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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.*

## **CR CARRIES FUNDING THROUGH FRIDAY, OCTOBER 20**

On the evening of Thursday, October 12, the Senate approved, 90-1, H.J.Res 111, a third continuing appropriations resolution to maintain funding for the federal government through midnight on Friday, October 20. Federal agencies other than those funded by the three appropriations measures which have been enacted into law (defense, military construction, and interior) are temporarily operating at FY2000 funding levels until work on the FY2001 bills is complete.

## **H-1B FEE INCREASE LEGISLATION GOES TO PRESIDENT**

Legislation to increase the fee charged for H-1B skilled worker visas has passed the House and Senate and will be sent to the President, who is expected to sign the bill. Under the bill, the fees will increase to \$1,000 from \$500 for each visa application. The additional money will be used to fund the education and training programs included in the recent H-1B legislation (S. 2045), which passed the House and Senate on October 3. See, [\*Bulletin, Vol. 7, No. 31 \(10/5/00\)\*](#).

The bill, H.R. 5362, introduced by Rep. David Dreier, passed the House on Friday, October 6 by unanimous consent, and the Senate on October 10. Annually, \$200 million is expected to be generated by the bill. In addition to defraying the costs of administering the program, the funds will be allocated as follows:

- 55% for Department of Labor Training Programs;
- 22% for low-income scholarships administered by the

National Science Foundation (NSF); and

- 15% for competitive grants for K-12 math, science, and technology education to be administered by NSF.

## **PRESIDENT SIGNS CHINA-PNTR LAW**

On Tuesday, October 10, the President signed into law legislation enacting Permanent Normal Trade Relations with China and setting the course for opening Chinese markets to U.S. exports. With the negotiation of the U.S.-China trade agreement, and PNTR status

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for China, it is expected to become a member of the World Trade Organization in the near future. Under the historical bipartisan agreement to expand China-U.S. trade, China has agreed to significantly lower or eliminate tariffs and non-tariff trade barriers that impede the import of many U.S. products and services.

California, by far the leading export state in the nation, is expected to benefit immensely from expanded trade relations with China. The high technology industry, agriculture, and many other groups in California strongly supported passage of the PNTR agreement. The House passed the bill in May by a vote of 237-197, and the Senate followed in September with a vote of 83-15. See, [Bulletin, Vol. 7, No. 29 \(9/21/00\)](#).

### **JOINT STRIKE FIGHTER STUDY REQUIREMENT APPROVED IN DOD BILL; BILL ALSO INCLUDES MOAB URANIUM TAILINGS PROVISION**

On Wednesday, October 11, the House passed H.R. 4205, the FY01 Defense Authorization bill, and the Senate followed suit on Thursday, October 12.

The conference report on the bill includes a provision championed by Reps. Buck McKeon (Santa Clarita) and Loretta Sanchez (Anaheim) to require that the Secretary of Defense report to Congress comparing alternative sites for assembly and checkout for the Joint Strike Fighter (JSF). When the Pentagon decides between the two competing contractors within the next year, the fighter will become the largest military aircraft project in history, estimated at \$750 billion in funding over the program's life span. The two contractors have stated their intention to assemble the fighter in either St. Louis or Fort Worth; California Congressional delegation members are seeking to have some of that work done in California.

The language in the bill spells out that the report should specifically examine whether to have assembly and checkout in one, two, or more locations, and requires a comparison of the costs of conducting the work at each location examined.

For more information about the JSF, see [Bulletin, Vol. 7, Nos. 7 \(3/3/00\)](#), [16 \(5/11/00\)](#), [20 \(7/15/00\)](#) and [22 \(6/29/00\)](#).

Also contained in the conference report is language authorizing the Department of Energy to clean-up the uranium mill tailings site located near the Colorado River near Moab, Utah. The site leaches uranium and nitrate contaminants into the Colorado River, which is a major source of water for California and most other Western states.

### **REDUCED EXPORT CONTROL REVIEW PERIOD INCLUDED IN DOD BILL**

The FY01 Defense Authorization bill (H.R. 4205) also includes language reducing the Congressional review period for changes to U.S. export laws controlling high speed computers. The provision shortens the waiting period from 180 days to 60 days for Congress to review a proposed adjustment in the performance level that defines allowable high-speed computer exports and excludes any days in which the House or Senate is in sine die adjournment.

The language was included as an amendment to the DOD bill during House consideration of the bill in May. Rep. David Dreier (San Dimas) was the author of the amendment, and Rep. Ellen Tauscher (Alamo) was one of its co-sponsors. Reducing the review period has been a major initiative for California's information technology industry, and received significant bipartisan support from the California delegation.

### **UPDATE: ENERGY AND WATER APPROPRIATIONS**

President Clinton on Saturday October 7, vetoed the \$23.6 billion Energy and Water Appropriation bill for fiscal year 2001. The bill originally passed the House with a 301-118 vote and the

Senate with a 57-37 vote. On Wednesday October 11, the House voted 315-98 to override the President's veto.

On Thursday, the Senate passed by an 87-8 vote HR 4635, an alternative fiscal spending bill which couples funding for the Departments of Veterans Affairs and Housing and Urban Development with a revised Energy and Water bill. The revised version of the Energy and Water bill omits provisions regarding the Missouri River cited by President Clinton as the primary reason for the veto.

The California Institute analysis of the Energy & Water Appropriations measure from a California perspective is available on the web at <http://www.calinst.org/pubs/ew01.htm> .

### **ANALYSIS OF INTERIOR DEPARTMENT APPROPRIATIONS AVAILABLE**

The House adopted the conference report (H.Rpt. 106-914) for the FY01 Appropriations for the Department of the Interior on October 3, by a vote of 348-69; the Senate followed with a vote of 83-13 on October 5; and the President signed the measure into law on October 11. An analysis of the provisions affecting California can be found at the Institute's website, <http://www.calinst.org> . The analysis itself is available at <http://www.calinst.org/pubs/interapp01.htm> .

On related issues, on Thursday, October 12, the House, under suspension of the rules, passed by voice vote a measure (HR 5083) to extend the authority of the Los Angeles Unified School District to use certain park lands in the city of South Gate, which were acquired with amounts provided from the land and water conservation fund. On the other hand, it failed to approve a measure (HR 4656) to authorize the U.S. Forest Service to convey certain lands in the Lake Tahoe Basin to the Washoe County School District for use as an elementary school site.

### **INSTITUTE ANALYSIS OF FY 2001 TRANSPORTATION APPROPRIATIONS BILL**

The California Institute has prepared a quick analysis of several of the California details of the conferenced version of the Transportation Appropriations bill for FY 2001, approved by the House on October 6, 2000 on a vote of 344-50 and approved by the Senate the same day on a vote of 78-10. While language of the bill (H.R. 5394) itself was available, final detailed conference report language was not available at press time. We apologize for any errors or omissions in our discussion of these documents, and would appreciate any input/feedback on how to make improving corrections. The ordering of items generally reflects their presence in the bill does not mean to imply any relative importance. The report is available on our website at <http://www.calinst.org/pubs/trap01.htm> or in Adobe Acrobat (pdf) format at <http://www.calinst.org/pubs/trap01.pdf> . *Bulletin* readers lacking access to these documents may contact the Institute for a faxed version.

### **HOUSE ADOPTS AGRICULTURE APPROPRIATIONS BILL**

On Wednesday, October 11, the House overwhelmingly passed the FY01 Agriculture Appropriations bill by a vote of 340-75. The Administration has said that the President will sign the bill. The \$78.1 billion funding, includes \$9.5 billion for child nutrition programs, and \$714 million for conservation programs.

Two major stumbling blocks to passage of the bill were resolved after late night negotiations. The conference report now includes language lifting the sanctions against food and medicine sales to Cuba. It also includes language allowing wholesalers and pharmacies to reimport U.S.-made drugs that are less expensive when purchased abroad.

The bill also includes language, championed by Sen. Barbara Boxer and Rep. Ken Calvert (Corona), which will allow U.S. growers and importers of Hass avocados to fund and operate a

coordinated marketing effort to expand domestic and foreign markets. An additional \$3 million in funding is included as well for research into Pierce's disease.

The full conference report can be obtained at <http://www.house.gov/appropriations>. The California Institute will publish a more detailed analysis of the issues of importance to California in the Agriculture Appropriations in the near future.

Likewise, when conference report language becomes available for the VA-HUD appropriations bill for FY 2001, the Institute will prepare a similar analysis.

## **BRIEFING ON CALIFORNIA'S ELECTRICITY MARKET**

On Wednesday, October 11, Reps. Jerry Lewis (Redlands) and Sam Farr (Carmel), respectively the Chairs of the California Republican and Democratic Congressional Delegation, sponsored a briefing in conjunction with the California Institute regarding the status of the electricity market in California and the recent price spikes in wholesale and consumer energy cost. Participants included representatives from PG&E, Sempra Energy, Southern California Edison and the Governor's office.

The discussion focused on several issues, including a review of State Assembly legislation AB 1890, which deregulated California's energy market, and the roles of the Power Exchange and the Independent System Operator (ISO), which controls long distance high voltage transmissions.

Presenters provided information on the rise of the California market's prices in 2000 and gave a comparison of California prices to that of other markets. Factors which contributed to the high market prices in California were identified, including a flawed market structure, high natural gas prices, and an imbalance between supply and demand. However, while these these factors have some impact, it was widely agreed that these alone do not fully explain the high energy prices experienced in the state. It was noted that through September 2000 California's investor-owned utilities have incurred \$5 billion in excess cost, most of which has been paid to opportunistic generators from other states who are taking advantage of California by charging exorbitant rates. While customers of Southern California Edison and PG&E have seen no impact yet in their electric bills (unlike customers of San Diego Gas and Electric) all of California's investor-owned utilities have been paying these excessive prices for energy. Without correction, these huge and unexpected outflows of dollars puts into serious question the long-term health these companies. The utility representatives agreed that an effective mechanism to mitigate market power imbalances was needed or costs would continue to accumulate and consumers will continue to be severely impacted.

Representatives from PG&E, Sempra Energy and Southern California Edison suggested action by the state, including regulatory and legislative measures, as well as needed federal action to address the price issue. Much of the attention focused on the need for the Federal Energy Regulatory Commission (FERC) to provide structural fixes. There was agreement among the companies that the \$250 cap on wholesale electric rates is part of the problem and needs to be lowered. The companies indicated they are forced to buy power at a high price and, with the rate freeze in effect now, sell at a low price. There was also agreement that FERC needs to act before the end of the year to address the issue.

The briefing included an overview of the basic structure of the state's electricity market by Lee Schavrein, Director of Regulatory Affairs for Sempra Energy; an overview of the causes and results of this summer's electricity price spikes by Les Starck, Manager of Federal Regulatory Affairs for Southern California Edison; and a discussion of the various state and federal responses to the problem by Dede Hapner, Vice President for Regulation at PG&E.

Stephanie Tom Coupe of Governor Davis' Washington office presented information on actions taken by the Governor and the State Legislature at the state level, and suggested federal action. The Governor's actions to date have included developing a Task Force on Energy Reliability and a call to the

President to release emergency funds from the Low-Income Home Energy Assistance Program (LIHEAP) to the state to help low-income residents pay their rising electricity bills. The President responded to the Governor's request by releasing \$2.6 million in emergency funds. The Governor has also requested immediate action by FERC to restore wholesale prices to fair levels.

Participants also heard from two Members of Congress who have been on the front lines of the recent electricity price debates, Reps. Brian Bilbray (San Diego) and Bob Filner (San Diego). Other discussants included Reps. Xavier Becerra (Los Angeles), Mary Bono (Palm Springs), Steve Horn (Long Beach), Steve Kuykendall (Palos Verdes Estates), and Doug Ose (Sacramento).

## **MORE ACTIVITY ON ELECTRICITY MARKET ISSUES**

On Thursday, October 12, Rep. Brian Bilbray (San Diego) introduced a bill focused on the electricity cost issues facing California. His "Distribution Generation Enhancement Act", H.R. 5457, would set a single set of national technical standards for distribution generation units to interconnect to the power grid.

The previous week, a bipartisan group of California members led by Rep. Duke Cunningham (San Diego) and including Reps. Joe Baca (Rialto), Bilbray, Julian Dixon (Culver City), Sam Farr (Carmel), Duncan Hunter (San Diego), Jerry Lewis (Redlands), and Henry Waxman (Los Angeles), introduced H.R. 5345, the "Energy Efficient Buildings Incentive Act", which would use tax incentives to encourage the production and development of energy efficient buildings and equipment. The incentives would be based on performance, rather than costs.

Also last week, on Friday, October 6, Rep. George Miller (Vallejo) and Senators Dianne Feinstein and Barbara Boxer wrote to Secretary of Energy Bill Richardson asking that the Bonneville Power Administration (BPA) be prevented from signing electric contracts in the Pacific Northwest that exclude California customers. BPA reportedly intends not to extend contracts with a number of California parties to whom it currently supplies power, including BART, Southern California Edison, and the Cities of Anaheim, Modesto, Santa Clara, Glendale, Burbank and Pasadena. Rep. Miller said, "I appreciate that BPA's Northwest customers have gotten used to power that costs one-tenth the amount our constituents in California have to pay," but he noted, "My constituents paid for those dams and generators, too." The authors also asked for a Congressional inquiry into BPA policies.

## **CONGRESS CHANGES FOREIGN STUDENT FEE COLLECTION PROCESS**

On Tuesday, October 3, the Senate passed an immigration bill, H.R. 3767, containing language shifting to the Immigration and Naturalization Service (INS) the responsibility for collecting the fee for the Coordinated Interagency Partnership Regulating International Students (CIPRIS) program. Presently, the responsibility for fee collection falls on colleges and universities, and has been an administrative burden for them. The language was included in a bill allowing tourists and business travelers from certain countries to enter the United States for limited periods of time without visas.

The House cleared the bill for the President's signature on Tuesday, October 10 by voice vote.

## **PRESIDENT SIGNS BEACH BILL**

The "Beach Bill", the Beaches Environmental Assessment and Coastal Health Act of 2000, sponsored by Rep. Brian Bilbray was signed into law by President Clinton on Tuesday October 10. This bill, HR 999, which passed unanimously in the House requires states to adopt a minimum criteria for water quality, to consistently test beach waters for pathogens, and to notify the public when contamination levels make beach water unsafe. The bill also provides \$30 million in federal grants

annually to aid coastal states in developing and implementing specific water quality monitoring and public notification programs.

### **ROUNDTABLE LUNCH FOCUSES ON PRESIDENTIAL, CONGRESSIONAL CAMPAIGNS**

The California State Society hosted the Golden State Roundtable Luncheon on Thursday, October 12, 2000. The Roundtable consisted of California news media experts speaking on the 2000 political campaigns.

Otto Kreisher of the San Diego Tribune, Don Frederick of the Los Angeles Times, Marc Sandalow of the San Francisco Chronicle, and Michael Doyle of McClatchy Newspapers each presented their views on the recent presidential debate, the presidential campaigns as they relate to California, and California's relatively large number hotly-contested congressional races. Other issues discussed included: Voter turnout, poll information and predictions, and party support of California candidates.

### **OUTLOOK FOR THE CALIFORNIA ECONOMY**

The Center for Continuing Study of the California Economy recently released a update to its report entitled *The Outlook For the California Economy*, an examination of the California economy at the mid-year point. The report reveals that at mid-year 2000 the state experienced strong job and income growth, rebounding exports and accelerated inflation.

According to the report, California job levels in mid 2000 were 4.1% above job levels a year ago, while statewide unemployment rates dropped to 5% in July 2000. Along with jobs, income and spending growth also increased with total personal income rising by 9.3% in the first quarter of 2000 and taxable sales rising by 13.4%. Exports of California produced goods increased by 21.2% by mid-year led by technology industries and trade with Mexico, Asia and Europe.

In presenting the short-term outlook, researchers indicated that while job and income growth will exceed the expectations of last year, the current pace of job and income growth is not sustainable and slowing will probably occur. They are, however, forecasting continued economic growth in the state and the nation through next year. The report also examines regional developments and the housing market.

For more information or to order the report please visit the Center's website at <http://www.californiaeconomy.com> or contact the Center at 650-321-8550.

### **GAP BETWEEN HOUSING COST AND INCOME ON WORKING POOR**

The National Low Income Housing Coalition recently released report indicates rental housing costs are out of reach for California families living on the minimum wage. The September 2000 report entitled *Out of Reach: The Growing Gap Between Housing Costs and Income of Poor People in the United States*, contains income and rental housing cost data for the 50 states and the District of Columbia. The data is summarized by state, metropolitan area and county or town.

According to this report, California ranks 45th in rental housing affordability, estimating that a renter household would need to make \$15.22 per hour to afford a two bedroom at Fair Market Rent (FMR). Given the state's minimum wage of \$5.75 per hour this does not bode well for the working poor in California. Of the least affordable metropolitan areas, five of the eight were California metropolitan areas, including: San Francisco, San Jose, Santa Cruz/Watsonville, Oakland and Orange County. Also of the least affordable counties in the country, four of California's counties -- Marin, San Francisco, San Mateo and Santa Clara -- were in the top five. In three of these counties renter households would have to earn \$28.06 an hour to afford housing in the area.

The report can be viewed in its entirety at the National Low Income Housing Coalition website: <http://www.nlihc.org> .