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# California Capitol Hill Bulletin

**Volume 7, Bulletin 17 -- May 18, 2000**

*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.*

## **CHINA PNTR BEGINS TO MOVE**

Both the Senate Finance Committee and the House Ways and Means Committee favorably reported legislation (S. 2277 and H.R. 4444, respectively) on Wednesday, May 17 granting China permanent normal trade relations status with the United States. PNTR for China will facilitate its accession into the World Trade Organization and ensure that the United States can take advantage of the WTO's body of law in its dealings with China.

The Finance Committee vote of 18-1 was expected. At the markup, however, Sen. Fred Thompson (TN) indicated he may push for an amendment to the bill, or to any side agreement, sanctioning China for weapons proliferation.

The Ways and Means margin of victory, 34-4, was made possible primarily by a bipartisan agreement worked out by members during the week. The agreement, hammered out by Reps. Phil Crane (IL), Sander Levin (MI), and Doug Bereuter (NE), calls for parallel legislation that codifies the provisions negotiated in the 1999 U.S.-China bilateral agreement and will allow the United States to retaliate against China if it floods the country with goods. In addition to this "anti-surge" provision, the companion bill will call for an executive-legislative committee to report on China's human rights activities and an increase in WTO's enforcement of China's trade practices. A resolution supporting Taiwan's entry into the WTO will also be included.

The House is expected to vote on H.R. 4444 next week. Although the parallel bill is expected to garner some votes for passage, the final vote on PNTR for China is still expected to be very close.

Another trade issue, the Trade and Development Act (the Africa-Caribbean Basin trade bill), which passed the House and Senate earlier this month, was signed by the President on Thursday, May 18. The bill, shepherded by House Africa Subcommittee Chair Ed Royce (Fullerton), among others, is expected to expand trade between the United States and Africa and the Caribbean. In 1997, the last year for which figures are available, California exported \$329 million in manufactured goods to the leading eight African nations; the state's total manufactured exports for that year were \$104 billion. While the

## **CONTENTS:**

China PNTR Begins To Move . . . .	1
Judiciary Reports H-1B Bill . . . . .	2
Joint Strike Fighter Study Language Included in House's FY 2001 Defense Authorization Bill . . . .	2
Export Control Review Process Shortened . . . . .	3
Wine Industry Leaders Address Golden State Roundtable Luncheon . . . . .	3
Briefing Held on the Working Uninsured in California . . . . .	3
Senate Panel Meets to Mark up Electric Power Bill . . . . .	4
Pacific Salmon Recovery Act of 1999 Discussed in House Panel . . . .	4
Double Bottom Line Initiative Seeks to Lessen Economic Disparity Among California Regions . . . .	5
Institute Summarizes California Impacts of House's Transportation Appropriations Proposal . . . . .	6

state's Africa trade share to date has been small, there is optimism that this legislation will encourage growth.

## **JUDICIARY REPORTS H-1B BILL**

After delaying completion of its markup for a week, the House Judiciary Committee on Wednesday, May 17 made short work of approving a bill lifting the caps on H-1B visas. With little discussion, the Committee reported the bill by a vote of 18-11. H.R. 4227 would eliminate the cap on the number of H-1B visas for skilled workers over the next three years. In exchange, however, the bill places significant requirements on employers. During last week's markup, the Committee amended the bill to ease 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, Nos. 13 (4/13/00) & 16 (5/11/00)*. Despite these changes, the high tech industry remains concerned with other requirements in the bill.

The Judiciary Committee's bill will have to be melded with a companion measure, H.R. 4402, reported by the House Education and Workforce Committee last week. That bill establishes incentives to encourage math and science teaching in U.S. schools. Some parties close to the issue think that the bill that ultimately goes to the House floor will be similar to that authored by Reps. David Dreier (San Dimas) and Zoe Lofgren (San Jose), H.R. 3983. That bill raises the application fee for H-1B visas and allocates the money to both education and training initiatives. Rep. Lofgren has argued that the restrictions placed on businesses under H.R. 4227 makes it unpalatable to them. See, *Bulletin, Vol. 7, No. 16 (5/11/00)*. An attempt may also be made on the House floor to include two amnesty provisions relating to other immigrant groups.

## **JOINT STRIKE FIGHTER STUDY LANGUAGE INCLUDED IN HOUSE'S FY 2001 DEFENSE AUTHORIZATION BILL**

In an effort to boost California's prospects in the process of deciding where the Joint Strike Fighter (JSF) is built, the House's defense authorization bill for FY01 includes a provision requiring a Pentagon study of the cost-effectiveness of various sites proposed for the \$750 billion project. Reps. Howard P. "Buck" McKeon (Santa Clarita) and Loretta Sanchez (Anaheim) led the effort to include the language in the bill. The language was included in legislation shepherded by Rep. Duncan Hunter (Alpine), Chair of the House Armed Services Subcommittee on Military Procurement.

Just a few days before the provision was incorporated into the bill, 52 members of the California Congressional Delegation, including Senators Dianne Feinstein and Barbara Boxer, as well as Governor Gray Davis, had expressed their support for just such a study. See *Bulletin, Vol. 7, No. 16 (5/11/00)*.

Rep. McKeon commented, "This is an opportunity for federal taxpayers to save billions, and for California to get tens of thousands of high-paying jobs." A study last year by an independent consultant identified \$2.2 billion in savings if a California site was selected. However, McKeon also commented that "It should be remembered that this is still very much an uphill fight. Lockheed and Boeing have not changed their positions, and the final decision on JSF assembly will be up to them no matter what. But I am hopeful that if the Pentagon study confirms that the cost of the JSF will be cut by billions of dollars by building it in California, the contractors will realize it is in their interests to do so." At least 10,000 jobs are expected to be located at the final production site. In addition, 70 percent of the contract funds are expected to flow to subcontractors. McKeon said that unlike Texas and Missouri, the California site offers a highly trained and security-cleared workforce, state tax incentives and a facility that is designed for the kind of stealth technology that will be utilized in JSF construction. Lockheed Martin and Boeing

are competing for the contract to build the JSF, and they argue that, regardless where final assembly takes place, California will reap a large share of subcontracting work.

In other action on the defense authorization bill, the House on Thursday rejected, by a 56 to 368 vote, an amendment by Rep. Mark Sanford (SC) which would have eliminated portions of existing law which authorize the Department of Defense to convey surplus military property to local governments at less than fair market value.

In its procurement accounts, the bill provides \$5.2 billion for ballistic missile defense and \$2.2 billion for 12 new C-17 airlift aircraft (similar action took place today in the Senate Appropriations Committee). The defense authorization bill passed the House Thursday evening on a 353-63 vote.

### **EXPORT CONTROL REVIEW PROCESS SHORTENED**

The House passed an amendment to the Department of Defense authorization bill, H.R. 4205, on Wednesday May 17 shortening the time period for congressional review of changes in export controls on high speed computers. The vote was 415-8. The amendment authored by Rep. David Dreier (San Dimas) reduces from 180 days to 60 days the congressional review period for adjustments made in the allowable strength of high performance computer exports. Under the 1998 National Defense Authorization Act, after the Administration increases the processing capability (measured in millions of theoretical operations per second or MTOPS) of computers that may be exported, Congress has 180 days to review the change and legislatively preempt it if it chooses. *See, Bulletin, Vol. 7, [Nos. 12 \(4/6/00\)](#) & [13 \(4/13/00\)](#)*. Rep. Ellen Tauscher (Pleasanton) co-sponsored the amendment.

The amendment is similar to a bill, H.R. 3680, introduced by Dreier and Rep. Zoe Lofgren (San Jose), which was reported by the International Relations Committee on April 13. The original bill, however, called for reducing the review period to 30 days.

### **WINE INDUSTRY LEADERS ADDRESS GOLDEN STATE ROUNDTABLE LUNCHEON**

On Tuesday, May 16, the California State Society held a Golden State Roundtable luncheon featuring leaders from the Wine Institute, which is based in San Francisco. Various speakers from the California wine and agriculture community spoke, including: Bobby Koch, Senior Vice President of the Wine Institute; John DeLuca, President of the Wine Institute; Bill Pauli, President of the California Farm Bureau and a vintner himself at Braren-Pauli Vineyards; Mark Linder, President of Food, Land and People; John Muller, who does government relations work for the Society of American Florists and Daylight Farms; and Bob Trincherro, CEO of Trincherro Family Estates, makers of Sutter Home wines.

The speakers discussed the Wine Institute's policy agenda, including supporting permanent normal trade relations (PNTR) for China and fighting Pierce's Disease and the new vector insect, the glassy-winged sharpshooter (GWSS), which is spreading it rapidly. Mr. DeLuca noted that a GWSS was found in a trap this week in Rohnert Park in Sonoma County, a disturbingly short distance from the state's premier wine region.

Also discussed at the luncheon was a new "Agriculture and High-Tech Alliance," which enables the technology and agricultural industry to work together in accomplishing common policy goals.

### **BRIEFING HELD ON THE WORKING UNINSURED IN CALIFORNIA**

The UCLA Center for Health Policy Research, along with UC Government Relations and the California Endowment, sponsored a briefing on Monday, May 15. A number of experts on California's working uninsured spoke at the briefing: Julie Turgend, Vice President and Chief Operating Officer, The California Endowment; E. Richard Brown, PhD, Director, UCLA Center for Health Policy Research and Professor; Ninez Ponce, PhD, Senior Researcher, UCLA Center for Health Policy Research and

Assistant Professor; Cindy Mann, JD, Director of Family and Children's Health Programs Group, Health Financing Administration, Department of Health and Human Services; and Priscilla Boroniec, MPP, Deputy Administrator, Division of Health Care Financing, Wisconsin Department of Health and Family Services.

The discussion began with Richard Brown and Ninez Ponce profiling the working uninsured in California, where 82 percent of the California's uninsured are in working families. Ms. Ponce stated that out of the two million uninsured children, three-quarters could be covered by Medical and Healthy Families. Both she and Mr. Brown discussed the Administration's proposal to extend coverage to children in order to cover an additional 502,000 parents in California (between 101-250 percent of the poverty level). According to the briefing, many workers could benefit from the President's proposal to have Family Care buy into the employer's health plan, where the employer would pay half of the premium. The President's program could potentially cover 86,000 more 19-20 year olds through Medicaid and S-CHIP as well as 108,000 more 62-64 year olds through a one-time buy in of Medicare.

Ms. Priscilla Boroniec, representing Wisconsin's Badger Care Program, spoke about similar obstacles that Wisconsin faced and how Badger Care helped overcome those challenges. The President's proposal mirrors the Badger Care Program.

### **SENATE COMMITTEE MEETS TO MARK UP ELECTRIC POWER BILL**

On Wednesday, May 17, the Senate Energy and Natural Resources Committee met to mark up S. 2098 (Murkowski-AK), an electric power deregulation bill. At the hearing, committee members discussed eight other proposals, none of which were voted on.

One aspect of the debate revolved around whether to repeal the Public Utilities Regulatory Policy Act (PURPA) altogether or simply repeal the requirement that utilities must purchase power (known as the mandatory sale requirement). Chairman Murkowski's proposal would do the latter. The issue of repealing PURPA also sparked a debate on how to maintain an incentive to use renewable energy with or without PURPA.

The bill also calls for a repeal of the Public Utility Hold Company Act (PUHCA).

The committee further discussed state and federal jurisdiction over electricity. Currently, states have jurisdiction over bundled transmission, and the Federal Energy Regulatory Commission (FERC) has authority over unbundled transmission. Because of this, one-third of the nation's electric grid is not subject to FERC jurisdiction. Chairman Murkowski proposed an amendment that would give more power to states, allowing them to regulate bundled and unbundled retail sales of electric energy.

The Committee is scheduled vote on proposed amendments at a second markup, expected to be held on Wednesday, May 24.

For additional information, contact the Senate Energy and Natural Resources Committee at (202) 224-4971 or its web site: <http://www.senate.gov/~energy>.

### **PACIFIC SALMON RECOVERY ACT OF 1999 DISCUSSED IN HOUSE SUBCOMMITTEE**

On Thursday, May 18, the House Resource's Fisheries Conservation, Wildlife and Oceans Subcommittee met to discuss H.R. 2798, the Pacific Salmon Recovery Act of 1999. H.R. 2798, introduced by Rep. Mike Thompson (St. Helena), would authorize the Secretary of Commerce to provide funds to Alaska, California, Oregon and Washington for salmon habitat and restoration activities. The bill authorizes \$200 million to be shared equally among the four states and each state would be required to provide matching funds. Tribal governments would be eligible to receive money as well. Funding would be used for scientifically based and economical plans that would contribute to the protection or restoration of salmon.

Rep. Mike Thompson and several other representatives from the Pacific Northwest fishing industry testified at the hearing. Witnesses from California included: David Bunn, Deputy Director, California Department of Fish and Wildlife and Tim Smith, Sonoma County Supervisor.

Congressman Thompson testified to the importance of salmon recovery and cited supporting statistics: "Twenty-six distinct population segments of Pacific salmon and sea-run trout are listed as either endangered or threatened under the Endangered Species Act (ESA). California alone accounts for twelve of those listings." The scarcity, Mr. Thompson testified, has contributed to the loss of nearly 80 percent of his region's jobs.

David Bunn also testified in support of the measure, arguing that continued federal support is need for successful salmon recovery. He argued that a public mandate has called for recovery, as evidenced by the passage of Propositions 12 and 13, which provided \$50 million in bond acts for salmon habitat restoration. Tim Smith also supported H.R. 2798 and called for a multi-year extension of \$200 million over the next six fiscal years.

In 1998 the Governors from California and the other three states sent a letter to the Administration requesting \$50 million for six years in each of the four states. The FY00 Commerce, Justice and State Appropriations Conference report included \$58 million for salmon restoration and research; California received \$9 million under this one time funding.

For more information, contact the House Resource's Fisheries Conservation, Wildlife and Oceans Subcommittee at (202) 226-0200.

### ***DOUBLE BOTTOM LINE INITIATIVE SEEKS TO LESSEN ECONOMIC DISPARITY AMONG CALIFORNIA REGIONS***

On Thursday, May 11, California State Treasurer Philip Angelides released a report entitled: *The Double Bottom Line: Investing in California's Emerging Markets*, an \$8 billion investment plan to direct capital through state programs into California's emerging markets.

The report notes that California has one of the greatest gaps between rich and poor, which according to the report, threatens to create "two Californias." In order to shrink this gap, the report suggests that California apply its tradition of global investment to "communities left behind in the State's current economic boom."

Specifically, the plan would call on the California Public Employees' Retirement System (CalPERS) and California State Teacher's Retirement System (STRS) to invest over \$5 billion in these communities, with an initial allocation goal of 2 percent of the funds' portfolios. More than \$1 billion would be invested in state deposits in California financial institutions to spur home and business lending. Another \$1 billion in capital would be used for home loans for low to moderate income Californians while \$400 million would be invested privately to redevelop Brownfield sites. The report calls for \$300 million in small business lending through expansion of the California Capital Access Program. Other investments in the report include capital for foundations, small business lending through SBA loans, lending for community health clinics, research and various others.

For more information, or for a copy of the report, contact the State Treasurer's Office at (916) 653-2995 or view the report (682 K in pdf format) on their website at <http://www.treasurer.ca.gov/DBL.htm> .

### **CALIFORNIA IMPACTS OF HOUSE'S FY 2001 TRANSPORTATION APPROPRIATIONS PROPOSAL SUMMARIZED ON INSTITUTE WEB SITE**

On Tuesday, May 16, the California Institute staff reviewed the FY01 Transportation Appropriations bill (H.R. 4475) as passed by the House Appropriations Committee that afternoon. The

bill includes \$15 billion in discretionary spending and more than \$40 billion in mandatory spending. The bill calls for approximately \$249 million in Federal Transit Administration (FTA) projects for California, including: \$80 million for the San Francisco BART extension to the airport; \$50 million for the Los Angeles North Hollywood extension project; and \$35.2 million for the Sacramento south corridor LRT project.

The bill further calls for approximately \$494 million in transit formula grants for California, the largest share going to San Francisco at \$116.9 million. Another \$67.5 million would be allocated for buses and bus facilities in California. The bill provides \$900 million for discretionary grants to airports, and specifies 105 airports, 13 of which are in California, as priority airports to receive the funds. California is also expected to receive \$2.17 billion in FY01 federal-aid limitation formula funding out of a total \$22.76 billion.

The House is expected to consider the FY01 Transportation Appropriations bill on the floor on Friday, May 19.

The report is available on our website at <http://www.calinst.org/pubs/tranapp01.htm>

The Appropriations bill is lengthy and staff prepared the report in just a few hours. Please do not hesitate to let the Institute know of any problems and/or errors and we will update our web site as soon as possible.