**THE CALIFORNIA INSTITUTE FOR FEDERAL POLICY RESEARCH**
419 New Jersey Avenue, SE, Washington, D.C. 20003 202-546-3700
fax: 202-546-2390 e-mail:ransdell@calinst.org web:http://www.calinst.org

# California Capitol Hill Bulletin

**Volume 8, Bulletin 9 -- March 16, 2001**

*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.*

## SCAAP LETTER CIRCULATING FOR DELEGATION SIGNATURES

Reps. David Dreier (San Dimas) and Gary Condit (Ceres) are circulating a letter among the California Congressional delegation for signatures. The letter urges the Appropriations Committee to increase funding for the State Criminal Alien Assistance Program (SCAAP) to $750 million per year.

This figure is supported by Governor Davis and the California State Association of Counties. SCAAP partially reimburses state and local governments for the costs associated with incarcerating illegal criminal aliens. In FY01, $565 million was appropriated. Although California receives over 40 percent of SCAAP funding (about $242 million in 1998-99), it does not cover even half of the state and local governments' expenses for incarcerating undocumented criminal aliens.

In past years, all 52 members of the delegation have signed the letter to the Appropriations Committee supporting increased funding for the SCAAP program. Members wishing to sign this year's letter should contact either Randy Groves (Condit) at 5-6131 or Tara Ord (Dreier) at 5-2305. The deadline for signing the letter is close of business on Thursday, March 22.

## SENATE FINANCE REPORTS EDUCATION TAX CUT MEASURE

The Senate Finance Committee on Tuesday, March 13 favorably reported *The Affordable Education Act of 2001*, which provides tax relief and incentives for education expenses. The Committee had heard from a record number of Senators on proposals for education tax benefits at a hearing on February 14, 2001. *See, Bulletin, Vol. 8, No. 6 (2/15/01).*

Among the provisions in the bill are a permanent extension of the section 127 tax-free treatment of employer-provided educational assistance, including its extension to graduate tuition payments as well. The bill also would eliminate the 60-month time limit on deduction for interest paid on student loans, and raise the income eligibility figures to $65,000 annually for single filers and $130,000 annually for joint filers.

Because the Constitution requires revenue bills to originate in the House, Senate floor action on the bill itself is not expected. Instead, it may be included in a broader tax measure sent over from the House at a later date. A

CONTENTS:

summary of the other provisions included in the bill can be obtained through the Committee's website at: http://www.senate.gov/~finance .

### FERC ORDERS $69 MILLION IN REFUNDS FOR CALIFORNIA ELECTRICITY OVERCHARGES; WEST COAST GOVERNORS SEEK PRICE CAP

On March 9, the Federal Energy Regulatory Commission (FERC) ordered 13 wholesale sellers of electricity to refund up to $69 million in overcharges for January 2001 sales of electricity into California. FERC's order stated that any charges exceeding $273 per megawatt-hour (MWh) are unjust and unreasonable and should be refunded unless justification can be shown. However, FERC only required the refunds if the state was at the time in the midst of a Stage 3 power alert, meaning that demand was within 1.5% of supply capacity. It is worth noting that $273 per MWh is nine times the $30 average wholesale price in January. Details of the FERC action and a copy of the order itself are available on the Commission's website at http://www.ferc.fed.us/electric/bulkpower.htm .

On Monday, March 12, Governor Gray Davis, joined by Governor Gary Locke of Washington and Governor John Kitzhaber of Oregon, asked FERC for a temporary price cap on the cost of power charged by generators in the western states. The three governors suggested a cost-based price cap for power purchased in the spot market. Under the proposal, generators would be allowed to recover their costs and receive a small profit of approximately $25/MWh. A similar proposal was offered by FERC Commissioner William Massey. Their letter stated that "In spite of our aggressive and urgent efforts, the problem will only get worse throughout the year and particularly this summer. This shortage has enabled generators to receive 'unjust and unreasonable' charges for their wholesale energy." The proposal exempts bilateral and long term contracts and asks for voluntary compliance by federal power marketing agencies not controlled by FERC, such as BPA.

### CALIFORNIA CHAMBER PRESIDENT BRIEFS DELEGATION REGARDING POWER MARKETS

California Chamber of Commerce President Allan Zaremberg traveled to Capitol Hill this week to brief California Members of Congress, Congressional staff, and others in the California-Washington community regarding the status of the electricity market in the state and efforts to stabilize it. He noted the importance of avoiding utility bankruptcies for various reasons, including the domino effect it could have on the precarious market's current viability. He noted that unpaid creditors would less willing to enter into long term contracts with the State for electricity supplies, and a bankruptcy judge might be required to employ undesirable measures in order to keep the lights on in the state. Zaremberg suggested the need for some flexibility in air quality and other restrictions regarding the siting of as-needed power sources known as peakers. He urged incentives for businesses to produce their own power and to sell excess power back into the grid. He outlined the state's current efforts to negotiate power via long term contracts, noting that state bonds will finance the current discrepancy between wholesale and retail electricity prices, with the expectation that the imbalance will be reversed in future years and the bonds will be paid back as retail prices exceed wholesale prices.

In addition to avoidance of utility bankruptcies, Zaremberg recommended a new interruptible program to pay large users to shed power during peak demand periods on a predictable schedule, whereby businesses could recoup some costs of shifting operations to another part of the day, thereby reducing the need for the state to buy similarly-priced spot market power. Other possible solutions include lifting constraints on retail rates, aggressive conservation, facilitating distributive generation, allowing direct contracting by large consumers, and facilitating investment of private capital in the state's transmission system, streamlining approval and environmental review processes for new power plants, and exploring tax incentives for new generation. He also urged real-time metering to allow consumers to make choices about their actual real-time consumption of power.

During the discussion, Rep. Mary Bono (Palm Springs) suggested the importance of examining all alternative generation methods, including the nuclear energy option. Rep. Bono has introduced a measure to provide an electricity production tax incentive for landfill gas utilization facilities, "encouraging landfill owners to cut emissions and increase the supply of energy by funneling this gas into generators to produce electricity, rather than simply sending excess gas into the atmosphere."

For more energy and other information from the California Chamber, see http://www.calchamber.com .

## SENATE ENERGY COMMITTEE EXAMINES CALIFORNIA POWER CRISIS

On Thursday, March 15, the Senate Energy and Natural Resources Committee held a hearing on the energy crisis facing the Western region and focused primarily on legislation sponsored by Senator Dianne Feinstein to impose temporary cost-of-service-based rates if the Federal Energy Regulatory Commission (FERC) finds unjust and unreasonable rates were charged by electricity suppliers. Witnesses included Secretary of Energy Spencer Abraham, FERC Chairman Curt Hebert, Washington Governor Gary Locke, Montana Governor Judy Martz, Edison International CEO & President John Bryson, Sempra Energy President and CEO Steve Baum, PG&E Chief Counsel Bruce Werthinton, PP&L CEO William Hecht, and Fitch Inc. Director Steve Fetter. In November 2000, FERC found that wholesale rates in California were "unjust and unreasonable," yet the agency declined to act to control rates.

Committee Chairman Frank Murkowski (AK) commented that price caps would do nothing to answer the California's critical supply shortage, and he complained that California is "dead last" in electricity generation per capita. He argued that S. 287's requirement that FERC impose price caps on wholesale electricity will not work unless there is an assurance of pass-through of utility costs. He stated that price controls will discourage construction of new generation, exempting state and municipal utilities and rural cooperatives from price controls will create holes in the system, and many Western state governors oppose price controls. He added that California must "get over its aversion to building new plants" on the supply side, while it must pass through costs on the demand side. He commented that this is not just a California or Western problem, but one which will hit the eastern seaboard soon.

Committee Ranking Democrat Jeff Bingaman (NM) noted that there have been many diagnoses for California's runaway power rates, including too few power plants, too small transmission lines, market manipulation, price gouging, etc., but he lamented that FERC's answer to date has been "let California solve the problem." He applauded Sen Feinstein work, stating that, in his opinion, the market is not working and there needs to be intervention. He noted that, "The Federal Power Act says that FERC must set a just and reasonable rate when it finds an unjust and unreasonable one; yet FERC has yet to do so. But FERC has yet to give a reasonable explanation for why a cost-of-service rate will not work." He added, "They rely on economic theories, but the FPA does not provide for theory ... it says specifically that FERC must step in."

Senator Dianne Feinstein described some of the details of her bill. She emphasized that only a FERC finding of unjust and unreasonable rates would trigger intervention -- either a temporary regional wholesale price cap or cost-of-service-based rate. She commented that her bill seeks to correct a broken market, and that the Administration should act in a way to ensure that the market can act correctly. She displayed two graphics depicting the rapid worsening of the prices facing utility customers. Sen. Feinstein noted that "California needs to fix its problems and build more generation, and it will get there by late 2002, but the FERC needs to provide a period of reliability and flexibility until then." She added that, "The state spends about $45 million per day, and $30 million of that is lost forever." By the end of this year, she noted, the state probably will have spent about $10 billion to pay excessive wholesale electricity costs.

Senator Gordon Smith (OR), co-author of S.287 with Sen. Feinstein, said, "I believe in free markets, but truly we have never had a truly free market in electricity. What we have is a broken market and a duty to fix it." He analogized the current shortages of hydropower reserves, natural gas price spikes, transmission capacity limitations and other factors as a "perfect storm" which has led to very unusual and problematic market conditions and which will not subside without intervention. He emphasized that the Feinstein-Smith fix is intentionally temporary, expiring by or before March 2003.

Sen Larry Craig (ID) commended Sen. Feinstein for her diligent search for answers and bold solutions. However, he argued that price caps have had little success in the past, are difficult to remove, and have proven a distraction to markets. He did note that California's problems are being experienced across all Western states. He placed in the hearing record a letter from a number of Western governors which opposed price caps. Later, he noted that Idaho's watershed is currently at 38% to 50% of normal. Sen. Chuck Hagel (NE) commented that this an issue of energy demand outstripping energy supply, and it will only get worse. He urged a national energy policy, with a broad deep energy supply. While we fix immediate problems of particular states, he commented, we need to deal with the national situation. Sen. Craig Thomas (WY) stated that he wants to see significant changes coming from California, and he argued that California needs to build much more generating capacity.

Sen Maria Cantwell (WA) noted that the Northwest continues to suffer the consequences of the California situation, exacerbated by the fact that Washington state is suffering the worst drought in a generation. She cited the importance of finding not just at mid- and long-term cures, but also look at immediate consequences to the Northwest. She predicted that her state could lose 23,000 jobs over the next few years, in addition to those in industries such as aluminum which have already lost more than 20,000 jobs. Sen. Conrad Burns (MT) commented that because California's economy is so large, the entire Congress needs to work together to solve this problem. He commended Sens. Feinstein and Smith for coming together to develop a proactive solution, and said, "I'm going to be part of the solution and not part of the problem"

Energy Secretary Spencer Abraham called this not an isolated or short-term challenge, but one which needs to be viewed in a national context. He commented that California has unique problems due to a lack of new generation and poorly drafted state law. He said, "We agree that prices should be just and reasonable, and we support FERC's action of last week," but a viable proposal, he argued, "must increase supply or reduce demand. If it does the opposite, it exacerbates the problem. Price caps would do just that. Price caps have been tried and they have failed." He claimed that price caps would split the market in two -- public and private. FERC, he said, has jursidiction over only half of the market, that operated by investor-owned utilities. The remaining portion, which includes state and municipal utilities and rural electric cooperatives, is not under FERC's purview. Secretary Abraham defended the Administration and noted various actions it has taken, including extending an early price cap order by two weeks, encouraging additional imports from Mexico, and supporting the FERC orders of last week. That afternoon, he added the Administration would respond favorably to Davis request to review methods to ensure health of CA utilities. Responding to questions, Secretary Abraham emphasized that he places greater importance on keeping the lights on this summer than on price stability, and focused on expediting permitting of new power generation. He added that they are also looking at federal government activity in the state and reducing demand there.

Senator Feinstein commented that she was surprised by the "ideological hardness" of Secretary Abraham's comments. She emphasized that California is working diligently to expedite permits and to approve so-called peaker plants, but she asked "What does California do if we are charged $5,000 per MWh for electricity" as might be possible in mid-summer? Abraham argued that FERC actions of the preceding week would answer those concerns. He added that a regional price cap would encourage companies to build plants in the east and not the west, exacerbating supply problems. Feinstein noted that Governor Davis is seeking only a short term solution.

Sen Smith said, "While I don't want to send the wrong signal either, I think the *most* wrong signal we can send is a recession." Later, he commented that, "The worst signal of all is that we're unwilling to do everything we can to resolve this problem." He expressed agreement that long-term rate caps are a bad idea, but stressed the critical need for short term intervention. Sen. Pete Domenici (NM) asked for an explanation of the discrepancy between producer and consumer prices for natural gas prices, noting that producers are paid just $5 per million BTUs, while recipients can pay in excess of $60. He implied that natural gas transporters were making exorbitant profits, and he asked for a DOE investigation.

FERC Chairman Curt Hebert stated flatly, "Price caps are not a solution - we need to promote market solutions." He argued that electricity infrastructure improvements are needed across the west and especially in California, and that appropriate market signals should to encourage those improvements. He also advocated an RTO (regional transmission organization) for the Western U.S. On Friday, March 9, he noted, FERC ruled that January spot market prices were excessive and required $69 million in refunds or reductions. He also cited a March 14 show cause order of Williams and AES as indicating that the Commission will be vigilant.

During questioning, Sen. Bingaman inquired why FERC would limit its order requiring intervention for excessive January prices to periods of Stage 3 alerts, when there had been a finding of unjust and unreasonable rates last fall, before any such alert had occurred. Hebert drew a distinction between periods of high prices and periods where a blackout was imminent. Sen. Feinstein expressed concern that FERC is relying too heavily on theoretical market activity, when no market is actually functioning. She described a 700% spike in electricity prices, asking how that could be explained through any functional market, and she said, “I do not begrudge making a profit, but this profit is extraordinary.”

In a letter submitted for the hearing, Governor Gray Davis wrote in support of the legislation to pursue just and reasonable wholesale electricity prices and stated that “[a]ny objective review will adequately justify congressional action to implement a cost plus pricing strategy,” and later added, “[i]f the FERC refuses to exercise its full authority under the law to restore price stability, I believe it is appropriate for the Congress to do it for them.”

Testimony will be available shortly at http://www.senate.gov/~energy/ , under the “hearings” tab.

## Top California Utility Executives Address Senate Hearing

Later on March 15, the top executives of California’s three investor-owned utility companies testified before the Senate Energy and Natural Resources Committee regarding the western power crisis and the bills proposed by Senator Feinstein.

Edison International Chairman, President and CEO John E. Bryson testified that at the end of January, Southern California Edison had incurred $5.5 billion in undercollections for the preceding nine months of price gouging by electricity suppliers. The utility borrowed until its credit was exhausted and payments have been suspended, he said, and major cost reduction measures have been implemented. He criticized FERC inaction and emphasized that “nothing we, or the state alone, can do will adequately address the broken wholesale market.” Bryson noted that FERC’s March 9 order “might” require refunds from power sellers, but he noted that the $69 million maximum “would be less than one and one-half days’ worth of state spending on power. In contrast, the Independent System Operator petitioned FERC for refunds totaling $315 million in January.” Bryson commented that FERC’s “too little, too late” solution underscores the need for Sen. Feinstein’s legislation. He noted that the FERC approach of imposing retroactive caps -- whether adequate or not -- leaves suppliers unsure of the rates they will ultimately receive, while the proposed legislation would give more clear signals. Bryson added, “there is nothing about $500/MWh prices which will bring more electricity online this summer.” He concluded, “Average prices per kilowatt hour have increased from 5 or 6 cents to as high as $1.80. If consumers were exposed to all of these price increases, it would be analogous to paying $20 for a gallon of milk or a gallon of gasoline.”

Stephen L. Baum, Chairman, President and CEO of Sempra Energy, noted that California has historically relied on imports of power from neighboring states which themselves are experiencing large growth rates. He criticized the March 9 FERC decision for not going far enough, quoting the dissent, “this order, limiting the potential for refunds to transactions that occurred during Stage 3 alert hours and bids in excess of a $273 proxy market clearing price, is arbitrary, capricious and an abuse of discretion.” Baum lauded S. 287 for taking “a critical step toward instituting a a much needed cooling-off period for California’s chaotic energy market by imposing Cost of Service Plus rates.” He addressed critics who claim that caps are never temporary by noting that the authorization has a built-in sunset provision based on a date certain or a particular market condition, whichever comes first. Baum also focused on the high natural gas prices, and argued that their rise does not explain the skyrocketing electricity prices. He charged that FERC’s February 2000 experimental “soft cap” order, lifting maximum gas transportation prices, has allowed the price of natural gas to increase at the border of California “not because off an increase in the cost of the commodity but because of vast increases in the imputed value of using the pipe.” Baum noted that Sempra has filed a complaint at FERC regarding these differentials, and he urged an order unbundling the price of natural gas transportation from the price of the commodity.

In submitted testimony, Robert D. Glynn, Chairman, CEO and President of PG&E Corporation, noted that hydropower resources across California and the Pacific Northwest will be substantially below normal, with PG&E forecasting availability at 70% of normal and BPA forecasting hydro at 60% of normal. He noted that the California ISO is predicting the state at best will be 2,000 to 3,000 MW short for the summer, despite California’s broad efforts to maximize power availability. He stated, “Based on what we know today, there is a very good chance that the West is heading for a meltdown where -- due to short supplies -- the price of power could increase from today’s already historically-high levels to sustained stratospheric levels for the summer.” He noted that PG&E generally opposes price caps, but that the current conditions do warrant short-term caps.

Responding to questions from Sen. Dianne Feinstein, the utility company officials estimated that they have been charged up to $800 per MWh for electricity which -- many times from the very same plants -- would to cost those utilities $35 per MWh to produce in the era before deregulation-forced plant divestiture. Edison's Bryson cited a Cal ISO report which predicted a 10-fold increase in wholesale energy market charges over two years, from $7 billion in 1999 to $70 billion in 2001.

Testimony will be available shortly at http://www.senate.gov/~energy/ , under the "hearings" tab.

## SENATE COMMERCE EXAMINES INTERNET SALES TAX ISSUE

The Senate Committee on Commerce, Science, and Transportation on Wednesday, March 14, held a hearing on Internet taxation issues. The hearing focused on whether Congress should allow states to require all remote sellers to collect and remit sales taxes on deliveries into that state, provided that states and localities simplify their sales and use tax systems.

The Committee heard from a number of witnesses, including: Governor Jim Geringer (WY); Lt. Governor Jane Swift (MA); Mr. Robert Comfort, Vice President of Tax and Tax Policy, Amazon.com; Mr. Jeff Dircksen, Director of Congressional Analysis, National Taxpayers Union; Ms. Elizabeth Harchenko, Director, Oregon Department of Revenue; Mr. Frank G. Julian, Operating Vice President and Tax Counsel, Federated Department Stores ; and Mr. Peter Lowy, Chief Executive Officer, Westfield America.

In his opening statement, Chairman John McCain (AZ) stated that he had not seen evidence of the sales tax revenue losses predicted by the states and local governments when the issue of collecting sales taxes on remote sellers was first examined a few years ago. Nevertheless, he recognizes that the brick and mortar retailers have a "legitimate fairness argument, when they see customers come to the store to locate items they want to purchase, only to leave and order the items over the Internet just to escape the sales tax." He also emphasized that Congress must act before the current moratorium expires on October 1, and that to do so, the states and localities must be willing to make "some tough decisions now to advance true sales tax simplification."

Lt. Gov. Swift, emphasizing the importance of the Internet sector on Massachusetts, opposed imposing sales taxes on Internet commerce. Gov. Geringer, on the other hand, strongly favored it, arguing that 40 states are prepared to greatly simplify their tax systems in order to establish an equitable, across-the-board tax on sales whether over the Internet or from brick and mortar retailers.

Testimony of the other witnesses can be obtained from the Committee's website at: http://www.senate.gov/~commerce .

## HOUSE WAYS AND MEANS HEARS BUSH'S HEALTH AND WELFARE PRIORITIES

President Bush's Secretary of Health and Human Services, Tommy Thompson testified before the House Ways and Means Committee, chaired by Rep. Bill Thomas (Bakersfield), on Wednesday March 14. Secretary Thompson outlined the administration's Health and Welfare priorities.

Thompson indicated the total budget request for the department for FY 2002 is $471 billion in budget authority and $468 billion in budget outlays. Some of the proposals of the administration highlighted by Thompson during his testimony include the following:

- Enhancing research at the National Institutes of Health, proposing a $2.75 billion budget increase.
- Modernizing Medicare and expanding access to quality healthcare by adding a prescription drug benefit, increasing Community Health Center sites by 1,200 by FY 2006, and by increasing access to Drug Treatment.
- Increasing support for families through After School Certificates, a $200 million increase for Promoting Safe and Stable Families program, and $33 million for a new Maternity Group homes program,
- Reforming the management of the Department's operations and developing departmental infrastructure. Specific focus was given to the Health Care Financing Administration (HCFA), with Thompson calling for reform and stressing that HCFA while having added responsibilities has not had added resources to carry out its duties.

Questions directed to Secretary Thompson were centered on the issue of "Medicare modernization" and the prescription drug benefit. Members requested clarification on the issue of using the estimated surplus of $526 billion over 10 years from Part A of the Medicare trust fund as part of a “contingency fund” to be used on programs other than Medicare. Thompson responded that Medicare money in Part A will be used strictly for Medicare services.

The Secretary’s testimony can be obtained through the Committee’s website at: http://www.house.gov/ways_means .

### HOUSE HEALTH SUBCOMMITTEE HOLDS MEDICARE REFORM HEARING

The House Committee on Ways and Means’ Subcommittee on Health chaired by Nancy Johnson (CT) held the second hearing in a series of Medicare Reform hearings on Thursday March 15. The first in this series, which is to lay the groundwork for reforming and “modernizing” the Medicare program, was held on February 28 and provided the subcommittee with a general overview of major medicare reform proposals.

The second hearing on Thursday focused on the issue of bringing regulatory relief to medicare beneficiaries and providers. Rep. Johnson indicated the subcommittee needed to be able to distinguish between unnecessary regulations and those necessary for program integrity and improve HCFA’s responsiveness to beneficiaries and providers. Ranking member Rep. Pete Stark of California stressed that medicare regulations and policy guidance issued by HCFA are merely implementing the laws enacted by Congress and that Congress must be responsible for providing necessary resources to HCFA.

The following presenters testified: Dr. Richard Corlin, President-Elect, American Medical Association; Gary Mecklenberg, American Hospital Association; Mary Ousley, American Health Care Association; Ms. Susan Wilson, National Association of Home Care; Toby S. Edelman, Center for Medicare Advocacy; George Grob, Deputy Inspector General Office of Inspector General U.S. Department of Health and Human Services; Robert Moffit, PhD, Director Domestic Policy Studies, Heritage Foundation; and The Honorable Gail Wilensky, PhD, Project Hope and former HCFA Administrator.

Much of the testimony provided focused on the vast number and complexity of regulations issued by HCFA and the Department of Health and Human Services. There was a call for better coordination of regulations, a more orderly release of regulations and a streamlining of requirements. Many testifying also stressed that HCFA needs new technologies as well as added resources.

Please visit the subcommittee website for copies of the testimony at: http://www.house.gov/ways_means .

### HOUSE SUBCOMMITTEE BEGINS SERIES OF HEARINGS ON WELFARE REFORM

The House Ways and Means Subcommittee on Human Resources, chaired by Rep. Wally Herger (Marysville) held the first in a series of hearings on Welfare Reform on Thursday March 15. The purpose of the hearings is to look at the effects of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 in preparation for Reauthorization of Temporary Aid to Needy Families (TANF) in 2002.

Witnesses included Cynthia Fagnoni of the GAO, Christine Devere of Congressional Research Service, Mark Greenberg of the Center for Law and Social Policy, and Robert Rector of the Heritage Foundation. Ms. Fagnoni focused on how the states have implemented TANF and the progress of welfare reform related to the original four goals of TANF, which were to provide assistance to needy families so that children may be cared for in their own homes or in homes of relatives; end the dependence of needy parents on government benefits by promoting job preparation, work and marriage; prevent and reduce the incidence of out-of wedlock pregnancies; and encourage the formation and maintenance of two parent families. Similarly, testimony by Ms. Devere focused on how states have implemented welfare reform and the impact of welfare reform. She also submitted a report *Welfare Reform Research: What Do We Know About Those Who Leave Welfare?*

Mr. Greenberg discussed the impact of welfare reform regarding several issues: the decline in child poverty though not as rapidly as participation in TANF; the increase in employment among female headed households; low-wage jobs of those leaving TANF; the decline in participation in Food Stamps and Medicaid after families leave assistance; and the severe barriers faced by those still receiving cash assistance. Finally Mr. Rector’s testimony focused on the decline of child poverty with welfare reform and the decline in out-of wedlock childbearing, and the importance of promoting marriage among recipients.

The testimony of all the witnesses can be obtained through the Subcommittee's website at: http://www.house.gov/ways_means .

## UCLA Study on Health Insurance in California Released

The UCLA Center for Health Policy Research recently released *The State of Health Insurance in California: Recent Trends, Future Prospects*. The report indicates that though there has been a decline in the number of uninsured, health insurance remains a problem in the state. It finds that 22.4% of the state residents under 65 had no health insurance coverage in 1999. Though this percentage is down from 1998 levels of 24.4%, it is higher than the United States average of 17.4%, and ranks California fourth highest in the nation in number of uninsured.

The report also outlines the significant number of California children and adults who are eligible for Medi-Cal or other insurance and are not enrolled. Of the 5 million uninsured adults, approximately 685,000 (14%) are eligible for Medi-Cal but are not enrolled. Similarly, of the 1.85 million uninsured children, 1.3 million are eligible for Medi-Cal or Healthy Families. The report also addresses the ethnic and racial disparities in insurance coverage, indicating that between 1994 and 1999 the uninsured rate improved for whites in California but not for Latinos, Asian Americans or African Americans.

The report which was funded by the California Wellness Foundation outlines several policy recommendations for the state. One recommendation with direct federal implications is expanding the Healthy Families Program under the State Child Health Insurance Program (SCHIP) to cover parents up to $250% of the federal poverty level, which would provide coverage for up to 518,000 uninsured parents.

For more information or to view the report in its entirety, please visit the Center for Health Policy Research website at http://www.healthpolicy.ucla.edu .

## PPIC Releases Report On Trade's Importance To California

The Public Policy Institute of California recently released a new report entitled *California's Vested Interest in U.S. Trade Liberalization Initiatives*. The report's author is Jon D. Haveman, an economist in the Bureau of Economics at the Federal Trade Commission. It reiterates the significant and growing importance of international trade to producers in California. But it also makes other striking findings, including that because California ships very little to South America, the Free Trade Area of the Americas (FTAA) agreement will not provide as much benefit to California producers as will the Asia-Pacific Economic Cooperation (APEC) Forum, because of the concentration of California exports to Pacific Rim countries.

In keeping with this, Haveman finds that California benefits more than the rest of the nation from liberalization initiatives, because they are occurring in countries, such as APEC countries, where California has a significant export stake and in commodities that California exports. The current liberalization agenda provides relief from 90% of the tariff barriers faced by California exports, according to the report.

The report also finds that California producers are more likely to export than other U.S. producers, and that its exports are disproportionately clustered in the high technology sector. Also, California's exports are more likely than the rest of the nation's to go to Asian destinations, especially Japan.

The report can be obtained through PPIC's website at: http://www.ppic.org .

## Census Says Business-To-Business Dominates E-Commerce

On March 8, the Census Bureau reported that business-to-business (B2B) transactions accounted for a significant share of overall e-commerce. For instance, the $485 billion in B2B shipments ordered online overshadowed the $15 billion in online sales from businesses to consumers for 1999.

E-commerce, as a whole, accounted for 12 percent of the total value of all manufacturing shipments in 1999, while merchant wholesale trade made 5.3 percent of its sales through online transactions. The Census also found that a significant portion of the total e-commerce dollar value is concentrated in a handful of industry groups. In manufacturing, five groups (transportation equipment, computer and electronic products, chemicals, machinery and food products) accounted for 63 percent of the dollar value of all e-commerce shipments.

Further information can be obtained from the Bureau's website at: http://www.census.gov .

## ORANGE COUNTY GATEWAY BRIEFING HELD

On Monday, March 12, in conjunction with the National League of Cities conference, the Orange North America Trade Rail Access Corridor Authority (Ontrac) briefed California Members and staff on the Orange County Gateway project. Ontrac, a joint powers authority will oversee the construction of a five-mile railroad lowering and grade separation project on the Orangethorpe Corridor, a project that will separate 11 at-grade rail crossings in the cities of Placentia and Anaheim. The Orangethorpe Corridor connects the Ports of Los Angeles and Long Beach via the Alameda Corridor with the transcontinental rail network via Corona and San Bernardino. It is believed that over the next 20 years rail traffic through this corridor will increase from 50 to 135 trains daily by 2020, impacting for road traffic, safety and quality of life in the communities surrounding the trade corridor.

Ontrac has recently received $4 million in funding from the Orange County Transportation Authority and Governor Davis has proposed $28 million for the project in the Traffic Congestion Relief Plan of his budget. The budget for the railroad lowering project is estimated at $400 million to be paid for by a blend of city, county, state and federal funds. Represented at the briefing were the cities of Placentia, Yorba Linda, Brea and Anaheim. Rep. Steve Horn, who serves on the House Committee on Transportation and Infrastructure, and staff to Rep. Gary Miller, who serves as Chairman of the Highway, Transportation and Infrastructure Caucus, were among the participants. For more information visit http://www.placentia.org or http://www.ontrac-jpa.org .