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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 contributions from Sun Microsystems and IBM Corp.*

## CONGRESS IN RECESS THROUGH LABOR DAY

The House and Senate left Washington on July 27 and will remain out of session through Labor Day for the August district work period, and to accommodate the respective party conventions. The Senate will reconvene on September 5 and the House will do so on September 6.

## CALIFORNIA POLICYMAKERS ADDRESS ELECTRICITY RATE ISSUES

Several California policymakers have moved in recent days to respond to the electricity rate hikes experienced in Southern California, because of the unusually hot weather and insufficient supply at reasonable rates.

On July 25 and 26, Senators Dianne Feinstein and Barbara Boxer each wrote President Clinton urging him to take action to lower electricity rates in California. Among other things, both Senators urged the President to request that the Federal Energy Regulatory Commission (FERC) extend the authority of the Independent Systems Operator to set energy price caps, which will otherwise expire on November 15. FERC is the federal agency charged with regulating the transmission and wholesale sales of electricity.

The Senators also requested that low-income Californians be eligible to receive emergency assistance under the federal Low Income Home Energy Assistance Program (LIHEAP), which normally provides home-heating assistance in winter to low-income households. Senator Feinstein also wrote a letter on August 7 directly to FERC Chairman James Hoecker asking him to place an emergency order capping the price electricity generators can offer to the California Power Exchange.

On July 27, Governor Gray Davis also called for action to lower electricity bills. In letters to several state authorities, the Governor urged them to join in a coordinated effort to petition FERC for authority to extend wholesale price caps, among other things.

On August 9, the Governor called on the California Public Utilities Commission (PUC) to establish a two-year plan to reduce electricity rates by nearly 50 percent for residential and business customers of San Diego Gas & Electric. The PUC held a hearing on the electricity rate issue last week and has announced that it may hold another hearing on the Governor's plan next week.

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On July 28, Rep. Brian Bilbray (Imperial Beach) announced that he has drafted and plans to introduce legislation that would allow private utility companies, such as San Diego Gas & Electric, to purchase power from taxpayer subsidized federal power generator facilities. Under current law, preference is given to public utilities.

Most recently, the State Senate and Assembly committees with jurisdiction was scheduled to hold a joint hearing on the electricity rate problem on Thursday, August 10. Rep. Bilbray testified at both that hearing and the PUC hearing last week.

## **DELEGATION LETTERS UNDER DEVELOPMENT**

When the California Congressional delegation returns to Washington in September, several joint letters will be circulated for signature among the members. One topic will be an effort to encourage conferees on the VA-HUD-Independent Agencies appropriations bill to recede to House position which encourages a more cautious approach toward the Federal Emergency Management Agency's proposal to mandate disaster insurance coverage for public buildings. Another focus will be an effort to encourage conferees on the Commerce-Justice-State appropriations bill to support the highest possible funding level for the State Criminal Alien Assistance Program (SCAAP). In addition, language is being developed regarding the strained levels of science and research funding in the Energy and Water Development appropriations bill.

## **CALIFORNIA COULD SUFFER BECAUSE OF OTHER STATE'S MEDICAID TRANSGRESSIONS; DAVIS AND FEINSTEIN EXPRESS CONCERN TO WHITE HOUSE**

A loophole in the federal Medicaid program, which helps states to provide health services to the poor, has apparently allowed seventeen states to game the system and extract an additional \$2.5 billion per year, or so says the federal agency which oversees the program.

The Health Care Financing Administration (HCFA) argues that these states - of which California is not one - are temporarily borrowing money from counties in order to bulk up state health care coffers, thereby receiving more federal Medicaid matching funds than they deserve. Once federal matching funds are determined, the states have returned the borrowed funds to the county, and can use the extra federal dollars for various programs, sometimes unrelated to health care. HCFA and the Department's Inspector General would like to put a stop to the practice. Senate Finance Committee Chair William Roth (DE) has asked the GAO to investigate the matter, and he asked HHS Secretary Donna Shalala to quickly promulgate a notice of proposed rulemaking.

Unfortunately, the proposed fix may unintentionally endanger California's health care system, according to letters to the President from Governor Gray Davis and Senator Dianne Feinstein.

On June 21, Governor Davis wrote President Clinton warning that "the proposed change has significant unintended consequences on funding for health care services. These proposed rule changes should be drafted so as not to affect Medicaid funding for programs that maintain access to health care." Governor Davis explains that California uses intergovernmental transfers for completely legitimate purposes, assisting hospitals in maintaining emergency rooms and trauma centers, noting that the State "does not transfer any of these funds back to the state for any purpose." The transfers system used by the Selective Provider Contracting Program (SPCP) could be jeopardized if the HCFA proposal is poorly drafted.

On July 24, Senator Feinstein wrote to the President that the proposed change "could be disastrous to California," adding that "[p]reliminary estimates suggest that California may lose as much as \$400 to 600 million in federal Medicaid funding under the proposed rule. Children's hospitals in California alone could lose \$80 million." Later, she stated that "the proposed change in Medicaid

regulations should not punish States that use their funds appropriately,” adding that the rule “should be revised to protect existing State Medicaid programs that are using funds for legitimate health-related programs and services.”

### **PPIC RELEASES SEVERAL NEW REPORTS**

The Public Policy Institute of California (PPIC) has recently released several new reports. *How Different Ethnic Groups React to Legal Authority* analyzes accounts of interactions between members of different ethnic groups and legal authorities. The report was written by Yuen J. Huo and Tom R. Tyler.

*Ethnic Context, Race Relations, and California Politics* describes public attitudes toward the changing ethnic composition of California and explores how these attitudes are related to people’s preferences on important policy questions. The study was conducted for PPIC by Bruce Cain, Jack Citrin, and Cara Wong.

Each of these reports can be obtained through PPIC’s website at <http://www.ppic.org>.

### **AIR FORCE CONSIDERING SHIFT OF FLIGHT TESTS FROM EDWARDS TO FLORIDA**

According to a press report, the Air Force Flight Test Center at Edwards Air Force Base is conducting an in-house study which could result in the shift of some developmental flight testing programs for the F-15 and F-16 fighter from Edwards to Eglin Air Force Base in Florida.

The aerospace industry newspaper *Aerotech News and Review* reported in its August 4 edition that the re-engineering study is under way as directed by test center commander Maj. Gen. Richard V. Reynolds. A spokesperson for the flight test center was quoted as stressing that the shifts would involve “a small number of aircraft” and would constitute “a small piece of the pie.”

For more information, see the *Aerotech News and Review* website at <http://www.aerotechnews.com>.

### **HOUSING AFFORDABILITY IN STATE CONTINUES DECLINE**

According to the California Association of Realtors, housing affordability is continuing to decline in California as home prices continue to rise. In June 2000, CAR estimated that only 30% of California households could afford to buy a median-priced single family home, a decline of 6 points from June 1999 and a decline of one point from May 2000. The 30% rate compares with a 52% rate nationwide. The index for California condominiums was 43%.

Within the state, San Francisco was the least affordable county, with only 9% of households able to buy a home, followed by the Counties of Contra Costa (12%), San Mateo (13%), Santa Clara (16%), and Monterey (16%). In Southern California, the situation was only somewhat better, with San Diego County the least affordable, at 23%, followed by Orange and Ventura Counties (both 25%) and Los Angeles County (39%). The index of 25 for the Santa Barbara area was an improvement from May level of 19, but was still well below the June 1999 level of 36. The index for the Central Valley declined one point to 46%. Affordability in the Riverside/San Bernardino area remained at 47%, while Sacramento declined to 51%, and the High Desert area remained the most affordable area at 69%.

For further information, see the CAR website at <http://www.car.org>.

### **SECOND QUARTER HOME PRICES REACH RECORD HIGH**

The median California home cost \$240,760 in the second quarter of the year according to the California Association of Realtors, an all-time high and a 9.2% increase over the same period in 1999.

The median price in Santa Clara County leapt 38.9% from a year before, reaching \$558,920, while the overall San Francisco Bay area jumped 26% to \$465,410. The price for the Monterey area was up 23.2% to \$398,830 for the second quarter of 2000. The Sacramento area saw a smaller rise of 8.4% to \$142,620 for the period.

Southern California was somewhat more affordable, though prices rose substantially there as well. The median home in Los Angeles rose 5.9% to \$222,180, while Orange County rose 15.3% to \$321,920, and Ventura County jumped 20.8% to \$302,780. Prices in San Diego County rose 16.8% to \$269,890, while Riverside/San Bernardino remained affordable with a 7.2% rise to \$136,500. The most affordable area, the High Desert, showed prices stable at \$88,900.

For further information, see the CAR website at <http://www.car.org>.

### **WORLDWIDE SEMICONDUCTOR SALES UP AGAIN TO RECORD HIGH**

Sales of semiconductor chips have again reached record highs. For June 2000, worldwide sales reached \$16.6 billion, a 48 percent increase over last year's June sales of \$11.2 billion. The new sales figures were reported this month by the Semiconductor Industry Association (SIA). Sales of semiconductor products used in the communications industry led the upswing in sales, but those products used in personal computers also exhibited significant growth.

The Asia Pacific and Japan markets led the sales surge, with annual growth of 52.8 percent and 50.8 percent, respectively. The Americas market grew at a rate of 42.7 percent from last year, and European sales grew by 48.1 percent.

More information on the semiconductor industry can be obtained from SIA's website at: <http://www.semichips.org>.