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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 CONTINUES BUDGET NEGOTIATIONS

Returning after a three-week recess, Congressional budget negotiators this week re-started deliberations on a federal spending package for the Departments of Labor, Health and Human Services and Education. On Friday, December 8, Congress is expected to a 19th continuing resolution (H.J. Res 128) to maintain full operation of the federal government through Monday, December 11. If all goes according to plan, Congress on Monday will approve another measure, maintaining funding through Friday the 15th.

While some Congressional leaders have expressed a desire to postpone budget negotiations until the 107th Congress, passing instead a long-term continuing resolution, the White House has rejected such proposals.

Negotiators reported some movement toward compromise, with the White House reportedly willing to reduce funding for the bill by \$2 billion from a \$114 billion agreement which had been struck before the election and was then rejected at the last minute. A press report today indicated that Republican negotiators have indicated a willingness to accept spending between \$107 billion and \$108 billion. One press report quoted an unnamed source as stating that the Republican savings proposal would reduce funding from a specifically targeted programs and imposing a 2 percent across-the-board reduction.

(The overall Labor-HHS-Education appropriations bill includes roughly \$350 billion in spending, but most of those funds are mandatory expenditures; the amounts which are subject to the current negotiations represent the bill's discretionary funding component.)

Within the bill, the October deal would have pegged education spending at \$43.5 billion, up by nearly \$8 billion, or 22%, over the FY 2000 level. No reports to date have indicated how much that level might be pared back under the reduction proposals being discussed currently.

Also reportedly under discussion are an immigration package, Medicare payment increases and boosts for rural and home health care and teaching hospitals, while tax and minimum wage provisions are considered unlikely to be included. A final package of appropriations for FY 2001 will also include funding for the Departments of Commerce, Justice and State, as well as for the Legislative Branch.

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THOMAS, HUNTER MAKE CASES FOR CHAIRMANSHIPS

This week, Reps. Bill Thomas (Bakersfield) and Duncan Hunter (Alpine) promoted their qualifications as prospective Committee chairs before a special panel of Republican leaders. For committees where the prior chair has either left Congress or is term limited, Congressional leadership has elected to hear presentations from Members wishing to vie for the slots.

Rep. Thomas, already chair of the full Committee on House Administration, is one of two members seeking the chairmanship of the tax-writing Ways and Means Committee. Thomas is considered a top expert in Medicare and other health care issues facing the panel. He currently chairs the Ways and Means Subcommittee on Health. Thomas is competing with Rep. Phil Crane (IL), who currently chairs the Trade panel. If Thomas is successful, he would be California's first Ways & Means Committee Chairman.

Rep. Hunter is second-ranking among the members returning to the Armed Services Committee for the next Congress, behind Rep. Bob Stump of Arizona. Hunter, however, stated that he supports Stump as his first choice for the full committee chairmanship, noting that he only wants the slot if the House leadership chooses not to go with Stump. Rep. Curt Weldon (PA) has challenged Stump for the post. Hunter is currently the Chair of the Armed Services Subcommittee on Military Procurement.

Announcements of Congressional leadership decisions regarding committee chairmanships are expected after the 107th Congress is sworn in on January 3, 2001.

NEW COMMERCIAL FLIGHTS FROM CALIFORNIA TO CHINA

Responding in large measure to a bipartisan efforts by the California Congressional delegation, the Department of Transportation awarded six new commercial flights from California to China. The Department awarded four new weekly cargo flights from Ontario International Airport to China by United Parcel Service (UPS) and two new commercial passenger flights from San Francisco to China by United Airlines.

The Department awarded a total of ten new flights. The six originating in California were won after a year long effort by the California delegation to convince the department to concentrate the majority of the new flights on California airports. It is believed that the addition of these new flights will contribute to an increase in jobs, exports, and tourism.

CALIFORNIA STATE SOCIETY HOLIDAY PARTY ON TUESDAY, DECEMBER 12

From 6:00 to 9:00 p.m. on Tuesday, December 12, the California State Society will hold its annual holiday party in the Cannon Caucus Room, Room 345 of the Cannon House Office Building in Washington, DC. Admission to the party is free for current California State Society members, with donation of a child's book or toy. Applications for membership, which costs \$15 per year (\$10 for federal employees), are available online at <http://www.cssdc.org> or at the event. Those planning to attend the event should respond to 202-969-8040 by December 8.

POWER EMERGENCY DECLARED; GOVERNOR PROPOSES ELECTRICITY INITIATIVES

On the evening of Thursday, December 7, California declared its first "Stage Three" alert due to rapidly dwindling electricity supplies, ordering cutbacks on power usage for homeowners, businesses and governments. For several days in a row, the state had reached a lower Stage Two emergency. Stage Two emergencies are called when power reserves drop below 5%; a Stage Three emergency means that reserves are below 1.5%.

Prior to this week's crisis, Governor Gray Davis on December 1 responded to a FERC report and order by proposing various measures to ease the power problems. For more information on the FERC

actions, see *Bulletin*, Vol. 7, Nos. [34 \(11/2/00\)](#), [35 \(11/8/00\)](#), and [36 \(11/16/00\)](#). Davis proposes changes to the membership of the California Independent System Operator (ISO) and Power Exchange (PX), credit trading to aid in the siting of new power plants, promotion of distributed generation and co-generation, expansion of voluntary efforts to reduce peak energy usage, expanding multi-year “forward contracting” by utilities, expediting investigation of demand reduction programs, voluntary interruptions during peak power periods, reviewing new measures to coordinate power-plant maintenance and operating activities, requiring utilities (until the market becomes competitive) to retain existing generation facilities instead of selling them off, and studying “real time price signals” such as metering to large users to reduce energy use.

For a copy of Governor Davis’s letter to FERC Chairman Hoecker, see <http://www.governor.ca.gov/briefing/pressreleases/dec00/hoecker121.html> .

HIGHER EDUCATION REPORT CARD RELEASED

The National Center for Public Policy and Higher Education recently released *Measuring Up 2000 The State-By-State Report Card For Higher Education*. The report card grades states in the following six performance categories: Academic Preparation, Participation, Affordability, Completion, Benefits and Student Learning.

California received a “C-“ grade in the area of Preparation, which examined how well the state’s K-12 schools prepare students for college-level education and training. Some of the indicators used in this category were high school completion, K-12 course taking such as upper level math and science and student achievement based on national assessment exams, SAT and AP scores. California received a “B+” for Participation, a category which calculated the number of high school freshmen enrolling in college within four years and the number of 18 to 24 year old enrolling in college in each state.

In the area of Affordability, indicators such as family ability to pay and percentage of family income needed to pay for education at community colleges, as well as public and private universities were examined. In this area, California received an “A” because although the state requires a relatively large share of family income to pay for public and private four year colleges and universities, tuition at California Community colleges is very low and requires a low share of family income.

In the area of Completion, which examined the number of students returning for a second year in college and the number of students completing a bachelor’s degree within 5 years, California received a “C” grade. California received a “B+” in the Benefits category which examined the benefits of higher education to the state, such as economic benefits due to increased personal income and civic benefits such as voting and charitable gifts. Finally, in the area of student learning, California and all other states lacked information on education performance of college students needed for a systematic state or national comparison, thus receiving an “Incomplete” grade in this area.

Measuring Up 2000 can be viewed in its entirety at the website for The National Center for Public Policy and Higher Education, <http://www.highereducation.org> .

EUROPEAN CYBERCRIME TREATY CRITICIZED BY SOME IN INDUSTRY

A European treaty aimed at stanching cybercrime is being criticized by some U.S. representatives of high technology companies, as well as privacy advocates. The treaty would establish guidelines for businesses to work with law enforcement officials to track crimes. In addition, certain software programs that enable persons to hack into computers would be banned. The treaty is being drafted by the Council of Europe, which represents 41 countries.

The business opponents, including the U.S. Chamber of Commerce, are concerned that compliance with the treaty requirements would impose expensive regulatory burdens on U.S. companies.

Privacy advocates, on the other hand, worry that the treaty would not impose safeguards to prevent the invasion of consumers' privacy. Both groups are hoping to put pressure on the Council to change provisions in the draft before its completion.

The treaty is scheduled to be ratified in July 2001.

SACRAMENTO WELCOMES NEW STATE LEGISLATORS

On Monday, December 4, newly elected members to the California State Legislature were sworn in to join their veteran colleagues at a ceremony at the State Capitol. There are 31 new members of the Assembly and 10 new Senators.

All of the 10 new Senators are former members of the Assembly and include: Richard Ackerman (SD-33); Jim Battin (SD-37); Sheila Kuehl (SD-23); Michael Machado (SD-05); Bob Margett (SD-29); Tom McClintock (SD-19); Rico Oller (SD-01); Jack Scott (SD-21); Tom Torkelson (SD-07); and Edward Vincent (SD-25).

Of the 31 new members of the Assembly, three are former state Senators including: Dave Kelley (AD-80), Tim Leslie (AD -4) and Dennis Mountjoy (AD-59). The remaining 28 new Assembly members are new to the state legislature and include: John Campbell (AD-70); Joe Canciamilla (AD-11); Wilma Chan (AD-16); Edward Chavez (AD-57); Dave Cogdill (AD-25); Rebecca Cohn (AD-24); Lynn Daucher (AD-72); Manny Diaz (AD-23); Dario Frommer (AD-43); Jackie Goldberg (AD-45); Tom Harman (AD-67); Dennis Hollingsworth (AD-66); Jerome Horton (AD-51); Christine Kehoe (AD-76); Paul Koretz (AD-42); Jay La Suer (AD-77); Carol Liu (AD 44); Barbara Matthews (AD-17); Joe Nation (AD-6); Gloria Negrete McLeod (AD-61); Jenny Oropeza (AD-55); Fran Pavley (AD-41); Keith Richman (AD-38); Simon Salinas (AD-28); Joe Simitian (AD-21); Juan Vargas (AD-79); Mark Wyland (AD-74) and Phil Wyman (AD-34).

Information on the new members including biographies and office addresses can be accessed at the following websites: <http://www.sen.ca.gov> and <http://www.assembly.ca.gov> .

CALIFORNIA EXPORTS RISE 22 PERCENT OVER LAST YEAR

California's third-quarter exports for 2000 rose 22 percent over the same period last year, climbing to \$33.7 billion for the quarter. The boost was primarily attributable to substantial increases in high technology exports to Mexico and Asia. Mexico remained the state's largest export market with third-quarter sales totaling \$5.2 billion, a 29 percent increase; Japan came in at number two with \$4.3 billion in exports, representing a 31.5 percent increase.

Other nations contributing to the boost in exports were: South Korea, up 34 percent, and Germany, up 27.5 percent. Perhaps of most significance, however, was the 56 percent increase in exports to China, raising third-quarter exports there to \$984 million. With the passage of permanent trade relations status for China, exponential growth in exports to the country is expected to continue.

The bump-up in third-quarter exports brings the state's exports for the year to a record breaking \$94.5 billion.