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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.

UNANIMOUS CALIFORNIA DELEGATION SIGNS LETTER OPPOSING TITLE I HOLD HARMLESS

All 52 members of the California Congressional delegation wrote this week opposing use of a "100% hold harmless" in the FY 2001 appropriations for the Title I education program. The letter, addressed to House Subcommittee Chairman John Porter (IL), notes that "It has been six years since Congress amended Title I to require child poverty rates to be updated biannually so that funding reflects, as accurately as possible, current school enrollments. However, over the objections of the House, the Senate has made an annual practice of attaching a 100% state hold harmless rider to the Labor-HHS-Education Appropriations bill that effectively bars use of the updates and prevents money from flowing to states according to the number of eligible school-aged children that they actually serve."

Citing a Congressional Research Service study for FY 1999, the letter notes that the hold harmless "cost the State of California more than \$36 million in Title I funds, and an additional \$17 million in funds for other education programs for which allocations are based on Title I." The letter effort was led by Reps. Duke Cunningham (San Diego), Lynn Woolsey (Petaluma), Buck McKeon (Santa Clarita), and George Miller (Martinez).

UNIFIED CALIFORNIA BACKS JOINT STRIKE FIGHTER COST COMPARISON STUDY

Governor Gray Davis, Senators Dianne Feinstein and Barbara Boxer, and 50 members of the California Congressional Delegation have signed a letter asking that the Pentagon examine the cost-effectiveness of competing sites before selecting a location for production of the Joint Strike Fighter (JSF) aircraft. The effort was spearheaded by Reps. Howard P. "Buck" McKeon (Santa Clarita) and Loretta Sanchez (Anaheim).

A recent study estimated that building the fighter at Air Force Plant 42 in Palmdale would save at least \$2.2 billion compared to the cost associated with the two sites currently being considered by the two contractors competing for the plane contract.

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In a prepared statement, Rep. McKeon stated that "Bringing the Joint Strike Fighter to California will save federal taxpayers at least \$2.2 billion, as well as provide at least 10,000 high-paying jobs here. In addition, 70 percent of the jobs will flow through to subcontractors, and having California as the final assembly site increases the chances that California subcontractors will be chosen for more of the work." The JSF will be the first fighter to be used jointly by the Air Force, Navy and Marine Corps. Once the JSF aircraft are operational in 2008, DOD is expected to purchase 3,000 planes over a 20-year period.

California lawmakers have been pushing for the Pentagon to at least study the benefits of building the fighter in Palmdale, site of the B-2 bomber final assembly, though the final decision will be up to the winning contractor. McKeon commented, "Even in Washington, \$2.2 billion is a lot of money."

HOUSE EXTENDS INTERNET TAX MORATORIUM

The House overwhelmingly passed by a vote of 352-75 a five-year extension of the Internet Tax Moratorium on Wednesday, May 10. The original bill, H.R. 3709, introduced by Rep. Chris Cox (Newport Beach) and other Californians, would have imposed a permanent moratorium on Internet taxes. The substitute offered on the House floor by Rep. Bob Goodlatte (VA), however, extends the current moratorium until October 21, 2006. The moratorium extends only to state and local taxes on access to the Internet, and does not address the imposition or collection of sales taxes.

During consideration, the House defeated an amendment offered by Rep. William Delahunt (MA) that would have extended the moratorium only until 2003. Rep. Spencer Bachus (AL) introduced an amendment that would have allowed states to streamline the collection of sales taxes on Internet and catalog sales. The amendment was ruled non-germane, however, and tabled. The House passed a sense of Congress amendment, however, offered by Rep. Ernest Istook (OK) urging state and local governments to cooperate in streamlining sales and use tax collections.

HOUSE COMMITTEES TAKE UP H-1B VISAS, EDUCATION AND TRAINING ISSUE

On Tuesday, May 9, the House Judiciary Committee began its markup of H.R. 4227, but did not complete action on the bill. A final day of markup is expected for next week. The bill was introduced by Immigration Subcommittee Chair Lamar Smith (TX) and co-sponsored by Reps. Tom Campbell (Campbell) and Robert Goodlatte (VA).

H.R. 4227 would eliminate the cap on the number of H1-B visas for skilled workers over the next three years. In exchange, however, the bill places significant requirements on employers. During the markup, the Committee approved, 24-17, a substitute amendment for the bill that eased some of the restrictions. Among other things, the substitute eliminates the requirement that an employer show a net increase in workers over the past year, but retains the requirement that wages must increase. It also drops the English proficiency requirement in the original bill, the verification of an applicant's education, and placing the applicant's name on the Internet. *See, Bulletin, Vol. 7, No. 13 (4/13/00)*. The Committee also approved, 15-13, an amendment offered by Chairman Henry Hyde (IL) that exempts H-1B elementary and secondary school teachers from the \$40,000 minimum salary.

A substitute amendment, which Rep. Zoe Lofgren (San Jose) tried to offer, was ruled non-germane. It was substantially similar to H.R. 3983, introduced earlier in the year by Reps. David Dreier (Covina) and Lofgren, which includes technology education and training programs for American students and workers. Several other amendments, offered by Democrats hoping to expand the bill to deal with other non-H-1B immigration issues, were also ruled non-germane.

The Committee recessed in the afternoon until Wednesday morning. On Wednesday, however, after a half hour of discussions, the Committee again postponed further consideration of the bill until next week. Chairman Hyde attributed the delay to the Members' conflicting schedules, but Rep. Barney Frank (MA) stated afterward that the Committee did not have the votes to favorably report the bill. The date to

continue the markup has not yet been set. For further information on Tuesday's activities, contact the Committee's website at: <http://www.house.gov/judiciary>.

On Wednesday, May 10, the House Education and Workforce Committee reported by voice vote H.R. 4402, establishing incentives to increase the number of math, science, and K-3 teachers, and implementing technology training programs for American workers. The bill draws on some of the provisions contained in the Dreier-Lofgren bill. H.R. 4402, introduced by Chairman Bill Goodling (PA), would allocate the collections from the \$500 H-1B applicant fee to several programs, including: expanding technology training programs to include business and labor groups, local governments and educational organizations. To be eligible for the funds these organizations would have to provide 25 percent matching funds and target the program to a specific underutilized group, such as women or minorities. The bill would also use 25 percent of the fee collections to forgive student loan debt for math, science, and K-3 teachers, up to a maximum of \$5,000 per teacher. Rep. Vernon Ehlers (MI) offered an amendment to expand this provision to all schools, not just those in "high-need" urban and rural schools. The amendment was adopted by a vote of 28-15. An attempt to give priority to high-need schools was defeated by a vote of 23-19. Rep. Buck McKeon (Santa Clarita) supported the Ehlers amendment, citing an industry estimate that 845,000 jobs will go unfilled in the U.S. technology sector.

The Committee also debated whether to include an education component in the bill. Rep. Ron Kind (WI) offered an amendment that paralleled H.R. 3983. It would have encouraged students to pursue math, science and reading at an early age and transferred 10 percent of the funds from the visa fee collections to the "Upward Bound" program for that purpose. Rep. Matthew Martinez (Monterey Park) voiced his support for Mr. Kind's amendment, saying that encouraging interest at an earlier age would increase the numbers of technology workers in the long-term. Rep. Kind withdrew the amendment after assurances that the Committee would work with him to include an education aspect in the bill.

For more information, contact the House Committee on Education and the Workforce at (202) 225-4527 or their web site <http://www.house.gov/eeo>.

The Senate Judiciary Committee reported its version of the legislation, S. 2045, on Thursday, March 9. The bill would increase the number of skilled worker H-1B visas to a total of 195,000 for fiscal years 2000 through 2002. See, [Bulletin, Vol. 7, No. 8 \(3/9/00\)](#).

CHAIRMAN HUNTER'S ARMED SERVICES PANEL RESTORES NIF FUND, BOOSTS DEFENSE PROCUREMENT LEVELS

During consideration of the FY2001 defense authorization bill on Tuesday, May 9, the House Armed Services Subcommittee on Procurement added \$95 million to the President's budget request of \$80 million for the National Ignition Facility (NIF). The funding authorization increase was inserted into the Chairman's mark by Subcommittee Chair Duncan Hunter (Alpine), with the support of Rep. Ellen Tauscher (Pleasanton).

Currently under construction at the Lawrence Livermore National Laboratory, the NIF uses ultra high-powered lasers to concentrate energy in a manner which replicates the energy in the sun or in an atomic weapon, permitting scientists to maintain the nation's nuclear stockpile without violating the nuclear test ban treaty. NIF construction has been slowed due to technical challenges and budgetary constraints, and the Secretary of Energy is expected to report to Congress by mid-June regarding a revised construction and operation time-line.

The Chairman's mark included \$2.6 billion in additional defense procurement above the level proposed by the Administration's budget request in February. By reducing some of the President's proposals by \$900 million, the House bill allows for \$3.5 billion in upward adjustments, including \$2.8 billion in procurement, \$500 million in R&D, and \$200 million in the Department of Energy's defense accounts. The largest authorization boosts proposed by the panel were for the Navy's F/A-18 upgrades

(\$104 million) and for the Air Force's F-15 E (\$150 million), defense airborne reconnaissance (\$108 million), F-15 upgrades (\$100 million) and extended range cruise missiles (\$86 million).

On Wednesday, May 10, the full Armed Services Committee approved the FY 2001 DOD authorization bill on a 56-1 vote, with these provisions included. The committee recommended \$2.2 billion (an increase of \$85 million for R&D than the President's request) for National Missile Defense (NMD) and a boost of \$94 million to \$142.3 million for upgrades to the B-2 stealth bomber fleet. The bill paralleled the \$2.2 billion requested for 12 additional C-17 transport aircraft, built in Long Beach, and includes \$2.6 billion for procurement of 39 F/A-18E/F Superhornet fighters and \$109 million for the Globalhawk unmanned aerial vehicle program.

Finally, the Committee expressed its support for the Joint Strike Fighter program, backing the President's requests for \$856.6 million for JSF (\$427.6 million for Navy JSF development and \$429 million for Air Force JSF development). However, the committee recommended limiting the program's approval to proceed beyond the demonstration and validation phase until the Secretary of Defense certifies that the technological maturity of the JSF program's key technologies is sufficient to warrant its entry into the engineering manufacturing and development (EMD) stage.

Links to detailed information on the defense bills is available on the House Armed Services Committee website, at <http://www.house.gov/hasc/press.htm>.

PPIC REPORTS FINDS CALIFORNIA'S POOR MAY NOT BENEFIT AS MUCH AS EXPECTED FROM AN INCREASE IN MINIMUM WAGE

In *Increasing the Minimum Wage: California's Winners and Losers*, the Public Policy Institute of California (PPIC) attempts to determine the effects of raising the minimum wage in California from \$5.75 (already over the federal minimum) to \$6.15 an hour. Authors Margaret O'Brien-Strain and Thomas MaCurdy wrote the report as a result of the 1999 Senate proposal to raise the minimum wage and the overwhelming support of many legislators for an increase. The report states that the proposed increase has an 80 percent public approval rating in California.

The report tests two key assumptions: that raising the minimum wage would increase the income of the poor overall and would also result in minimal public or social costs. PPIC found that the lowest income level families would not benefit much more from an increase than higher income level families. "Families born in the bottom 40 percent of the income distribution receive 43 percent of the extra earnings from the increase in the minimum wage, while families in the top 40 percent of that distribution receive 34 percent of the additional earning." Moreover, because an increase in labor costs may have the effect of driving up the price of goods produced by minimum wage workers, lower income Californians overall would end up spending a larger percentage of their total income on the resulting expensive goods. O'Brien-Strain says "these families end up paying higher prices without receiving any extra income."

The report also found that most low income families in California would not be affected by the increase, due to the fact that many families do not have a member working at that low-wage; in fact, according to the report, just one in five families at all income levels would benefit from a minimum wage increase.

The report states that it bases much of its findings regarding the proposed increase by examining the 1996 increase in California's minimum wage from \$4.25 to \$5.15.

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

REPORT EXAMINES BROWNFIELD CLEANUP AND REDEVELOPMENT CASE STUDIES

As part of a broader movement towards smart growth, the California Center for Land Recycling (CCLR) recently published *Brownfield Redevelopment, Case Studies*. The report examines five contaminated sites for Brownfield redevelopment in California: Abandoned Oil, Venice Beach;

Neighborhood Park, Oakland; Lumber Mill Site, North Fork; Municipal Surplus Property, Pacifica; and Business Incubator Project, South Central Los Angeles.

According to the report, current law and misinformation hinder the redevelopment of land in California. Two assumptions are commonly associated with cleaning up and redeveloping brownfields: that assumed costs far exceed actual costs for redevelopment; and, that areas are less contaminated than first thought. Additionally, some unintended consequences of the Superfund law have made it harder to undertake the cleanup process because of liability issues when the extent of contamination is not known up-front.

To meet these challenges, CCLR provides a nexus between private, community and government action on brownfield programs by providing technical assistance in generating funds. In one case study, CCLR helped a San Francisco suburb to redevelop their waste water contaminated area, revitalizing the neighborhood and its economy. As a result of its efforts, a manager now works with the community to redevelop the site.

For more information, or a look at the four other case studies, contact CCLR at (415)820-2080 or at their web site: <http://www.cclr.org>.

CHINA AND PNTR HEARINGS CONTINUE IN HOUSE AND SENATE

Two hearings on granting China permanent Normal Trade Relations (PNTR) occurred on the House and Senate side this week. On Tuesday, May 9, the Senate Banking, Housing and Urban Affairs Committee held a hearing on the financial impact of China joining the World Trade Organization (WTO). Then, on Thursday, May 11, the House Committee on Banking and Financial Services held a hearing on the same topic.

U.S. Trade Representative Charlene Barshefsky and Secretary of the Treasury Lawrence Summer testified at both hearings on the importance of China's entry. At the Senate hearing, in response to Senator Bunning's (KY) concern that the WTO has no enforcement power, Barshefsky replied that all disputes with non-complying countries have been resolved, with the exception of one. For instance, according to Barshefsky, the WTO retaliated against the European Union (EU) for non-compliance by imposing a \$300 million fine. On compliance, Barshefsky also noted that "the more specific and time directed the agreement, the better the compliance," and touted the U.S.-China agreement as both.

Other witnesses testifying at the Senate hearing included: Mark E. Lackritz, President, Securities Industry Association; Gary Benanav, Chairman and CEO, New York Life International and representative of the Financial Services Roundtable. Mr. Lackritz also testified at the House hearing, along with Norman Sorenson, President, Principal International, Inc., and John Lipsky, Chief Economist, Chase Manhattan Bank.

For more information, contact the Senate Banking, Housing and Urban Affairs at (202) 224-7391 or their web site <http://www.senate.gov/~banking>; or the House Committee on Banking and Financial Services at (202)225-7502 or <http://www.house.gov/banking>.

The House is scheduled to vote on the issue the week after next, but the latest reports indicate that there are still not enough votes to pass the measure.

SENATE IMMIGRATION SUBCOMMITTEE EXAMINES GUESTWORKER LEGISLATION

The Immigration Subcommittee of the Senate Judiciary Committee met on May 4, to examine the "Agricultural Job Opportunity Benefits and Security Act of 1999" (S. 1814), which would revise the H-2A guestworker program.

The Subcommittee heard from three of the bill's sponsors, Sens. Gordon Smith (OR), Larry Craig (ID) and Bob Graham (FL), as well as from Reps. Howard Berman (Valley Village) and Sanford Bishop (GA), and representatives of the Michigan Farm Bureau, the Casa-de-Zion Lutheran Ministry to

Farmworkers, the National Council of La Raza, the National Council of Agricultural Employees, and the United Farmworkers of America, AFL-CIO.

Promoting the bill, Sen. Smith noted that it would allow farmworkers who worked 150 days in U.S. agriculture before introduction of the bill to adjust their status to "temporary nonimmigrant" and would allow them to reach permanent resident status if they worked 180 days annually in 5 of the 7 ensuing years. Sen. Graham commented that 50% of the nation's 1.6 million agricultural workers identified themselves as undocumented in 1999, up from 37% just a few years before. Under the bill, workers would only be eligible to work in agricultural employment during the qualifying period.

Rep. Berman suggested that the growing ranks of undocumented workers would be best countered by improving farmworker conditions and tightening immigration controls. He argued that broadening the H-2A program will exacerbate an existing oversupply of farm labor, making workers more exploitable. Nevertheless, Berman called S. 1814 a "meaningful step forward" that responded constructively to previous issues. He suggested the key to a workable bill would be a more collaborative process, which widened the participation of farmworkers in the process. In one example, Rep. Berman suggested that the bill should allow workers to work in other jobs at times when agricultural work is unavailable, and he criticized provisions requiring that workers leave for 60 days per year. In addition, he stated that there are only so many days in which farmworkers can work in the fields -- the average work is only 145 days per year -- and thus many workers may be unable to reach the 150-day threshold.

Echoing Rep. Berman's comments, the bill's proponents also expressed a willingness to work out a compromise. Sen. Smith stated that he did not think the two sides were far apart. Referring to the specified number of days which must be worked, Sen. Smith commented that the bill's lines may have been "drawn imperfectly, and we're open to changing them."

A witness list and limited testimony is available on the Senate Judiciary Committee website at <http://www.senate.gov/~judiciary/wl542000.htm>.

ADOPTIONS OF FOSTER CARE CHILDREN INCREASE BY 50% IN TWO YEARS

According to the California Department of Social Services, Californians adopted nearly 6,000 foster children in 1999, up from just over 4,000 in 1997. The increased number of adoptions is partially a result of California's enactment of a 1997 incentive that allows states to receive federal bonus funds for increasing their adoption rates. As a result, in 1999, California received \$3.9 million in federal funding to be used for programs that support adoptive families.

Leading with the highest increases in foster care adoption numbers, Santa Clara County and Riverside County nearly tripled their numbers over the past two years. Los Angeles County increased its adoption numbers by 65 percent in the same time period.

BAEF FORUM DISCUSSES GROWTH CONCERNS AND SOLUTIONS FOR BAY AREA

In *Housing and the Economy*, the Bay Area Economic Forum's (BAEF) Board of Directors analyze the challenge of sustaining enough housing to support Bay Area growth. The Board discusses a range of topics, including "smart growth," federal redevelopment efforts, state and local efforts, and makes recommendations for improvements.

In the report, Board Member Dick Spees points to a prediction that "by 2020, the nine counties around the Bay will add approximately 1.4 million new residents and an equal number of new jobs, . . . [while] only 500,000 housing units will be built." Today, according to the National Association of Home Builders (NAHB), the housing shortage in the Bay Area has resulted in the most expensive market in the United States, with the 1999 median sales price at \$420,000. In fact, California claimed eight out of the national top ten most expensive housing markets: Santa Cruz-Watsonville (#2), San Jose (#3), Salinas (#4), Santa Rosa (#5), San Luis Obispo (#7), San Diego (#8), and Oakland (#9).

The report mentions three federal programs and proposals that address the Bay Area's growth concerns: the Location Efficient Mortgage Program, National Brownfields Partnership, and military base closures. For example, under the Location Efficient Mortgage Program, federal funds support mortgages in areas that are within walking distance of jobs.

Recommendations directed at the state include expansion of the ferry system, analyzing land use efficiency, restructuring the tax system, creating a regional government and applying older theories to address concerns of growth in the Bay Area. As part of an idea to analyze land use efficiency, the report applauds Mayor Jerry Brown's initiative to add 10,000 residents in Oakland. The Mayor's team analyzed 300 blocks of downtown to establish where they could build housing. The report also mentions that Proposition 13 has created a disincentive to build housing, because localities profit instead from building revenue-generating shopping malls. The report's suggestion to create a regional government would enable land developers to appeal over local government to a higher regional body, in order to remove some of the barriers associated with building housing. Lastly, Board Member David Martin suggests that the Bay Area model affordable housing development after the way redevelopment agencies are funded. "In redevelopment agencies, you have to take 10 percent of the incremental revenues you get and set it aside for affordable housing. . . . let's create a pot of money and tell the local community that if they don't use it for affordable housing, it comes back to the state."

The report acknowledges concerns with many of these proposals but hopes to open up the discussion, in part to emphasize the importance of this problem. According to the report, if nothing is done, the area's growth problems will keep spreading to outer suburbs, causing traffic to worsen, housing prices to increase, and quality of life to diminish. In turn, this will make it increasingly harder for businesses to recruit workers to the Bay Area, thereby reducing the amount of research and productivity output from the area.

For more information on the report, contact the Bay Area Economic Forum at (415) 981-7117 or their web site <http://www.bayeconfor.org> . For more details on affordability of housing markets contact the NAHB at <http://www.nahb.com> or the California Association of Realtors at <http://www.car.org> .