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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.

PPIC HOSTS CAPITOL HILL BRIEFING AND LUNCHEON

The Public Policy Institute of California, on Thursday, September 28, sponsored a briefing entitled *California 2000: The Changing Social and Political Landscape*. The event was cosponsored by Reps. Jerry Lewis (Redlands) and Sam Farr (Carmel), Chairs of the California Republican Congressional Delegation and the California Democratic Congressional Delegation, respectively, in conjunction with the California Institute. Both Reps. Lewis and Farr offered remarks on the briefings and their importance to Californians.

The morning session featured a briefing by PPIC research fellows Hans Johnson and Belinda Reyes on California's dramatic demographic transformations. The luncheon which followed featured Mark Baldassare, PPIC senior fellow and author of *California in the New Millennium: The Changing Social and Political Landscape*, discussing the effects of this transformation on state and national politics and the views of California voters as they go to the polls in November.

Mr. Johnson described California's changing population. Its growth rate far exceeds that of the rest of the United States, with net migration into the state outpacing growth by natural increase. With a significant percentage of the growth attributed to Latino and Asian populations, Mr. Johnson noted that the state is transitioning to become a "Minority Majority" state, meaning that the number of Latino, Asian, African American, and other minorities exceed the number of whites in California. Mr. Johnson predicted that the Latino population will become the single largest ethnic group in the state by about the year 2020, with a little over 40 percent of the population Latino and a little under 40 percent white.

Although Mexico remains by far the leading source of immigrants to the state, Mr. Johnson reported that California is the destination for over 50 nationalities of immigrants. Although projections for California's total population growth over the next several decades diverge significantly, demographers generally agree that the state's population will continue to grow at a rapid rate. Moreover, according to Mr. Johnson, Latino population growth will continue to be rapid. Roughly 10 to 12 million Latinos are expected to enter the population, either through immigration

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or natural increase, between 1995 and 2025. Further, the age of the population will change, with the share of elderly and children growing substantially.

Ms. Reyes followed Mr. Johnson and discussed both the opportunities and the challenges presented by the growing Latino population. She showed that this population is not necessarily concentrated all in the Los Angeles area any more. In fact, she stated, that in 1998, only five counties in the state had less than a five percent Latino population, and 14 counties had over a 30 percent Latino population. She pointed out that while the Latinos in the state are relatively poor, they are a large part of the work force in the state, and receive less welfare benefits than other groups proportionately. For instance, although Latinos represent 28 percent of those under the poverty level in the state, they represent only 12 percent of TANF/AFDC recipients. These figures point out, Ms. Reyes stated, that Latinos are among the working poor of the state.

The same dichotomy can be seen in health care, according to Ms. Reyes. Although the majority of Latinos in California do not have health insurance and access to standard health care, as a group they have a high life expectancy rate, a low infant mortality rate, and a lower incidence of HIV infection or AIDS than other groups. Finally, Ms. Reyes pointed out that while Latinos currently represent only 12 percent of the voting population in the state, 68 percent of those eligible to vote are registered, and that percentage is increasing.

Mr. Mark Baldassare, Senior Fellow and a Program Director of PPIC, provided the luncheon keynote address. He focused on issues addressed in his most recent book, as well as the most recent PPIC Statewide Survey, including the upcoming elections and the issues that concerned voters the most.

Specific issues raised by Mr. Baldassare included: the emerging Latino vote; regional population shifts in the state; the growing political influence of independent voters; and the growth of the use of initiatives in the state. He indicated the Latino vote in the state has increased from 4% to 12% in the past ten years, with this group having a tendency to be more liberal on fiscal matters, but more conservative on social issues. He also discussed the regional shift of the population in the state, with more rapid growth taking place in the Central Valley and the suburban areas surrounding Los Angeles County. Whereas the majority of Californians lived in Los Angeles County and the Bay Area previously, now 48% of the population is in these areas and 42% of the population is in the Central Valley and suburban areas outside Los Angeles, including the Inland Empire and San Diego County.

Regarding the growing number of independent voters, Mr. Baldassare pointed out that there are fewer Democrats and Republicans in the state than in 1988, as the number of people declining to state party affiliation continues to grow. Also, the number of initiatives on California ballots is increasing, according to Baldassare, with more initiatives on the ballot in 1998 than in the 1950's and 1960's combined. Overall, according to the PPIC's most recent survey, Californians have a positive attitude about the state and its current economy. The number one concern of voters, especially those in the \$40,000-\$60,000 income category, is the growing gap between the rich and the poor in the state.

Information on the Public Policy Institute of California, as well as access to its publications, can be obtained through its website at: <http://www.ppic.org>.

SENATE MOVES FORWARD WITH H-1B CONSIDERATION

The Senate voted 94-3 on Tuesday, September 26 to invoke cloture and limit debate on S. 2045, which would increase the number of H-1B visas available for highly skilled foreign workers. The vote, the second cloture vote in as many weeks, appears to put the bill on track for final passage, expected Tuesday morning.

The bill will increase from 115,000 to 195,000 the number of H-1B visas available yearly. In addition, foreigners who work for U.S. universities and research centers, and those who received a

graduate degree from a U.S. university in the prior six months would be exempt from the cap. This could potentially increase the number of visas by another 20,000 a year. Other provisions in the bill would continue the safeguards added to the 1998 bill increasing H-1Bs to protect against abuse. See, [Bulletin, Vol. 7, No. 5 \(2/10/00\)](#).

Action on the bill has been slowed while Senators negotiate how to handle other immigration issues that would grant amnesty to some undocumented aliens and help immigrants from Central America obtain permanent residency. On Wednesday, the Senate voted along party lines, 43-55, to prevent amendments dealing with those issues. Majority Leader Tom Daschle (SD) has stated that he will push to have these provisions included in the Commerce, Justice, State appropriations bill.

The House has not taken action on its H-1B bills. If S. 2045 clears the Senate many supporters hope that the House will take up that version and pass it quickly. There is overwhelming bipartisan support for easing the caps. The limit on H-1Bs was reached in March of this year, so there is considerable pressure to ease the caps for next year before Congress adjourns.

HOUSE CLEARS ENERGY & WATER FUNDING; BAY-DELTA GETS NOTHING

The House voted 301-118 on Thursday, September 28, to approve the conference report on the Energy and Water Appropriations for FY2001. Although several California projects received funding, the Bay-Delta water restoration program received nothing. Until late Wednesday there was hope that an agreement could be reached on language reauthorizing the continued implementation of the project, opening up the possibility of \$20 million in funding for FY01, but the negotiations failed.

The bill does contain \$25 million for the San Gabriel Basin Water Quality Initiative for groundwater cleanup. Perchlorate contamination in the San Gabriel Basin is spreading through the local groundwater, and the money will be used to help bring together local, state, and federal agencies on consensus cleanup efforts. The Salton Sea Restoration Project received \$5 million in funding. Of that, \$1 million will be allocated to cleanup of the New River, which flows into the Sea.

The largest California project funds in the Army Corps of Engineers' Construction accounts include the \$25 million San Gabriel project mentioned above, plus \$23 million for the Santa Ana River Mainstem, \$10 million for the American River Watershed (with an additional \$4 million for Folsom Dam modifications), and \$9.8 million for the Los Angeles County Drainage Area (LACDA) project, which will complete the regional flood control project by 2001, five years ahead of schedule.

In Ventura County, \$5.5 million was approved for the Casitas Dam Safety Project.

From the Corps' Operations & Maintenance accounts of the conference report, major California projects include Oakland Harbor (\$8.1 million), Richmond Harbor (\$5.7 million), Marina Del Rey (\$5.3 million), Humboldt Harbor and Bay (\$4.7 million), and Dry Creek Lake and Channel (\$4.7 million).

The Institute will publish a more detailed analysis of the California projects funded in the Energy and Water Appropriations in the near future. The full conference report can be obtained at <http://www.house.gov/appropriations> . The 246-page 3+ megabyte "pdf" format document is available at <http://www.house.gov/rules/4733cr.pdf> .

ENERGY AND WATER BILL FUNDS DOE SCIENCE, SLAC, NIF, FUSION PROGRAMS

The House conference report on the FY 2001 Energy and Water Development Appropriations bill, passed by the House on Thursday, September 28, increases funds for the Department of Energy by \$1.73 billion over the FY 2000 level to \$18.34 billion.

The bill increases DOE science programs by nearly \$400 million to a total of \$3.18 billion, though Congressional earmarks and general reductions result in funding slightly below the Administration request. For high energy physics, the conference agreement provides \$726 million, and for basic energy

sciences, the agreement includes more than \$1 billion. The agreement partially repairs a problem with earlier bills which would have seriously constrained funding at the Stanford Linear Accelerator Center (SLAC), moving funding somewhat upward to the Administration-requested level. This level will still result in a \$10-15 million operating deficit, however, which may cost as many as 100 jobs at the Center.

For fusion, the bill provides \$255 million for the Office of Fusion Energy Science; and \$25 million for high average power lasers. The fusion figure represents an \$11 million increase over the amount proposed in the Administration's budget. California entities receive a substantial share of federal fusion energy science expenditures.

The National Ignition Facility (NIF), a high-power laser project under construction at Lawrence Livermore Laboratory will receive \$199 million for FY 2001, an amount \$10 million below that sought by the House conferees, but well above the \$74 million at one point sought by the Administration. There had been discussion of a halt in NIF funding, so this level constitutes a substantial victory for California supporters of the project. The bill limits use of \$69 million of the funds until DOE develops a detailed new funding plan.

The conference report is available as a 246-page pdf file at <http://www.house.gov/rules/4733cr.pdf>.

WAYS AND MEANS EXAMINES HIGH TECH TAX TREATMENT

The Oversight Subcommittee of the House Ways and Means Committee held two days of hearings, Tuesday and Thursday, on how the tax code was written for a manufacturing economy, and how, with the new high-technology economy, it can improperly measure business income.

On Tuesday, September 26, the Subcommittee heard from a panel of witnesses focusing on depreciation issues. Cliff Jernigan, Director of Worldwide Government Affairs for Sunnyvale-based AMD, testified on behalf of the Semiconductor Industry Association. Mr. Jernigan stressed the importance of reducing the depreciation period on semiconductor manufacturing equipment from five to three years. He cited two studies conducted on the issue, one of which found that the economic life of semiconductor manufacturing equipment was 3.75 years; the other 3.27 years. Since those two studies were done in the early 90's, Mr. Jernigan cited further evidence that the pace of technological obsolescence has quickened. According to the 1998 Semiconductor Association Industry "roadmap" which tracks chip productivity needs, the industry is introducing new, more high-powered chips at a pace that is one year ahead of what was expected.

Mr. Jernigan pointed out that Reps. Nancy Johnson (CT) and Bob Matsui (Sacramento) have introduced H.R. 1092 to shorten the depreciation time to three years. The bill currently has 47 sponsors, ten of whom are Ways and Means Committee members, and he urged the Committee to pass the legislation.

On Thursday, September 28, the Subcommittee hearing focused on the Research and Experimentation (known as the R&D) Tax Credit. The Subcommittee heard from a number of witnesses, including Linda Evans, Program Director, Taxes and Finance, IBM Government Programs. She noted the contributions of the information technology industry to the current economic growth in the United States, pointing out that the industry is growing at more than double the rate of the overall economy and now constitutes 8.2% of gross domestic product. To continue to fuel the growth and productivity, she stated, the industry must rely heavily on research and development to stay competitive. To that end, Ms. Evans noted that last year's extension of the credit to five years and the improvements to the Alternative Incremental Research Credit (AIRC) have benefitted the information technology industry and have created a more positive environment.

Bill Sample, Chairman of the R&D Credit Coalition and Senior Director of Domestic Taxes & Tax Affairs of Microsoft, also testified. On behalf of the Coalition he urged the Committee to permanently extend the R&D tax credit. Reps. Johnson and Matsui have introduced legislation over the last several years to accomplish that.

Complete testimony from the hearings can be obtained from the Committee's website at: http://www.house.gov/ways_means .

BIPARTISAN LETTER TO FERC SEEKS WHOLESALE ELECTRIC PRICE ROLLBACKS

In a letter led by Rep. Bob Filner (San Diego) and including a bipartisan majority of Californians, the state's Congressional members this week wrote to Federal Energy Regulatory Commission (FERC) Chairman James Hoecker urging "a *retroactive* rollback of wholesale prices in the Western electricity markets to pre-June 1, 2000 levels." The letter notes that FERC "has the *responsibility* under federal law to ensure that wholesale power rates are just and reasonable," adding, "That is not the case in California at this time."

For more information regarding the electricity price situation in California, see [Bulletin, Vol 7, No. 28 \(9/14/00\)](#).

HOUSE PASSES SALMON RESTORATION BILL

On September 18, the House passed by voice vote under suspension of the rules H.R. 2798, introduced by Rep. Mike Thompson (St. Helena). The Pacific Salmon Recovery Act would authorize \$200 million for each of the years 2001-03 to the states and tribal governments of California, Oregon, Washington, Idaho, and Alaska to reverse the decline of the salmon and steelhead trout populations.

States operating under the program would be required to develop specific goals for their restoration activities and provide measurable criteria to evaluate their progress. All projects would be required to contribute to the protection or restoration of salmon. The measure also requires the states to provide a forum for public participation in the program. Funds provided under the new program could be used for such activities as watershed planning, single and multi-year project grants, watershed organization support and assistance, and project maintenance and monitoring.

In related news, the Senate Commerce, Justice, State Appropriations for FY01 includes \$58 million for the Pacific Coastal Salmon Recovery Program to be divided among Alaska, California, Oregon, and Washington. The Senate report language filed September 8 recommends that California receive \$9 million of the total.

BEACH BILL PASSES

The Beaches Environmental Assessment and Coastal Health Act, H.R. 999, sponsored by Rep. Brian Bilbray (San Diego) passed unanimously in the House on Tuesday, September 26. The bill provides for expanded testing of coastal waters for disease-causing pathogens and establishes uniform national criteria for monitoring beach water quality. The bill ensures the public will be notified promptly if beach waters are found to pose a health risk due to contamination. The bill also establishes a grant program offering states \$150 million over five years to establish monitoring and public notification programs.

SCHIP FUNDING UPDATE

The House Commerce Committee held a markup on Tuesday, September 26, on H.R. 5291 sponsored by Rep. Brian Bilbray. The Beneficiary Improvement and Protection Act of 2000 as amended was reported favorably by the Committee by voice vote. The committee accepted one amendment in the nature of a substitute offered by Rep. Michael Bilirakis (Florida). The substitute provisions of the bill

relating to SCHIP address a clause in the Balanced Budget Agreement of 1997 which would have forced 40 states, including California, to return \$1.9 billion in unspent funds to the federal government, effective September 20, 2000. SCHIP is the State Child Health Insurance Program.

California is in danger of losing almost \$600 million in unspent SCHIP funds. The bill provides that funds allocated to a state for Fiscal Years 1998 and 1999 which were not expended by the end of 2000 and 2001, respectively, shall remain available for expenditure by the state through the end of Fiscal Year 2002.

For more information, see [Bulletin, Vol. 7, No. 29 \(9/21/00\)](#).

CENSUS BUREAU REPORTS POVERTY RATE LOWEST IN 20 YEARS

The Census Bureau reported Tuesday, September 26, that the national poverty rate dropped from 12.7% in 1998 to 11.8% in 1999, which is the lowest rate since 1979. According to two reports released by the Census Bureau on Tuesday entitled *Poverty in the United States, 1999* and *Money Income in the United States, 1999*, household incomes rose to unprecedented levels in 1999 and the poverty rate fell for the third year in a row.

California was one of only four states in which there was both a decrease in poverty rate and an increase in median income. The average poverty rate in 1998-99 was 14.6% which was 1.4 percentage points lower from 1997. Also California's two year median income for 1998-99 was \$42,791, 3.1% higher than the two year median for 1997-98.

Both reports can be viewed in their entirety at the U.S. Census Bureau's website:

<http://www.census.gov/hhes/www/poverty.html> and <http://www.census.gov/hhes/www/income.html> .

SENATE COMMERCE ON FTC REPORT REGARDING MEDIA AND CHILDREN

A full committee hearing of the Senate Commerce, Science and Transportation Committee was held on Wednesday September 27, to address the Federal Trade Commission's recently released report entitled *Marketing Violence to Children*. The hearing was the second of two held to date examining this report. The first, held September 13, included testimony from the FTC outlining concerns with the movie, music recording, and computer and video games industries and the practice of advertising products with violent content to children. President Clinton requested an FTC and Department of Justice study of this issue on June 1, 1999 in response to the Columbine High School shooting in April 1999.

The hearing on Tuesday included testimony from eight movie industry executives: Mr. Rob Friedman, Vice Chairman of Paramount Pictures' Motion Picture Group; Mr. Jim Gianopulos, Chairman of Fox Filmed Entertainment; Mr. Mel Harris, President and Chief Operating Officer of Sony Pictures Entertainment; Mr. Alan Horn, President and COO of Warner Brothers; Mr. Robert Iger, President and COO of The Walt Disney Company; Mr. Chris McGurk, Vice Chairman and COO of Metro-Goldwyn-Mayer Inc.(MGM), Walter Parkes, Co-Head of DreamWorks SKG; and, Ms. Stacy Snider, Chairman of Universal Pictures. Testimony of these witnesses focused on the industry's response to the FTC report and its claims that the industry inappropriately markets violent R-rated movies to children.

Many of the companies endorsed the initiative put forth by the Motion Picture Association of America the day prior to the hearing. The MPAA issued 12 new marketing guidelines which outline that the industry will not inappropriately or specifically target children. The guidelines also indicate companies will do the following: ask theater owners not to show trailers of R-rated films in connection with G-rated films; not use R-rated films as trailers on VCR tapes and DVDs of G-rated movies; not knowingly include persons under 17 in research screenings of R-rated films unless accompanied by a parent or guardian; review marketing practices to assure children are not targeted for advertising of R-rated films; and, include more descriptive ratings on print and Internet ads. While the movie companies endorsed

these guidelines and many indicated they will augment them, Senator John McCain (AZ) argued that the guidelines were too easy to circumvent. Sen. McCain indicated the FTC will continue monitoring the issue.

Complete testimony from witnesses can be viewed at the Committee's website:

<http://www.senate.gov/~commerce/>.

ADMINISTRATION SUPPORT FOR TITLE I HOLD HARMLESS COMPROMISE IN DOUBT

California's hard-fought victory on the FY 2001 education appropriations bill reportedly may be in jeopardy due to other OMB and Clinton Administration priorities. According to sources, the Administration has indicated that the Title I Accountability Fund is a top priority, and, moreover, that the additional \$250 million it seeks for that purpose may be viewed as competing with the additional Title I dollars needed to fund California's Title I 100% hold harmless agreement.

In July, California delegation Appropriations members, led by Senator Dianne Feinstein and Rep. Randy "Duke" Cunningham (San Diego), teamed on a conference committee with Rep. Nancy Pelosi (San Francisco), to secure an agreement for California and other growing states to receive their full statutory funding level under Title I. The agreement would retain the Title I 100% hold harmless provision so that no state would receive less than it received in the previous year; and in addition provide that all states which would lose funds because of the hold harmless (i.e. the fast-growing states like California) would receive as much funding as they would have received if that hold harmless provision were not in effect. California is estimated to have lost \$39 million last year alone due to the 100% hold harmless on Title I appropriations.

For more information on the Title I hold harmless issue and the negotiated compromise, see *Bulletin*, [*Vol. 7, No. 25 \(7/27/00\)*](#).

CALIFORNIA'S WIC/FARMER'S MARKET NUTRITION PROGRAM

A letter from Rep. Sam Farr (Carmel) and a majority of the California Democratic Congressional Delegation was forwarded to Ms. Shirley Watkins, Under Secretary of Food, Nutrition and Consumer Services of the U.S. Department of Agriculture, requesting the department to reconsider a recent decision denying a previously approved state match for California's WIC/Farmer's Market Nutrition Program (FMNP). In January 2000, funding sources were approved as part of the FMNP State Plan, but USDA rescinded its approval in May 2000. It is estimated that this decision will result in a loss of \$1.1 million of state in-kind matching funds for the Women, Infants and Children program, and cause 270,000 low-income women and children to be terminated from the program in April when the program year begins.

California State Assembly Speaker Robert Hertzberg also forwarded a letter to USDA Secretary Dan Glickman requesting a review of the USDA decision and an evaluation of the decision-making and notification procedures.

OCTOBER 6 BRIEFING ON U.S. VOTING DEMOGRAPHICS

On Friday, October 6, the Population Resource Center will host a breakfast briefing entitled *Demographics of Voting in America: Who Votes, Who Doesn't and Why*. The briefing will feature presentations by Curtis Gans, Director of the Committee for the Study of the American Electorate, and Russ Freyman, Project Director and Co-Founder of Neglection 2000 Third Millennium, and will provide an opportunity to discuss voting trends and projections, and the challenges of engaging Generation X in Presidential and Congressional elections.

The event will be held at 10:30 a.m. on Friday, October 6 in the Gold Room, 2168 Rayburn House Office Building. The PRC notes that the voting-age turnout for the 1996 presidential election was only 49 percent, the lowest turnout in any Presidential election since 1924. Mr. Gans, a prominent expert on voter turnout and participation, will be joined by Mr. Freyman, whose focus is on engaging young people in the political process. For more information on the PRC, see <http://www.prcdc.org/>.