Committee at (202) 224-4651. Testimony for both hearings are also available at: <http://www.senate.gov/~finance> or <http://www.senate.gov/~foreign>.

## **GOVERNOR DAVIS ANNOUNCES \$5 BILLION TRANSPORTATION INITIATIVE**

On Thursday, April 6, Governor Davis announced his transportation initiative through a series of speeches around the state. The Governor's top priorities include decreasing traffic congestion and increasing the speed of transportation of goods and people. Emphasis will be placed on public-private rail partnerships, mass transit and commuter rail projects.

The initiative aims at leveraging other federal, state and local transportation funds. It will also leverage the state and regional share for the State Transportation Improvement Plans (STIP). Specifically, the plan calls for \$2.8 billion in state budget surplus funds and \$2.2 billion in bonds which are subject to voter approval. Under Davis's initiative, \$10 billion in federal and local funds would be used to match state funds. Most of the state's money, \$4.5 billion, would be used towards construction projects. The initiative will fund close to 100 high-priority transportation projects.

The Bay Area, border areas with Mexico, the Central Valley and Los Angeles will be part of the focused effort through Davis' new initiative. The initiative will place emphasis on rail mass transit and highway improvements in the Bay Area and Central Valley, devise a way to alleviate pressure from international commerce on boarder areas, as well as focus on alternative transportation in the Los Angeles area to lessen highway traffic.

Senator Feinstein voiced support of the initiative, including the inclusion of funds to complete feasibility studies of a Southern Crossing to allow Bay Area residents more accurate transit and traffic information. Feinstein added that in order to "efficiently leverage federal funding for the development of transportation projects, it is imperative that the state of California speak with one voice."

Further details of the plan may be made available on the Governor's press releases page, at <http://www.governor.ca.gov/briefing/pressreleases/apr00/apr00.shtm> .

## **SENATE REPUBLICANS COMPROMISE ON BUDGET; FLOOR ACTION LIKELY TO BE CONCLUDED FRIDAY**

According to press reports, the Senate GOP leaders have reached agreement within their ranks on provisions of a FY 2001 federal budget resolution, and the Senate will work through a variety of amendments through much of Friday. Concluding action this week would allow for a House-Senate

conference next week, prior to the April 14 beginning of the Easter Recess, and would mean that Congress would meet the April 15 statutory deadline for producing a budget resolution.

A compromise on S. Con. Res. 101 was reportedly reached between conservative Senators, who wanted to restrict the ability to use procedural tactics to potentially circumvent budget caps, and Senate Appropriators, who were fearful of limits on their ability to do their funds-allocation job. The compromise raises the defense total to \$310.9 billion, retains the non-defense discretionary spending total of \$289.7 billion, and retains a firewall between defense and non-defense spending. The agreement provides that 60 votes would be needed to exceed the non-defense figure with "emergency" spending item, while lifting that 60-vote supermajority requirement for defense spending, and raises to \$23 billion the amount that may be allocated as advanced appropriations.

### **HOUSE VOTES TO OPEN HOME OWNERSHIP FOR TEACHERS, POLICE, FIRE, ETC.**

On Thursday, April 6, the House of Representatives approved H.R. 1776 on a 417-8 vote. The bill allows cities to use federal grants to help make it easier for teachers, police officers, firefighters and other municipal employees to buy homes in the area in which they work. Municipal employees and teachers who earn up to 115 percent of an area's median income would be eligible for a 1% down payment on homes insured by the Federal Housing Administration (FHA), and the bill would waive the down payment requirement altogether for police living in high crime areas.

The bill permits local governments to use Community Development Block Grant funds and the HOME Investment Partnership to help with down payments, closing costs, and mortgage rate subsidies. It would authorize \$1.65 billion 2001 for HOME and \$4.9 billion for the CDBG in FY 2001. During floor consideration, the House approved a manager's amendment to qualify municipal employees for a program whereby some buyers can purchase HUD-owned properties at 50 percent of appraised value with a \$100 down payment

Some members, including Rep. Maxine Waters (Los Angeles), sought unsuccessfully to include greater funding in the bill and expressed concern that this approach would benefit some needy individuals over others. According to many, housing affordability in California has reached crisis levels. (See below article.)

### **HOME AFFORDABILITY IN CALIFORNIA WORSENS, PARTICULARLY IN BAY AREA**

According to data released Thursday by the California Association of Realtors (CAR), housing affordability declined sharply in February from the same time one year before. The "California Housing Affordability Index" for single family homes declined 11 points, from a level of 43 in February 1999 to a level of 32 in February 2000. The affordability index for California condominiums declined 5 points, from 51 to 46. The nationwide index fell just 3 points, from 57 to 54. The affordability index measures the percentage of households who can afford to purchase a median-priced home, and is considered the most fundamental measure of housing well-being in the state. The problem is created as home prices have risen faster than household incomes in the state and its various regions

According to the CAR data, affordability rates declined in every region of the state. Sample levels include Los Angeles (down 4 points to 36), the San Francisco Bay Area (down 11 points to 21), Orange County (down 8 points to 28), San Diego (down 11 points to 28), Sacramento (down 6 points to 55), Riverside/San Bernardino (down 9 points to 48), Ventura (down 10 points to 35), the Central Valley (down 8 points to 51), Palm Springs/Lower Desert (down 10 points to 34), Monterey (down 12 points to 15), North Wine Country (down 13 points to 22), Northern California (down 8 points to 37), San Luis Obispo (down 12 points to 25), and -- with the sharpest decline listed -- Santa Barbara (down 28 points to 19). One lone area stayed relatively stable and affordable: the High Desert, which declined just 1 point to an index of 71.

The median price of a single family detached home in California during February was \$231,710, a 17.1% rise from one year before. According to CAR, the minimum income needed to buy a median-priced home in some counties was startlingly high. The highest 10 counties were Santa Barbara (\$92,960), Alameda (\$92,470), Monterey (\$111,800), Contra Costa (\$112,860), Santa Cruz (\$116,940), San Francisco (\$129,500), Santa Clara (\$135,300), San Mateo (\$151,550), and Marin (\$182,050).

More information will be available on the CAR website, at <http://www.car.org>.

## **NUMBER OF CRIMES DECREASES IN CALIFORNIA'S MOST POPULOUS AREAS; SANTA BARBARA COUNTY SHOWS MOST IMPROVEMENT**

According to a report released recently by State Attorney General Bill Lockyer, "Crime In Selected California Jurisdictions, January through December 1999," crime counts in most of the major categories decreased in California. Overall, by the California Crime Index total, crimes dropped by 13.2 percent. Violent crimes decreased 8.8 percent and property crimes dropped by 15.8 percent. Additionally, larceny-theft crimes decreased by 8.5 percent. Arson crimes was the only category that increased in numbers, but showed just a 0.5 percent increase.

Santa Barbara County showed the most improvement in total crimes, with nearly a 50 percent decrease in the California Crime Index – dropping from 1,580 in 1998 to 795 in 1999. Riverside County improved the least, but still showed a decreased in crime numbers of 0.5 percent.

The violent crimes category includes homicide, forcible rape, robbery and aggravated assault. Statewide, violent crimes dropped by eight percent. Additionally, nearly 12 percent fewer robberies occurred statewide in California in 1999. Santa Barbara County, again, improved the most, with over a 50 percent decrease in violent crimes. However, Monterey County's violent crime counts increased by nearly 27 percent, with a 35 percent surge in the aggravated assault category alone.

Property crimes, consisting of burglary and motor vehicle theft, decreased by a statewide total of 15.5 percent. Nearly 19 percent fewer burglaries occurred in California in 1999. Fifty percent fewer property crimes occurred in Santa Barbara County in 1998, while Stanislas, Tulare, Concord, Sacramento, Sunnyvale, Santa Rosa, San Jose, and El Dorado all showed between a 20 and 30 percent decrease in property crimes. Pomona's property crimes increased by four percent, making it the area with the greatest increase in that category.

Sixty-seven percent fewer arson crimes occurred in Riverside County and nearly 40 percent fewer larceny-theft crimes occurred in Moreno Valley. Pasadena showed the largest increase in arson crimes, with an 84 percent rise.

The Attorney General attributes the general trend of decreasing crime in California to "tough sentencing laws, innovative crime prevention programs and techniques, improvements in technology essential to crime fighting and analysis of evidence, the booming economy and record low unemployment." The report compares crime counts for six major offense categories between 1998 and 1999, for the 76 jurisdictions with populations of 100,000 or more which account for 65 percent of the state population.

For the detailed report, contact the Attorney General's web site at: <http://www.caag.state.ca.us>.

## **BRIEFING CONSIDERS AGRICULTURE AND CLIMATE CHANGE**

In cooperation with Rep. Sam Farr's (Monterey) office, the Population Resource Center (PRC) hosted a briefing evaluating the impacts of climate change on the business of U.S. agriculture on Thursday, April 6.

Presenters at the briefing included: John Reilly, co-chair of the National Agriculture Sector Assessment of the US Global Change Research Program and Steven Shafer, US Department of Agriculture, Agricultural Research Service. In his research, Mr. Reilly finds that, as productivity

increases, consumers benefit, producers lose, disparity occurs across regions, and there is a decrease in irrigated land water use, cropland and grazing land.

While Mr. Reilly spoke on a global level, Steven Shafer discussed regional implications of climate change. In his review of the regional index for crop production in 1990 and predictions for 2060, Shafer found that states in the Pacific Coast region (California, Oregon and Washington) will fare among the best in crop production when compared to nine U.S. regions, if faced with either severe climate change or more moderate change.

For more information, contact the PRC at (202) 467-5030 or at their web site:

<http://www.prcdc.org>.

## **STATE'S CENSUS 2000 RESPONSE RATE CONTINUES TO OUTPACE NATION'S**

As of Thursday, April 6, 60% of California households had responded to the 2000 census survey forms, slightly better than the national response rate of 58%. California's rate exceeded that of every other Western state and every Southern state except Virginia. However, rates were higher than California's in most Midwestern states, while Northeastern states were about on par with California's response rate.

Within California, wide gaps remained among response rates for counties and cities. The strongest response rate continued to be in Ventura County, with a high of 68%, and the lowest was still in Mon County, at 26%. Other high response rates included the Counties of Orange (66%), Stanislaus and San Diego (64%), and San Mateo (63%), as well as Contra Costa, Inyo, Marin, Santa Barbara, Santa Clara, Sonoma, and Yolo (all at 62%). Other low response counties included Plumas and Sierra (41%), Alpine (42%), Lassen (43%) and Lake (44%)

Day by day tallies are available on the Census Bureau's website: <http://rates.census.gov/> .