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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.

SENATE DEFEATS MAJOR OBSTACLE TO CHINA PNTR; STAGE SET FOR FINAL PASSAGE

On Wednesday, September 13, the Senate handily defeated a major amendment to the bill granting China permanent normal trade relations (PNTR) status, thus clearing the way for final passage on the bill late this week or early next week. The amendment, offered by Sens. Fred Thompson (TN) and Robert Torricelli (NJ), would have required the imposition of sanctions on China if the President found that it was proliferating the sale of weapons of mass destruction.

Debate on the amendment consumed several hours of the Senate's workweek. It was feared that if the amendment passed, and the bill had to go back to the House for further consideration, final passage this late in the session would be jeopardized. As it was, the final bipartisan vote against the amendment was 65-32.

The Senate also rejected several other amendments. Two were authored by Sen. Jesse Helms (NC). One condemned forced abortions in China, and the other encouraged a code of business conduct in China. The first was defeated 43-53; the second 23-73. Another amendment, offered by Sen. Russell Feingold (WI), which would have established an annual reporting requirement to Congress, was defeated by a vote of 18-78. Finally, an amendment that would have delayed granting PNTR to China until it had made progress in releasing prisoners incarcerated for union activities was defeated by a vote of 22-74. It was offered by Sen. Paul Wellstone (MN).

GOV. DAVIS AND REPS. BILBRAY, FILNER, HUNTER URGE RELIEF FROM STATE'S ELECTRICITY PRICE SPIKE; FERC COMMISSIONERS MAY NOT COMPLY

On September 11, the House Commerce Subcommittee on Energy and Power held a field hearing at the San Diego County Administration Center in San Diego regarding the electricity market in California and recent spikes in energy costs. On the following day, the Federal Energy Regulatory Commission (FERC) also held a hearing in

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San Diego. Because of price gouging by largely out-of-state power generators, California's electric utilities have been forced to pay exorbitant rates for summertime electricity.

At Monday's hearing, Reps. Brian Bilbray (Imperial Beach), Bob Filner (San Diego), and Duncan Hunter (Alpine) argued that price hikes were excessive and that the FERC should step in and cap costs. FERC officials reportedly resisted efforts to relieve cost pressures, but the Congressional members pointed out federal law stating that FERC should act when rates are not "just and reasonable."

The *San Diego Union-Tribune* quoted Rep. Hunter as stating, "The law is very explicit. This is an emergency. It is bigger than any natural disaster San Diego has had to face." Rep. Bilbray reportedly commented that, "No one in his right mind can point to San Diego and say the rates have been fair," adding that FERC has the authority to order forfeiture of power generator profits if rates are proven not to be just and reasonable. Rep. Filner was quoted as stating, "This is not a question of supply. This is a manipulation of the market." Rep. Filner also termed actions by power generators "criminal."

The state Public Utilities Commission (PUC) last week approved an emergency rate cap for San Diego, and state-level actions will result in much of the costs being deferred. However, Governor Gray Davis noted in a September 12 letter to FERC that "No combination of state actions can substitute for federal action to ameliorate the problems in California's wholesale markets." PUC Commissioner Loretta Lynch commented that the state's electric utility problem has cost "billions of dollars."

Experts note that the California problem represents only a temporary market failure. Competition created by electric utility industry restructuring is encouraging development of new generation sources, and myriad new plants are under development, which will equalize market forces until supply more closely meets demand. But most of this new generation is still a few years from coming online, and California, its citizens and its utilities run the risk of further price gouging by opportunistic generators.

On Tuesday, September 12, FERC held a hearing of its own to investigate the matter. Governor Gray Davis testified that despite various recent state efforts to mitigate the damage, including rate stabilization and speeding the licensing process for new power generation facilities, "the fundamental problem of exorbitant wholesale prices still exists and remains the responsibility of [FERC] to address."

Governor Davis concluded his statement with "FERC bears the responsibility under its organic act to assure just and reasonable wholesale electric rates. FERC bears responsibility to ensure that a workably competitive market exists before California consumers and California's economy are subjected to unconstrained, market-based electricity prices. Consequently, I renew my prior request that the Commission act with utmost speed to intervene to the fullest extent possible to restore wholesale prices to fair levels and to remedy harms that have resulted from the exercise of market power."

However, only one of FERC four commissioners appeared convinced during Tuesday's hearing. Only Commissioner William Massey publicly expressed his belief that the rates have been unfair. If three of four commissioners were to find that rates were unfair, both future and retroactive relief could be available to California ratepayers.

Addressing FERC, Sempra Energy CEO Stephen Baum added that, "If ever there was a case for you to use your remedial powers, including the refunds of excessive charges, this is it."

The electric rates issue is impacting more than just San Diego. While San Diego Gas & Electric is the only company now operating in a fully deregulated market, power generators are also charging these exorbitant rates to the state's other utility companies, and the economic impact of this transfer of wealth from California to other states will surely be felt at some stage.

R&D DEAR COLLEAGUE LETTER CIRCULATING

Reps. Bob Matsui (Sacramento) and Nancy Johnson (CT) are again circulating a Dear Colleague letter calling for signatures in support of permanently extending the Research and Development

(formally, the Research and Experimentation) tax credit. The letter will be sent to Chairman Bill Archer (TX) and Ranking Member Charles Rangel (NY) of the Ways and Means Committee. It urges them to include in the "first appropriate tax vehicle" language permanently extending the R&D credit. Last year, through Reps. Matsui's and Johnson's efforts, the credit was extended to June 30, 2004.

Over the past several years, almost all members of the California congressional delegation have consistently signed on to each of Reps. Matsui's and Johnson's letters. Members wishing to sign the current letter should contact either Francis Grab in Rep. Matsui's office at x5-7163 or Todd Funk in Rep. Johnson's office at x5-4476.

GOV. DAVIS CONCERNED WITH CALFED BILL; RESOURCES DELAYS MARKUP

Gov. Gray Davis sent a letter to Rep. John Doolittle on September 12 expressing concern with H.R. 5130, the CALFED Extension Act of 2000. The bill has been introduced by Rep. Doolittle, the Chairman of the House Resources' Water and Power Subcommittee. It authorizes \$60 million in funding for the program for FY2001, and sets requirements for water system improvements, environmental water management, and other components of the CALFED project.

The Governor points out inconsistencies between the bill and the CALFED Framework and Record of Decision (ROD), which was released by CALFED federal and state policymakers on August 28. For instance, according to the letter, the bill changes the purposes and definitions of several key elements of the Program, including the Environmental Water Account (EWA) and the water supply reliability program. "These changes would invite litigation and further delay these critical programs. In addition, language calling on federal agencies to 'consider all potential storage alternatives,' including alternatives that were considered and excluded in the agreement, would essentially require all Framework decisions to be revisited, thereby ensuring significant delay in implementation," according to the letter. Instead, the Governor urges Rep. Doolittle to support legislation that is "fully consistent" with the CALFED Program "without including divisive provisions that would jeopardize its passage this year."

Governor Davis' September 12 letter addresses H.R. 5130 as introduced. A revised version of the bill was released by House Resources on September 13, which the Governor has yet to comment on.

In the meantime, the Resources Committee postponed its September 13 markup of H.R. 5130, because of the press of legislative business on the House floor. The markup is expected to be rescheduled for next week.

SENATE APPROPRIATIONS REPORTS VA-HUD BILL; BILL BACKS PROBLEMATIC FEMA PUBLIC ASSISTANCE INSURANCE RULE

The Senate Appropriations Committee reported its VA-HUD appropriations bill on Wednesday, September 13 by a vote of 17-0. The Committee shifted \$3.9 billion from the Transportation Appropriations to increase the funding to \$80 billion in discretionary spending. The Transportation money is expected to be reinstated during conference, when decisions are made on allocating the expected budget surplus for FY01.

Among other things, the bill includes: \$13.171 billion in Housing Certificate vouchers; \$232 million for housing opportunities for persons with AIDS; and \$4.8 billion for Community Development Block Grants. CDBG's; and \$80 million for the Neighborhood Reinvestment Corporation.

The National Science Foundation and National Aeronautics and Space Administration are funded at \$4.3 billion and \$13.84 billion, respectively.

The Federal Emergency Management Agency (FEMA) is funded at \$3.5 billion, including \$300 million for disaster relief, and an additional \$2.6 billion in disaster relief contingency funds.

Unfortunately, the Committee report includes language supporting FEMA's recent attempts to impose

insurance requirements on public agencies. This effort is of great concern to the California congressional delegation and public entities, because FEMA has been unable to show that earthquake hazard insurance would be available and affordable in California. *See, Bulletin, Vol. 7, Nos. [5 \(2/10/00\)](#), [10 \(3/23/00\)](#), [13 \(4/13/00\)](#), [14 \(4/20/00\)](#), and [24 \(7/20/00\)](#).*

The report language is as follows:

Under section 311 of the Robert T. Stafford Disaster Relief and Emergency Assistance Act, an applicant must agree to obtain and maintain insurance as a condition of receiving a public assistance grant. The Committee continues to support FEMA's efforts to achieve a nationally consistent level of responsibility among public and certain private nonprofit entities for natural disaster risks by enhancing building insurance coverage requirements as a criterion for eligibility for public assistance. Last spring FEMA issued an advanced notice of proposed rulemaking and expects to finalize a rule prior to the end of the calendar year. The Committee urges FEMA to act expeditiously on this important effort.

Detailed information on the VA-HUD appropriations can be obtained from the Committee's website at: <http://www.senate.gov/~appropriations/releases/vahud01full.htm>, and from the Library of Congress at: <http://lcweb.loc.gov/global/legislative/appover.html>.

FEW DAYS REMAIN TO SIGN CALIFORNIA FEMA DISASTER INSURANCE LETTER

Reps. Jerry Lewis (Redlands) and Sam Farr (Monterey), respectively chairs of the California Republican and Democratic Congressional Delegations, are now circulating a letter to the conferees on the Disaster Mitigation Act, S. 1691/H.R. 707. The letter will be sent in the near future. The letter urges the conferees to recede to the House language, which calls for a GAO study of the availability of disaster insurance for public institutions, before FEMA promulgates any regulation. Currently, the Senate language provides for FEMA to move forward on a regulation requiring public entities to carry disaster insurance.

In addition, the letter will urge conferees to include language requiring a national panel of insurance and public safety experts to assess the full impact of implementing predisaster insurance requirements. The letter states that "Mandating public entities to acquire private insurance for disasters is unworkable. In earthquake-prone states such as California, numerous agencies have determined that earthquake coverage is neither readily available, nor affordable."

The letter notes that the House-passed version of the VA-HUD Appropriations bill criticizes FEMA's action because it "discourages attempts to mitigate damage before it occurs, assumes a fundamental misunderstanding of the insurance market, and merely shifts the costs of disasters from the federal government to states, municipalities, and private non-profit hospitals and universities."

Every California Member of Congress signed a letter in June 1999 to FEMA Director James Lee Witt urging him to slow down the rule making process to ensure an effective and viable rule. Delegation leaders hope for unanimity on this letter as well.

Members wishing to sign the current letter should contact Dave LesStrang (Rep. Lewis' office) at x55861 or Pamela Barry (Rep. Farr's office) at x54786.

PRESIDENT DECLARES DISASTER IN WAKE OF NAPA QUAKE

Responding to Governor Gray Davis' request of September 7, President Clinton declared a national disaster in the Napa Valley following the earthquake there on September 3. The President's declaration opens the way for homeowners and businesses damaged by the quake to receive federal disaster assistance funding. The Governor stated in his request that preliminary estimates indicate the

quake caused at least \$50 million in damages to private residences and businesses and another \$5 million to public facilities. See, [Bulletin, Vol. 7, No. 27 \(9/7/00\)](#).

CAL-DC EDUCATION ALLIANCE TO HOLD BRIEFING ON SEPTEMBER 20

On Wednesday, September 20, the California-DC Education Alliance will brief California delegation staff members regarding various K-12 education issues, including California's share of the Title I formula grant program, special education, census data accuracy, and the proposed FEMA disaster insurance requirement.

The Wednesday briefing will be held in Room 311 of the Cannon House Office Building and will take place from 11:30 a.m. to 1:00 p.m. The participants wish to express their thanks to Rep. Grace Napolitano for securing the room for the briefing.

The Cal-DC alliance includes educators, school boards, administrators and advocacy groups from across California. For more information, see <http://www.caldc.org>.

ENDANGERED SPECIES ACT IMPLEMENTATION IN SOUTHERN CALIFORNIA

The House Committee on Resources met on Thursday, September 14, for an oversight hearing on the General Accounting Office's review of the Endangered Species Act (ESA) Implementation in Southern California. Mr. Derek Stewart, Associate Director Energy, Resources and Science Issues; Resources, Community and Economic Development Division of the GAO, presented testimony on a report in progress on the Carlsbad Fish and Wildlife Office, a Pacific Region field office of the U.S. Fish and Wildlife Service, Department of Interior.

The Carlsbad office has been the subject of numerous complaints about its implementation of the Endangered Species Act and an audit of the office was requested last year by several members of the California delegation. Mr. Stewart reported that the office does not have an efficient means of tracking workload, as it maintains manual logs with incomplete and inaccurate information. The Honorable Jamie Clark, Director of the Fish and Wildlife Service, also presented testimony discussing the complaints about the Carlsbad office.

GAO's testimony did not discuss problems with the Endangered Species Act, *per se*, but rather with administration within the Carlsbad office. The final report from the GAO is scheduled to be released by the end of the year. Testimony will be made available on the GAO website at <http://www.gao.gov>.

CALIFORNIANS BRIEFED ON CHCF'S MEDICARE PROJECT

On Wednesday, September 13, Jack Christy, Director of the California Medicare Project, California Healthcare Foundation (CHCF) and Senior Policy Analyst Cecilia Echeverria visited Washington D.C. to meet with members' offices and the Governor's office to discuss CHCF and its upcoming reports. CHCF created the California Medicare Project in 1998 to help California seniors understand their Medicare coverage and the changes to the Medicare program created by the Balanced Budget Act of 1997. The foundation also seeks to educate state and federal policymakers, providers and the media about California's Medicare market.

The California Medicare Project has several reports planned for release in September and October including: *Snapshot-2001 Medicare+Choice Benefits in California*, *ABCs of Medicare +Choice in California*, and *Fact Sheet on California Dual Eligibles*. In December 2000 the foundation also plans to launch CalMedigap.org, a project which will provide Californians easy access to current information on the cost of Medigap policies sold in their county.

More information about the California Medicare Project and the California Healthcare Foundation can be found on their website <http://www.chcf.org> or by emailing: medicare@chcf.org.

WHO'S MOVING IN AND OUT OF CALIFORNIA

The Public Policy Institute of California (PPIC) released its report entitled *Movin' Out: Domestic Migration to and from California in the 1990s* by demographer Hans Johnson under its California Counts Population Trends and Profiles series. According to this analysis by PPIC, as many as two million more people left California to live in other states than arrived there from elsewhere in the U.S. The study found that most domestic migrants left the state in the recession years of the early 1990s. It also found that Californians leaving the state are more likely than those who stay to be unemployed, to be less educated, to live in poverty, and to receive public assistance, while newcomers to the State tend to have higher incomes and more education.

PPIC is a private nonprofit research organization which conducts independent, nonpartisan research on the economic, social and political issues impacting California. A copy of the report can be obtained by contacting PPIC at 415-291-4400 or visiting their website at www.ppic.org.

CENSUS: FOREIGN-BORN POPULATION EQUAL TO NATIVE-BORN IN COLLEGE GRADS, BUT IMMIGRANTS FALL BEHIND AT LOWER EDUCATION LEVELS

A recent U.S. Department of Commerce Census Bureau report shows that a ratio of one in four of the nation's foreign-born residents age 25 and over had at least a bachelor's degree in 1999, which was equal to the ratio for the rest of the nation's population. However, the report shows that the country of origin of the immigrant plays an important role in the level of education reported. Among Asian immigrants, for example, 45 percent held at least a bachelor's degree, while only 11 percent of those from Latin America did.

Overall, about 40 percent of foreign-born adults reported having received a high school diploma only or having attended college without earning a degree, compared with 60 percent for other adults. Moreover, 23 percent of foreign-born adults had less than a ninth-grade education, as opposed to only 5 percent of the rest of the 25 and over population.

In terms of income, the report found that 17 percent of full-time, year-round foreign-born workers in 1998 earned more than \$50,000 annually, while 39 percent earned less than \$20,000. Only 22 percent of the rest of the adult population earns less than \$20,000.

The report is based on the March 1999 Current Population Survey. The full report can be obtained through the Bureau's website at: www.census.gov/population/www/socdemo/foreign.html.

CALIFORNIA RESEARCH UNIVERSITIES VISIT DC ON END-OF-YEAR PRIORITIES

Representatives of California's research universities (the UC System, Caltech, Stanford and USC) were on Capitol Hill this week visiting delegation offices with their common "short list" of federal priorities. Topping the list is science research funding at key agencies such as the National Institutes of Health, the National Science Foundation, NASA, and the Department of Energy Office of Science. California research universities currently receive more than \$2 billion in federal grants and rely on another \$3 billion for federal laboratories.

In addition, the research universities are concerned about the FEMA insurance regulation issue -- a concern shared by myriad California entities, including the CSU system, the Community Colleges, the K-12 sector, and state and local governments -- and the authorization and first year funding of the Advanced National Seismic System at USGS. For copies of materials or for further information, feel free to contact Matt Owens at Stanford at 650-725-3330 (matt.owens@stanford.edu) or Jennifer Poulakidas at U.C. at 202-588-0081 (jennifer.poulakidas@ucop.edu).

CAR HOUSING FORECAST FOR 2001 TO BE WEBCAST ON SEPTEMBER 20

On Wednesday, September 20, California Association of Realtors (CAR) Vice President and Chief Economist Leslie Appleton-Young will present her 2001 Housing Market Forecast at C.A.R.'s EXPO 2000 keynote luncheon in Palm Springs. Ms. Appleton-Young's forecast also will be broadcast live via the CAR website, C.A.R. Online, at <http://www.car.org/webcast>. The presentation will take place on September 20 at 12:15 p.m. Pacific time, or 3:15 p.m. Eastern time. CAR's annual forecast will examine recent housing and real estate trends in the state, as well as predicting future home resale activity and other economic factors. For more information, see the CAR website at <http://www.car.org>.