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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 contributions from Sun Microsystems and IBM Corp.

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COMMERCE, JUSTICE, STATE APPROPRIATIONS APPROVED BY SENATE COMMITTEE; SCAAP RECEIVES ONLY $50 MILLION

The Senate Appropriations Committee, on Tuesday, July 18, reported its version of the FY01 Commerce, Justice, State Appropriations bill. The vote to approve the unnumbered bill was 28-0. It includes only $50 million for the State Criminal Alien Assistance Program (SCAAP) to partially reimburse the states for the costs of incarcerating illegal criminal aliens. This move is similar to last year, when the Senate Committee only approved $100 million for SCAAP, but deferred to the House's $585 million funding level in conference. The California congressional delegation was instrumental in 1999 in retaining the House position, and is expected to play the same role again this year.

The $36.6 billion bill also includes funding for an additional 1,000 border patrol agents and $15.7 million for equipment upgrades along the border. In addition, $413.9 million is provided to the Southwest Border Initiative to fund more detention centers, judges, helicopters, and other equipment to stem the flow of illegal immigrants.

A total of $77.7 million for methamphetamine initiatives is also funded. It includes $27.5 million for Drug Enforcement Agency (DEA) personnel and operations; $24.1 million for clandestine lab cleanup; $21.7 million for State and local law enforcement to combat methamphetamine production, trafficking, and use; and $3.5 million for equipment needed to train State and local law enforcement officials.

The Institute will prepare a more detailed analysis of the bill, which will be available on our website in the near future.

SENATE ENERGY AND WATER APPROPRIATIONS ZERO FUNDS CALFED; DAVIS CALLS FOR REAUTHORIZATION

The Senate Appropriations Committee reported its FY01 Energy and Water Appropriations on Tuesday, July 18, zero-funding the Bay-Delta restoration project. The move was not unexpected, as the House Appropriations Committee also zero-funded the project in its bill.

The reason cited for the lack of funding is that the authorization for the program has elapsed. Rep. John Doolittle (Rocklin), chair of the House Resources Water and Power Subcommittee, is currently working on a draft reauthorization bill that may be introduced soon. CALFED stakeholders hope that once there is movement on the reauthorization bill funding will be restored to the program during conference on the Energy and Water bill. The Administration has requested $60 million in funding for the program, the same level as last year.

On July 17, Governor Gray Davis wrote to congressional leaders on the issue. The Governor urges Congress to adopt a straight one-year extension of the program and to include a $60 million appropriation for FY01. The letter also requests that the appropriation provide funding for a broad range of CALFED actions, "including the Environmental Water Account, the ecosystem restoration and science programs, and specific storage, conveyance, and water use efficiency projects and programs throughout the state."

[For information on proposed energy research funding in the Senate's version of the Energy and Water Appropriations bill, *see Bulletin, Vol. 7, No 23 (7/13/00)*.]

NASA's Goldin Speaks at Golden State Roundtable Luncheon

On Tuesday, July 18, the California State Society held a Golden State Roundtable lunch featuring keynote remarks by Daniel S. Goldin, Administrator of the National Aeronautics and Space Administration (NASA). Reps. Ken Calvert (Corona) and Dana Rohrabacher (Huntington Beach) introduced Mr. Goldin, highlighting his commitment to public service and the positive changes he has instilled at NASA. Mr. Goldin opened his remarks with a comparison between California and the recent Napster technology: both, he believes, are taking revolutionary steps and having enormous impacts. Because 25 percent of NASA procurement goes to California, Goldin commented that there needs to be a more intense dialogue between NASA and the California community. He cited two specific areas in which he feels should be a priority for California: the High Assurance Software Consortia (between NASA and software companies) and the Space Launch Initiative. Goldin also hopes to meet with California delegation members in the near future to further discuss NASA's goals.

Senate Passes Disaster Mitigation Bill; Includes FEMA Public Assistance Insurance Requirement

On Wednesday, July 19 the Senate passed its version of the Disaster Mitigation Act, after substituting the text of S. 1691 for the House-passed H.R. 707. The bill amends the Robert T. Stafford Disaster Relief and Emergency Assistance Act to establish programs for predisaster hazard mitigation, disaster preparedness, and mitigation assistance. The Senate bill also contains a section mandating that the Federal Emergency Management Agency (FEMA) promulgate regulations under which public entities would be required to purchase adequate levels of insurance or self-insurance as a condition of receiving disaster assistance.

FEMA began working on these regulations last year, and the California congressional delegation, state and local public entities in California have expressed strong concerns that public assistance insurance requirements in the state would be unavailable and/or unaffordable. *See, Bulletin, Vol. 7, Nos. 5 (2/10/00), 10 (3/23/00), 13 (4/13/00), and 14 (4/20/00).*

The House bill, passed March 4, 1999, directs the General Accounting Office to initiate a study regarding current and future expected availability of disaster insurance for public infrastructure eligible for assistance under the Stafford Act. The FY01 VA-HUD Appropriations Committee Report expresses the Committee's concern that FEMA has not conducted a thorough cost-benefit analysis of the proposed regulations nor has engaged in sufficient outreach with potentially affected parties.

The California Office of Emergency Services, California State Association of Counties, and California League of Cities have prepared recommendations on the public insurance issue. They recommend either: 1) supporting the House language in H.R. 707; 2) petitioning for a national panel to assess the full impact of the regulations; or 3) exempting earthquakes from the insurance rule proposal.

HOUSE INTERNATIONAL RELATIONS EXAMINES MUSIC & SOFTWARE PIRACY

The House International Relations Subcommittee on International Economic Policy and Trade held a hearing on Wednesday, July 19 to examine the impact of music and software piracy on U.S. industries. The Subcommittee heard from: Todd Dickinson, Under Secretary for Intellectual Property and Director, Patent and Trademark Office (PTO); Joseph Papovich, Assistant U.S. Trade Representative for Services, Investment, and Intellectual Property; Jack Krumholtz, Director of Federal Government Affairs and Associate General Counsel, Microsoft Corporation testifying on behalf of the Business Software Alliance; and Tom Tyrrell, Sr. Vice-President, General Counsel, and Secretary, Sony Music Entertainment.

Secretary Dickinson and Assistant Trade Representative Papovich detailed the efforts their agencies are taking to ensure ratification of international anti-piracy agreements, such as the World Intellectual Property Organization (WIPO) Copyright Treaty, WIPO Performances and Phonograms Treaty, and the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) Agreement. As of July 19, including the United States, 19 countries have ratified the World Copyright Treaty, and 16 have ratified the Performances and Phonograms Treaty. Thirty countries are needed to ratify the agreements before they take effect.

Mr. Krumholtz and Mr. Tyrrell testified on the losses suffered by U.S. industries because of piracy of software and music. Mr. Krumholtz cited a Nathan Associates study estimating that software theft in 1998 cost the U.S. economy 109,000 jobs, $4.5 billion in wages, and $991 million in tax revenues. Mr. Tyrrell also raised the growing concern over the unauthorized trading or sharing of recorded music files over the Internet through such means as Napster and Gnutella.

The members of the Subcommittee were in agreement that piracy is a significant drain on United States' corporations and that the acceleration of access to unauthorized works over the Internet will only exacerbate the problem of piracy.

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

SENATE EVALUATES USDA EXPORT PROGRAMS

On Tuesday, July 18, the Senate Committee on Agriculture, Nutrition and Forestry's Subcommittee on Production and Price Competitiveness held a hearing on U.S. Agriculture Export Programs. Several witnesses testified before the committee including among others: Timothy J. Galvin, Administrator, Foreign Agriculture Service (FAS), U.S. Department of Agriculture (USDA); Hugh Parmer, Assistant Administrator, Bureau for Humanitarian Response, U.S. Agency for International Development (USAID); Roger Viadero, Inspector General, USDA; and Bill Griffith U.S. Rice Producers Association.

Mr. Galvin of FAS began his remarks by touting the Administration's efforts to increase exports through the easing of sanctions, a goal which could potentially result in an extra $500 million a year in exports. He then expressed his concern over the lack of increase in resources to develop the current export and development programs, and stated that "the European Union outspends the United States by about $92 million."

Hugh Parmer of USAID underscored the importance of aid abroad, testifying that the United States is expected to provide about 7 million tons of commodities in FY2000 - with 70 cents of every dollar spent on U.S. food assistance activities spent in the United States. He also shared the same concerns as Mr. Galvin in that food aid appropriations have declined by almost 50 percent in value since 1990.

Inspector General Roger Viadero suggested that the FAS be "vigilant"in monitoring the shipments of commodities to ensure that intended recipients receive them and the monetary proceeds . . .are used for the intended purposes." He stated this in conjunction with his overview of the 1999 Russian Food Aid Agreements, private voluntary organizations, and their investigations.

Bill Griffith, a rice farmer from Mississippi testified in support of raising farm income through the current U.S. farm and export programs. He opposes the U.S. trade embargo on Cuba, and stated that while Cuba consumes 400,000 tons of imported rice per year, none is produced in America.

For more information contact the subcommittee at (202) 224-2035 or their web site: http://www.senate.gov/~agriculture .

SENATE COMMITTEE REVISITS PNTR FOR CHINA; FLOOR ACTION DELAYED UNTIL SEPTEMBER

On Tuesday and Wednesday, July 19 and 20, respectively, the Senate Foreign Relations Committee held hearings on granting permanent normal trade relations (PNTR) to China. Senator Jesse Helms (NC), Chairman of the Committee and a staunch opponent of PNTR scheduled a panel of witnesses, most of whom opposed granting China permanent normal trading rights. The hearing occurred, despite objections from the Senate floor on Wednesday, and the passing of Committee member, Senator Paul D. Coverdell(GA).

Several witnesses testified before the committee including: Dr. Elliott Abrams, President, Ethics and Public Policy Center; Gary Bauer, President, American Values; George F. Becker, International President, United Steelworkers of America; and Dai Quig, Chinese Dissident, People's Republic of China.

Dr. Abrams testified that PNTR should be conditioned on China's agreement to improve its human rights record. Mr. Becker and Mr. Bauer each stated their objections to granting China PNTR because of China's faulty human rights record, its inability to abide by other trade pacts, and its "oppression" of labor rights. Gary Bauer expressed his concerns by arguing that trade with China will not change China, and vowed that "trade with China has already changed the United States" by making us forget our ideals.

Dai Quig, however, supports trading with China, arguing that "promoting engagement and trade is...among the most powerful means of changing China." He cited examples in history where this has happened, and noted that foreign investment in China brings in contemporary management strategies that, in turn encourage a better rule of law.

For more information, contact the Senate Foreign Relations Committee at (202) 244-4651 or their web site http://www.senate.gov/~foreign .

In other action, Senate Majority Leader Trent Lott (MS) announced this week that the Senate will not consider the China PNTR bill until after the August recess. He did say, however, he will set the wheels in motion next week on considering the bill, by moving for its consideration, and filing a motion to block an expected filibuster.

On the House side, as expected, on Tuesday, July 18, the House defeated a resolution to deny normal trade relations to China for another year. The vote was 147-281. The President had announced the one-year extension through June 2, 2001, which is needed because PNTR will not take effect until China joins the World Trade Organization. Rep. Dana Rohrabacher (Huntington Beach) authored the resolution of disapproval, H.J.Res. 106-103.

WELFARE CASELOADS SHRINK SLOWER IN CALIFORNIA THAN IN REST OF NATION

Even before Congress' landmark 1996 welfare reform, California already was a major welfare focal point, housing nearly one-fourth of the nation's recipients of federal Aid to Families with Dependent Children (AFDC) payments. A study released this week by the Washington-based Brookings Institution finds that California and twelve of its largest urban counties all lagged behind national welfare caseload declines from 1994 to 1999.

The report, available on the Brookings website at http://www.brookings.edu/es/urban/welfarecaseloads/2000report.htm found that the nation's welfare caseloads droped by 51.5% over the five-year period, California's caseloads declined by only 28.7%, to 640,989 cases. The report examined caseload shifts for AFDC and its successor program, Temporary Assistance for Needy Families (TANF) in the counties housing the nation's 100 largest cities.

Los Angeles County has the nation's largest welfare caseload, which declined 23.8% (less than half the national reduction percentage) to 235,321 cases in 1999. Among the state's counties studied, Kern County had the smallest decline, at 12.0%, while Santa Clara County had the largest, falling 51.1%. (It is noteworthy that even California's best-performing county was still below the national average decline!)

Generally, the state's urban areas retained roughly the same share of the state's caseload from the beginning of the study to the end. In 1999, Los Angeles County housed 37% of the state's TANF beneficiaries, followed by San Bernardino (7%), San Diego (6%), Sacramento (6%), Alameda (4%), Fresno (4%), Orange (4%), Riverside (4%), Kern (3%), San Joaquin (3%), Santa Clara (2%), and San Francisco (1%), with other counties comprising the remaining 19%.

The report suggested that half of the counties studied -- six out of twelve -- housed a greater share of welfare recipients than their share of the state population (Fresno, Kern, Los Angeles, Sacramento, San Bernardino, and San Joaquin); the other six counties housed less than their statewide population share (Alameda, Orange, Riverside, San Diego, San Francisco, and Santa Clara).

California Showed Strong Job Gains in 1998

According the data released this week by the U.S. Census Bureau, employment grew strongly in California's counties between 1997 and 1998.

Statewide, California saw a 4% increase in jobs during 1998, rising just past the 12 million mark and healthily exceeding the overall national increase of 2.7%. The 4% job growth ranked California sixth fastest growing among states in terms of employment for the year, after Utah, Colorado, Texas, Nevada and New Hampshire. Payroll expenditures in the state rose 9.5% (above the national average change of 8.6%) to a total of more than $406 billion, which translated to roughly $33,800 per California employee (above the national average of $30,600).

Jobs in Los Angeles County, the nation's largest county, increased by 2.82 million or 2.7% over the one-year period, while the population as a whole increased by 2.46 million or 0.9%. Orange County saw the third largest total growth in jobs among the nation's counties in 1998, rising by 61,385 (5.1%) while population rose 58,182 (2.2%). San Diego County ranked fifth, with job growth of 54,067 (6.0%) and population gain of just 44,063 (1.6%).

Detailed data are available on the California Institute website, at http://www.calinst.org/datapages/dataemp.html .

L.A. Home Prices at Peak While Office Rentals Downtown Remain Low

According to reports on information from DataQuick Information Systems Inc., median Los Angeles County home prices increased to $203,000 in June, the same all-time high level set in May 1991. Due to the recession, after May 1991, LA homes prices dropped 25 percent but have now returned to pre-recession prices. A similar trend has occurred in Orange County, where the median price rose 13 percent to $273,000 this month. This trend comes as a surprise to real estate analysts who have predicted a general national decline in prices. Analysts now believe a strong economy and population growth have added to the record level prices. Statisticians report, however, that when inflation is taken into account, $203,000 in 1991 dollars would be the equivalent of $250,913 today.

Contrary to the high priced home sales in LA County, office rental space in downtown Los Angeles remains low, according to Julien J. Studley Inc. When compared to other major urban markets, downtown LA affords the lowest rental price per square foot per year: an average of $19.88. Out of the twelve “bellwether central business districts and markets” across the nation, San Francisco held the most expensive rental price, at $54.19, with the next most expensive city being Midtown New York at $51.38. Compared to seven suburban markets in the study, Orange County ranked third most expensive at $27.59, with the most expensive being Fairfield County in Connecticut.

Real estate analysts attribute low downtown LA prices to an oversupply of office rentals - approximately 24 percent of office space is empty. West Los Angeles experienced a record high vacancy rate of 5.7 percent in the second quarter of 2000.

Prices in the Studley study are based on “effective rents, which include lease concessions, various landlord and tenant expenses and other factors.”

U.S. DOT Finds California Airports Are Among Nation’s Most Delayed

According to data from the U.S. Department of Transportation (DOT), airports in California have some of the worst on-time records in the nation.

From January to May, 2000, San Francisco (SFO) ranked worst in on-time arrivals among the 50 largest U.S. airports, with roughly 40 percent of its flights delayed; Los Angeles ranked sixth with close to 32 percent delayed; and San Jose tenth with 27 percent late. All major California airports were ranked relatively worse in 2000 than in 1999, with SFO rising from fifth to first in the nation, LAX from 11th to 6th, San Jose from 28th to 10th, San Diego from 12th to 11th, Sacramento from 33rd to 12th, Ontario from 20th to 13th, Oakland from 42nd to 19th, and John Wayne/Orange County from 37th to 22nd.

When the examination is broadened to all 193 commercial airports examined by DOT, the California situation does not improve markedly. Looking only at May figures, the most recent month for which data are available, DOT reported that Monterey airport ranked second in the nation with 43.5% of its planes delayed, and SFO ranked third with delays on 41.6% of arrivals. In the same period, Santa Barbara (35.7% delayed) and Burbank (27.4% delayed) jumped into the list of most-delayed airports. Other California airports with delays of more than 25% include Fresno, Long Beach and Palm Springs, while four others showed delays of between 23% and 24%: Oakland, Orange County, Ontario, and Long Beach. California’s best performing commercial airport was Palm Springs, with roughly 20% of its flights late.

In its recent story on the subject, *USA Today* speculates that when origin airports - many of which are located in the midwest and east - experience storms and bad weather, delays occur as planes from that area get a late start and cause further delays out west. An increase in the total number of flights has also increased delays.

For more information contact DOT at http://www.dot.gov or refer to the California Institute’s table of DOT data for May, located at http://www.calinst.org/datapages/flightdelays.htm .