



THE CALIFORNIA INSTITUTE FOR FEDERAL POLICY RESEARCH

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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.

GOVERNOR DAVIS ADDRESSES ROUNDTABLE LUNCHEON IN WASHINGTON

During a visit to Washington for a meeting of the nation's governors, California Governor Gray Davis addressed a sellout crowd for Golden State Roundtable luncheon on Tuesday, February 27. He was introduced by California's bipartisan delegation deans, Republican Chairman Jerry Lewis (Redlands) and Democratic Chairman Sam Farr (Carmel), who emphasized California's ability to face and solve crises.

The Governor's remarks focused largely though not entirely on the energy problems facing the state at present. Governor Davis pointed out that California already has worked hard to prevent energy problems, noting that only one state, Rhode Island, is more energy efficient than California. Still, he said, the state can do more, and there should be incentives for the state's residential and commercial energy consumers to be even more efficient. He said he is asking every Californian to use 10% less energy than was used in the prior year. He added that even customers of municipal utilities, which were not subject to deregulation, should conserve in order to free up additional power for the California grid.

Governor Davis cited current efforts to bring more in-state generation online in the near future. His goal is to have an additional 20,000 Megawatts online by 2004 -- 5,000 this summer, 5,000 next summer, and an additional 10,000 by 2004. In his remarks, he criticized a provision of the electricity deregulation package passed by the State in 1996 which required that utilities sell off generation plants without requiring that the plants' new owners sell back the power they generate therein to in-state utilities. He noted that the State has put in place incentives to encourage distributed generation and cogeneration by businesses, such as a \$1 million bonus for bringing 50Mw online by August 1, and to encourage plant permitting, localities will receive \$10,000 per megawatt approved.

The Governor also commented that transmission capacity needs work. He noted that on the two recent days when power went out in Northern California, there was

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plenty of power available in Southern California, but that power could not be sent up the overloaded transmission lines. He also discussed plans to give the State an expanded role in the energy marketplace.

In addition, he discussed recent education advances made in the state, and expressed optimism that performance will continue to improve. He was pleased that, after two years, 70% of schools had met or exceeded target goals, and he credited teacher training programs for a substantial part of the improvements.

A complete transcript of the Governor's remarks is available on the governor's website, http://www.governor.ca.gov/state/govsite/gov_homepage.jsp ; click on press room, then press releases.

BIPARTISAN CALIFORNIA DELEGATION MEETS WITH FERC CHAIRMAN

A bipartisan majority of the California Congressional delegation met on Wednesday, February 28, with Curt Hebert, Chairman of the Federal Energy Regulatory Commission, to discuss the myriad energy problems facing the state. Hebert has repeatedly stated his opposition to imposition of rate caps, arguing that caps dampen appropriate market signals, and a significant portion of the discussion focused in this area. California members expressed their displeasure that FERC had found that the wholesale rates being charged were "unjust and unreasonable," yet FERC refused to intervene to remedy the injustice. Hebert noted that pending action before the Commission prevented him from making extensive statements regarding retroactive rate caps and related questions put to him by the Californians. Asked what FERC can do to improve the situation, Hebert responded that it and other entities can encourage long-term bilateral contracts at more reasonable rates than are available on the volatile spot market for electricity. He also emphasized the importance of interregional solutions, noting that California cannot be examined alone. After the meeting, Hebert reportedly expressed continued concern about the state's plan to buy power transmission lines.

RAND ADVISES BIPARTISAN CALIFORNIA DELEGATION REGARDING ELECTRICITY

A bipartisan majority of California members of Congress met this week to hear an analysis of and preliminary suggestions for dealing with California's ongoing electricity crisis. After being introduced by Reps. Jerry Lewis (Redlands) and Sam Farr (Carmel), RAND President James Thomson opened the discussion.

Senior Policy Analyst Mark Bernstein described the dimensions of the current crisis, warning that without action there could be severe blackouts and price spikes this summer, and that the crisis could last four years or more. He emphasized that recent price spikes indicate that the crisis includes natural gas as well as electricity. He noted that supplies of electricity are extremely tight and price spikes are without precedent, but that natural gas prices at the Southern California border have leapt to new highs as well.

Attempting to divine the causes of the crisis, Bernstein noted that rapid population growth in the western region is driving up energy demand in the area, while the midwestern and northeastern states are growing much more slowly. He also cited major transmission constraints in the Central Valley and at the Arizona and Oregon borders coming into California. He added that new generation is coming online slowly and added that new generation is powered by natural gas. Bernstein noted that natural gas storage is at record low levels in the western region, making it much more difficult to mitigate price spikes.

While not making specific recommendations, the RAND experts outlined various federal policy alternatives for the near term, such as dampening price spikes with rate controls, improving understanding of competitive energy markets, coordinating infrastructure management, exercising existing flexibility in environmental regulations, and improving understanding of the natural gas supplies and market.

OTHER FEDERAL ENERGY ACTIVITIES

On March 1, Energy Secretary Spencer Abraham stated that a White House task force (on which he participates) which is drawing up plans for a new national energy strategy would have its recommendations to President Bush within 60 days.

On Tuesday, March 6, the House Energy and Commerce Subcommittee on Energy and Air Quality has scheduled a hearing entitled "Congressional Perspectives on Electricity Markets in California and the West and National Energy Policy" for 1:00 p.m. in Room 2123 of the Rayburn House Office Building.

On Thursday, March 15, at 9:30 a.m. in 216 Hart Senate Office Building, the Senate Committee on Energy and Natural Resources will hold a hearing on three bills: S. 26, a bill to impose interim limitations on the cost of electric energy, S. 80, the California Electricity Consumers Relief Act of 2001; and S. 287, a bill to direct FERC to impose cost-of-service based rates on sales by public utilities of electric energy at wholesale in the western energy market; as well as an amendment to S. 287.

On Wednesday, Sen. Dianne Feinstein asked FERC to re-impose a cap on the price charged for transporting natural gas into Southern California. The transportation price per million BTUs (decatherm) has leapt from less than a dollar to as high as \$50 since price caps were lifted one year ago. Prior to February 2000, the transportation cost was capped at 67 cents per million BTUs..

FUSION ENERGY COMMUNITY BRIEFS CALIFORNIANS; LETTER CIRCULATING

On Thursday, March 1, members of the nation's fusion energy science community, which is concentrated heavily in California, briefed members of the state's congressional delegation in individual meetings. The participants urged members to sign a Dear Colleague Letter supporting federal fusion efforts which is being circulated by Rep. Randy "Duke" Cunningham (San Diego). Last year, most of California's bipartisan members of Congress signed a similar fusion support letter.

The fusion science budget at the Department of Energy has declined substantially in inflation-adjusted dollars over the past several years. In the early 1990s, fusion energy sciences funding was roughly \$400 million in 2000 dollars; by 2000, that level had fallen to \$250 million, although that level did constitute an increase over the preceding three years' levels.

The two letters being circulated by Reps. Cunningham and Rush Holt (NJ) cite recent reviews of fusion energy sciences research in the U.S. and ask that no less than \$300 million for fusion energy sciences plus \$30 million for high average power lasers be made available in Fiscal Year 2002. California perennially wins a large share of federal fusion science expenditures. The letter references California's energy woes, stating "If we have learned anything from the lessons of the past, it is that the response to this most recent energy crisis must be to broaden and deepen our energy options for the future and to act to address the problem in the short, medium and long-term." For more details about the letter, *see [Bulletin, Vol 8, No. 5 \(2/8/2001\)](#)*.

To sign the letters or for more information, Congressional offices should contact Tim Charters of Congressman Cunningham's office x5-5452 or Chris Davis of Congressman Holt's office x5-5801.

ACTING CENSUS DIRECTOR RECOMMENDS RAW COUNTS FOR REAPPORTIONMENT; CALIFORNIA LOCALITIES FILE SUIT

On Thursday, March 1, Census Bureau Director William Barron urged Commerce Secretary Don Evans to release raw 2000 census numbers rather than statistically adjusted data for use in redrawing legislative district lines across the country. The Bureau reportedly was unable to resolve counting issues in time to meet an upcoming deadline, and the Director state that the Bureau was "unable, based on the data and other information currently available, to conclude that the adjusted data are more accurate for

use in redistricting..” Statistically adjusted numbers would correct for undercounting in various areas. No mention was made regarding which figures might be used for allocating \$200 billion in federal formula grant dollars.

While the 2000 census undercounted 1.2% of Americans, or 3.4 million people, that level was below the 1.6% of the 1990 population, or about 4 million people, undercounted in the prior decennial census. In 1990, California was disproportionately undercounted (2.7% vs. the 1.6% nationwide), but the state’s strong response rates from the 2000 census indicate that the problem may have been less this time. State-by-state undercount figures have not been released to date. Population figures must be transmitted by April 1.

Last week, the City of Los Angeles sued Commerce Secretary Evans seeking to overturn a federal rule shifting authority over whether or not to release adjusted census data back to the Commerce Secretary. Under the Clinton Administration, that authority was shifted to the head of the Census Bureau. Among those joining the suit were the city of Inglewood, the county of Santa Clara, CA, and nine members of the Los Angeles City Council.

CALIFORNIA INSTITUTE PREPARES BUDGET ANALYSIS

The Institute has prepared an analysis of the initial budget blueprint released by the Administration on Wednesday, February 28. It is available on our website at: <http://www.calinst.org> . The following are some of the highlights of budget areas which may have a significant impact on California.

The Administration's proposal resurrects the attempt to impose insurance requirements on public buildings. It assumes \$83 million in savings are achieved by requiring a three-year phase- in of a public building disaster insurance requirement. Details on the program envisioned are not provided. The budget also proposes saving \$83 million by reducing the Federal share of funding for hazard mitigation grants from 75 percent to 50 percent.

While boosting defense procurement spending, of which California still receives a substantial share, the defense portion of the budget specifically requests additional rounds of base closures. California suffered a grossly disproportionate share of the pain from recent base closure efforts, shouldering 60% of the net cuts in military and civilian personnel from the 1988, 1991, 1993 and 1995 base closure rounds.

The budget also calls for the permanent extension of the Research and Experimentation (also known as R&D) tax credit, and states that funding will be available for the CALFED Bay-Delta project, although no funding figure is provided.

Some of the figures included in the budget blueprint may not compare directly with prior year funding documents. For example, while the budget notes that discretionary spending for education will rise 11.5%, nearly half of that increase was already slated in the FY 2001 appropriations bill passed by Congress last year. Growth in budget authority for education dollars spent is closer to 5.9%.

The budget document released this week was a 200-page overview and will be followed by a more complete set of Administration budget documents, which can be several thousand pages, in April.

The document is at <http://www.calinst.org/bulletins/bull806Aw.htm> .

SENATE FINANCE HOLDS HEARING ON U.S. TRADE POLICY

The Senate Finance Committee held its first hearing of the year on U. S. trade policy challenges and opportunities, focusing on economic globalization and the United States’ leadership role in international trade. The Committee heard from a panel of four witnesses: David L. Aaron, Former Under Secretary of Commerce for International Trade; William M. Daley, Former Secretary of Commerce;

Carla A. Hills, Former United States Trade Representative; and Robert D. Hormats, Ph.D., Vice Chairman, Goldman Sachs International.

Mr. Aaron testified that the United States should adopt three priorities for its trade policy. His first and most immediate priority would be to resolve U.S. bilateral trade problems with Europe. Second, he encouraged the re-energizing of free trade agreement efforts both bilaterally and regionally, with the acceleration of the Free Trade Area for the Americas (FTAA) timetable and the rapid conclusion of Free Trade Agreements (FTAs) with Jordan, Chile and Singapore. Last, he urged that the U.S. should engage in a broad effort to promote further global liberalization in the World Trade Organization (WTO).

Former Secretary Daley testified that the most important thing to do is address the concerns raised about environmental and labor conditions around the world. Also, he urged Congress to grant fast-track trade authority to the President. Third, he testified that it was imperative that the U.S. ensure that China live up to the commitments it has made in order to accede to the WTO.

Former Trade Rep. Carla Hills also supported expeditious passage of fast-track authority for the President, but argued against including issues such as labor conditions in any agreement, arguing that the International Labor Organization was the proper forum for dealing with those issues. She also encouraged companies and the government to undertake an effort to educate workers on the benefits of free trade, and to provide training to improve job skills so workers could take advantage of the higher wages available in jobs linked to trade.

Dr. Hormats reiterated the need to educate Americans on the benefits of expanding trade and globalization, but emphasized that policy makers must meet head-on the criticisms raised that “the WTO and global trade agreements are simply designed to benefit big corporations at the expense of large groups of citizens and are inherently undemocratic.” He also testified to the importance of ensuring that America provide a first class K-12 education system so that more Americans can thrive in a knowledge-driven economy based on globalization. Regarding specific trade policies, he encouraged expeditious action on the FTAA, a new trade round to resolve agriculture and services issues, and FTA for the President.

Transcripts of the witnesses’ testimony can be obtained from the Committee’s website at <http://www.senate.gov/~finance> .

TRADE THINK TANK QUESTIONS SECTORAL APPROACH TO TRADE NEGOTIATIONS

The East-West Center has released a report questioning U.S. trade policy’s focus on negotiation sectoral agreements (those that cover only particular products or services, such as telecommunications, financial services, and information technology). The report was written by Vinod Aggarwal and John Ravenhill. They argue that this “open-sectoralism,” as they term it, is “fraught with political and economic hazards” and has led to reduced political support for multisector trade negotiations.

The authors also argue that while protectionist sectoral measures are derided, they often end up clearing the way for comprehensive multilateral trade negotiations. Those are the type of agreements the authors believe are needed currently.

The East-West Center was established by Congress in 1960 to foster mutual understanding and cooperation among the governments and people of the Asia Pacific region, including the United States. The report can be obtained through its website at: <http://www.EastWestCenter.org>.

WINE CAUCUS AND Cdfa ENGAGE GRAPE GROWERS, CITRUS INDUSTRY, AND NURSERIES TO OUTLINE PIERCE'S DISEASE HAZARDS TO CALIFORNIANS

The Congressional Wine Caucus, led by Reps. Mike Thompson (St. Helena) and George Radanovich (Mariposa), sponsored a briefing for California Congressional Members and Staff on Wednesday, February 1, regarding Pierce's Disease and efforts to combat it.

Pierce's Disease (PD) has existed across California for a century, but until now there had not been pests (vectors) which could spread it widely and rapidly. Currently, the Glassy-Winged Sharpshooter (GWSS), a pest probably imported from the Southeastern U.S., threatens California's winegrape industry because the pest can transport PD deep into vineyards and can overwinter on a wide array of other host plants.

At the briefing, Bill Lyons, Secretary of the California Department of Food and Agriculture, outlined the problem, commented that it is good to have an experienced Californian in Ann Veneman at the helm of the USDA, and introduced Bob Wynn, the state's PD control effort coordinator. Wynn noted that \$5.3 million in federal support for PD research is desired. Herb Schmidt of Robert Mondavi Wineries commented that the industry is investing heavily in the effort as well, having recently agreed to raise \$25 million over five years via an assessment.

Wynn noted that there are many fronts in the battle to control PD, but an important component is an ongoing collaboration with the California nursery industry. Nursery plants can provide safe harbor for the GWSS and can be a vehicle for transporting it from one region to another. A number of recent GWSS findings are likely the result of transportation of landscaping specimens.

Brad Sumners from Heinz Nurseries commented that their company has halted all shipments from San Diego into Northern California in order to prevent the spread of PD, and he described additional PD control efforts underway at a cost to the nursery of \$600,000 per year. Stuart Sperber of Valley Crest Nurseries in Ventura County painted a similar picture due to the fact the company is based near citrus groves which harbor the GWSS. The list of plants which can serve as a host for the GWSS is several pages long, and includes many California staples.

Joel Nelson of California Citrus Mutuals commented that the GWSS was considered a nonconsequential pest until very recently, when it appears that the pest could survive long periods in packing plants and foreign importers of domestic citrus have begun expressing concern about GWSS transport. He added that safe biocontrol measures would be desirable due to opposition to wide chemical spraying and concerns about jeopardizing ongoing integrated pest management methods.

Dana Merrill of the California Association of Winegrape Growers and Dave Wittmer of the California Association of Agriculture Commissioners commented on the devastation the PD can cause. Once infected, the land cannot be used for winegrapes again. The participants, including Reps. Thompson and Sam Farr (Carmel), noted that if a solution is not found, the entire California wine industry could be severely threatened. For more information, see [*Bulletin, Vol 8, No. 6 \(2/15/2001\)*](#).

CALIFORNIA FISHING INDUSTRY BRIEFING FOR CALIFORNIANS

On Wednesday, February 28 Rep. Sam Farr hosted a briefing for the California Delegation on the California Fishing Industry. The briefing was provided to give the delegation information on and insight into the troubling signs emerging from California's commercial and recreational fishing industries.

The briefing was provided by Dr. Churchill Grimes, Director of the National Oceanic and Atmospheric Administration Fisheries Laboratory in Santa Cruz and Rick Marks of the Pacific States Marine Fisheries Commission. Both provided information on the critical issues facing the state in the fishing industry, such as the disaster status of the West Coast groundfish which has both social and

economic impacts on the state. Other issues such as the listing of salmon species including Chinook, Coho and Steelhead under the Endangered Species Act were also discussed in detail.

There was also a discussion of possible solutions to some of the problems facing California's fishing industry as well as policy and legislative options. For more information on the briefing please contact Michael Peccini in Rep. Sam Farr's office at 202-225-2861. For more information on the California Fishing industry please visit the Pacific State Marine Fisheries Commission website <http://www.psmfc.org> or <http://www.psmfc.org/pacfin/index.html> . You may also visit the website for the National Oceanic and Atmospheric Administration (NOAA) at <http://www.noaa.gov> for more information.

CALIFORNIA ROADS RATED THIRD WORST IN NATION

According to a recently released study, sponsored by Transportation California, California roads rank third worst in the nation. The report finds that 47% of California roads are in poor or mediocre condition, while the national average is 28%. This puts California third from the bottom with only Louisiana and Missouri having a higher percentage of roads rated at poor or mediocre, with 52% and 47% respectively.

California has more than 15,000 miles of major roads in the advanced stages of deterioration. In contrast to the road conditions, the report also indicates that California is among the top five states with regards annual vehicle operating cost per motorist. California has the fourth highest vehicle operating cost per motorist at \$354 a year. Thus the report argues for more state funding for road improvements.

PPIC RELEASES RACE AND ETHNICITY REPORT AND PUBLIC OPINION SURVEY

The Public Policy Institute of California recently released *A Portrait of Race and Ethnicity in California: An Assessment of Social and Economic Well-Being*. The sourcebook of information, identifies and compares different racial and ethnic groups in the state and examines the overall condition of each.

The report examines demographic changes in the state as well as changes in geographic distribution of ethnic groups. The report also compares how the different ethnic groups are faring in areas such as education, health, labor market outcomes, economic status, crime and political participation.

The Public Policy Institute of California has also released the first in a series of public opinion surveys to be conducted during the 2002 California election cycle. During the previous two election cycles, 1998 and 2000, PPIC conducted 15 surveys and gathered the opinions of over 30,000 Californians.

In this most recent survey Californians listed the energy crisis at the top of their list of concerns, and indicated they believe that it will damage the state's economy in the next few years. Another major concern of Californians, according to the survey, is that of education. Though many believe the schools are improving, 53% see the quality of public schools as a "big problem." Other issues arising in the survey were the presidential election, influence of special interests on the initiative process, initiative reform, and ratings of Governor Davis.

Findings are based on a telephone survey of 2,011 Californian adult residents interviewed between January 2 and January 8, 2001. To review the survey and its results in their entirety or to view the Race and Ethnicity Sourcebook please visit the PPIC website at: <http://www.ppic.org> .