



## THE CALIFORNIA INSTITUTE FOR FEDERAL POLICY RESEARCH

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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.*

### **PRESIDENT BUSH TO VISIT CALIFORNIA**

Next week, President George W. Bush is to make his first visit to California since taking office, and he is scheduled to meet on Wednesday with Governor Gray Davis.

After Memorial Day activities in Arizona, the President is scheduled to overnight in Los Angeles on Monday. According to the White House, he will travel on Tuesday to the Marine Corps Base Camp Pendleton to discuss energy efficiency and efforts to reduce electricity consumption at military installations.

(This week, Reps. Mike Thompson (St. Helena) and Jane Harman (Rolling Hills) and 14 California colleagues wrote to the President to encourage power conservation and generation at DOD facilities. They stated that "DOD is the largest single consumer of electricity in California accounting for about 1% or 420 MW of the state's peak load.")

After his Camp Pendleton meeting, President Bush will return to Los Angeles to speak regarding the economy to the Los Angeles World Affairs Council, after which he will fly to Fresno for the night. He is expected to meet with Governor Davis at some time on Wednesday, and to return to Washington late that evening.

In a letter asking the President to meet, Governor Davis said, "You and I don't agree on everything. But here's something we do have in common: we both inherited an energy mess. And the people that elected us expect us to clean it up." He also stated, "I agree with you that long-term solutions are necessary to our nation's energy challenge. However, Californians can't afford to wait 4 or 5 years for a permanent solution. We need relief today."

### **CALIFORNIANS CIRCULATE LETTER OPPOSING 100% HOLD HARMLESS ON TITLE I EDUCATION FUNDS**

Reps. Randy "Duke" Cunningham, Howard P. "Buck" McKeon, and Lynn Woolsey are circulating a bipartisan Dear Colleague letter opposing a 100% hold harmless on Title I education funds. California has united behind such efforts in recent sessions -- the unanimous 52-member California Congressional delegation signed a similar letter in May 2000.

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The current letter, addressed to House Labor-HHS-Education Appropriations Subcommittee Chairman Ralph Regula (OH), notes that Congress continually imposes a 100% hold harmless on Title I funds, and that the House versions of the bill have contained language opposing the provision.

“It has been seven years since Congress amended Title I to require child poverty rates to be updated biannually so that funding reflects, as accurately as possible, current school enrollments,” the letter states. “However, over the objections of the House, the Senate has made an annual practice of attaching a 100% state hold harmless rider to the Labor-HHS-Education Appropriations bill that effectively bars use of the updates and prevents money from flowing to states according to the number of eligible school-aged children that they actually serve.”

The letter also states, “This is not about forcing some states to take a large reduction in aid so that other states can benefit. Rather, funds should be allocated based on where children are actually attending school. It is about the federal government giving growing states and school districts the funds they need to meet the demands caused by their rising student enrollments. States and local school districts in which there have been declines in the number of children over the last several years have already had to adjust their own policies and funding allocations accordingly. It makes no sense to continue to send these states and school districts federal money for children they are no longer serving.”

The Title I education formula allocates funds to the nation’s school districts based on numbers of poor children. In 1994, when the Elementary and Secondary Education Act was last revised, Californians joined forces to create a biennial update of child poverty data. Prior to 1994, decennially-collected poverty data collection caused increasingly skewed funding discrepancies late in each decade, sending dollars to where children used to be, rather than to where they were actually enrolled. Californians had thought their 1994 change would permanently repair the situation, but opportunistic legislators from slow-growth states have attached a special provision for several years in a row, preventing the desired shift in the funding based on the most current available figures. In FY99 the 100% hold harmless provision cost the State of California more than \$36 million in Title I funds, and an additional \$17 million in funds for other programs for which allocations are based on Title I.

Offices of members wishing to sign the letter should contact Erin Strawn in Rep. Cunningham's office at 5-7615, or via email at [Erin.Strawn@mail.house.gov](mailto:Erin.Strawn@mail.house.gov).

## **FEINSTEIN/CALVERT INTRODUCE CALFED BILLS**

Sen. Dianne Feinstein and Rep. Ken Calvert (Riverside) unveiled their bills to improve water quality and supply in the western states, and to reauthorize the CALFED Bay-Delta restoration program at a joint press conference today. Although the two bills are not identical, the members pledged to work together to pass legislation this year addressing water needs in California and the western states. Rep. Gary Condit (Ceres) joined Rep. Calvert as a lead sponsor on his bill, along with 26 other California members, including seven Democrats.

The Calvert bill has three main components: (1) reauthorization of the Small Reclamation Project Act, with \$1.3 billion in new funding for this loan program; (2) authorization of \$328 million annually for a competitive grant program for water projects to improve water quality, supply and reliability, among other things; and (3) reauthorization of the CALFED program.

The first two components would be available to all 17 Western reclamation states in addition to Hawaii, Alaska and U.S. territories. Under the CALFED component an estimated \$3 billion would be available for the completion of the Program Record of Decision projects and new projects, to be authorized by the State and Congress. The federal authorization level is set at \$100 million annually for FY02 through FY07. Up to \$50 million for those first six years could be used for financial assistance to restore and enhance habitats.

Sen. Feinstein’s bill, among other provisions, authorizes all projects that require less than a \$10 million federal appropriation, with certain conditions. It includes an Environmental Water Account, to provide \$50 million annually for four years to purchase water to enhance fisheries and habitats. It also contains numerous environmental enhancement projects. In addition, it authorizes three storage projects: enlarging Shasta Dam; enlarging Los Vaqueros Reservoir; and a new in-Delta storage. The Act also authorizes a matching grant and loan program that would provide about \$100 million for local and state water supply projects.

Gov. Gray Davis issued a press release after the introduction of the bills commending Sen. Feinstein and Rep. Calvert for their efforts and stating: "With many areas suffering shortages because of dry conditions this year, it is crucial that California press forward with all possible speed to set in place the new, comprehensive and balanced approach of the CALFED program to help secure the State's water future."

For more details on the bills, contact each members website at: <http://www.house.gov/calvert> , or <http://www.senate.gov/feinstein> .

### **SENATE PARTY SWITCH TO GIVE FEINSTEIN AND BOXER SUBCOMMITTEE CHAIRS**

The decision by Sen. James Jeffords (VT) to leave the Republican Party, effective on or after June 5, moves California's two Senators to move from the minority to majority and will them chair Senate subcommittees.

Sen. Dianne Feinstein is currently the ranking Democrat, and thus a likely choice to become chair, on the Senate Appropriations Subcommittee on Military Construction. The panel's \$8.9 billion budget last year included \$865 million for environmental cleanup at closing military bases. Sen. Feinstein is also the top Democrat on and in line to chair the Judiciary Subcommittee on Technology, Terrorism and Government information, which has jurisdiction over electronic privacy, computer information security, and general technology and trade licensing issues.

Sen. Barbara Boxer is the ranking Democrat and prospective chair of the Environment and Public Works Subcommittee on Superfund, Waste Control and Risk Assessment. The panel oversees federal policies related to waste cleanup, toxic substances and related research and development. She also serves as the top Democrat on the Foreign Affairs Subcommittee on International Operations and Terrorism, with oversight over the State Department and international organizations, and jurisdiction over international law and law enforcement.

### **CALIFORNIANS SUE FERC; COMMISSION MAY RE-REGULATE NATURAL GAS PRICES**

On May 22, Democratic leaders of the California State Legislature sued in federal appeals court to require the Federal Energy Regulatory Commission (FERC) to place limits on the prices of wholesale electricity sold into the state's market. The suit, filed by Assembly Speaker Robert Hertzberg and Senate President ProTem John Burton and joined by the City of Oakland, argues that FERC's refusal to stabilize power prices jeopardizes the state's citizens by threatening the quality of drinking water. While lawsuits to force FERC action are relatively rare, they are relatively commonplace at other federal regulatory agencies, such as the Federal Communication Commission.

Also on Tuesday, May 22, FERC opened a 20-day comment period on a proposal to reimpose price caps on natural gas that enters the state. In February 2000, the Commission lifted a longstanding cap on the cost of transporting natural gas across the state's borders. At that time, natural gas in California cost under \$3, a price in line with the rest of the nation. This week, the price in California was nearly \$13, while it was just under \$4 in other Western states -- a markup of roughly \$9. FERC Chairman Curt Hebert continues to oppose price caps, but the President's new nominees, Patrick Henry Wood III and Nora Mead Brownell, have expressed their desire to investigate the gas price issue.

In addition, FERC this week has been investigating the practices of El Paso Merchant Group to determine whether it exercised illegal market manipulative power in its pricing and transmission of natural gas into the California market. California utilities and the state's Public Utilities Commission have charged that El Paso withheld space on its pipelines in order to bid up gas prices.

In a May 24 hearing of the Senate Energy and Natural Resources Committee regarding the President's energy plan, Senator Dianne Feinstein read the report's statement regarding California that "there are no short term solutions to long term neglect," but expressed concern that the state's dire situation should be sufficient to call FERC to action on price mitigation. She asked Energy Secretary Spencer Abraham whether, given the state's improper deregulation scheme and the fact that some companies are exploiting the scheme's loopholes, FERC should intervene. Abraham responded that FERC has authority to regulate only half of the market in California and that the State should regulate prices charged by that other half (municipal utilities primarily).

Finally, the House Committee on Energy and Commerce opened a markup session on its electricity bill on May 24. After several continuations of recesses, in an apparent attempt to reach compromises, the committee postponed action until Friday, May 25.

### **HOUSE INTERNATIONAL RELATIONS EXAMINES EXPORT ADMINISTRATION ACT**

On Wednesday, May 23, the House International Relations Committee held the first in a series of hearings on the reauthorization of the Export Administration Act. Kenneth I. Juster, Under Secretary for Export Administration, Department of Commerce, testified before the Committee. In his opening remarks, Rep. Tom Lantos (San Mateo), Ranking Member on the Committee, stated that U.S. national security interests must take precedence over economic issues. He noted that the Senate has worked on its reauthorization bill for about three years, and cautioned that the House should also take the time necessary to fully examine the issues of national security and commerce.

Rep. Brad Sherman (Thousand Oaks), also a member of the Committee, stated that the current process must be streamlined and that speed of processing export licenses is the key to an effective bill.

Secretary Juster reiterated the Administration's support for S. 149, the Export Administration Act of 2001. The Senate Banking Committee reported the bill on March 22 and it is awaiting Senate floor action. The bill, as reported, establishes a definite 39 day time frame for executive branch consideration of export licenses and sets up an interagency dispute resolution procedure for cases where the relevant agencies can not agree on an export license application. It also allows the Secretary of Commerce to remove controls on an item that has been determined to have foreign availability or mass-market status. The Secretary is required to make foreign availability or mass-market status determinations within six months of receiving a petition for such status. These provisions have been strongly supported by the computer and electronics industry, as necessary to remove hindrances to the export of next generation computers and equipment.

Secretary Juster testified that the 1979 Act is significantly out of date and that the level of penalties have been substantially eroded by inflation. He said S. 149 provides appropriation authorities to address two major interests – national security and the promotion of U.S. trade and industry. Among other provisions to protect U.S. security interests, the Secretary cited “enhanced controls” contained in the bill. Enhanced controls allow the President to exempt, for reasons of national security, items from the foreign availability, mass market, and parts and components provisions of the bill. “Thus, the most sensitive items will not be subject to those provisions that would otherwise limit controls,” Secretary Juster testified.

However, he cited the numerous features contained in the bill to benefit exporters, including the foreign availability and mass market provisions, and the treatment of parts and components. Under the latter provision, the bill generally limits controls on the export or re-export of dual-use parts and components incorporated into a final product based solely on the nature of the incorporated part or component.

In conclusion, Secretary Juster stated that passage of the Export Administration Act of 2001 is a “vital step in the Administration's effort to meet the new challenges that today's global environment presents for U.S. national security and economic health.”

### **SENATE PASSES \$1.35 TRILLION TAX CUT; INCLUDES PERMANENT EXTENSION OF RESEARCH & DEVELOPMENT CREDIT**

On Wednesday, May 23, the Senate passed its \$1.35 trillion tax cut by a vote of 62-38. Twelve Democrats, including Sen. Dianne Feinstein, joined all 50 Republicans to support the bill. The House passed its \$1.6 trillion version of the bill earlier this year. House and Senate leaders hope to reconcile the two versions in a quick conference this week, so that it may be presented to President Bush for signature before the beginning of the Memorial Day recess.

In addition to the major provisions of the bill regarding tax rate cuts, and repeal of the estate/death tax, the bill also contains other provisions of particular importance to California. See, *Bulletin, Vol. 8, No. 16 (5/17/01)*. For instance, it would make permanent and expand to graduate education the tax benefits provided under Section 127 for employer-paid education expenses, for courses beginning after Dec. 31, 2001.

Also, just before final passage of the bill, the Senate adopted by unanimous consent an amendment offered by Finance Chairman Charles Grassley (IA) and Ranking Member Max Baucus (MT) that added about 20 new provisions to the bill, including making the research and experimentation (known as R&D) tax credit permanent. The current credit is set to expire in 2004. A permanent extension of the credit has been strongly supported by a bipartisan majority of the California delegation, under the leadership of Reps. Bob Matsui (Sacramento) and Wally Herger (Marysville). Other provisions in the amendment include: speeding up the 100 percent deduction of health insurance costs for the self-employed from 2003 to December 31, 2001; allowing funds to be withdrawn from tax-favored education savings accounts for the purchase of computers, software or services for use by the student and family; and providing tax exempt bonds to water systems attempting to comply with new arsenic rules.

Similar provisions are not contained in the House bill.

### **COMMERCE SUBCOMMITTEE LOOKS AT IMPEDIMENTS TO DIGITAL TRADE**

The House Commerce Committee's Subcommittee on Commerce, Trade, and Consumer Protection held a hearing on Tuesday, May 22, to examine impediments to digital trade. The Subcommittee heard from several witnesses, including Jeffrey Kovar, Chief U.S. Negotiator, Hague Convention, and Assistant Legal Advisor for Private International Law; and Bonnie Richardson, Vice President, Trade and Federal Affairs, Motion Picture Association of America.

Mr. Kovar briefed the Subcommittee on U.S. efforts at the Hague Conference on Private International Law to negotiate a Convention on Jurisdiction and the Recognition and Enforcement of Foreign Civil Judgments (known as the "Hague Convention"). Mr. Kovar pointed out that U.S. courts are seen by the world as more open to recognizing and enforcing foreign judgments, whereas the ability of U. S. judgment holders to enforce their judgments abroad is much more problematical. Thus, successful negotiation of the Hague Convention on jurisdiction, recognition, and enforcement of judgments would be a major step forward for U.S. interests, according to Mr. Kovar.

Ms. Richardson testified that "Internet privacy is the single biggest impediment to the delivery of digital content today." She pointed out that successful conclusion of the Hague Convention could spur the development of digital commerce internationally by creating greater legal certainty. However, she testified that as currently drafted the Convention leaves many important issues of jurisdiction unresolved and "threatens to do more harm than good." For example, she noted that issues in the draft on such things as defamation suits, hate speech, privacy violations, and unfair trade practices are inadequately addressed in the Draft Convention. The MPAA, she testified, believes that each of these issues must be answered with respect to all areas of the law, if the Convention is to go forward.

Copies of the testimony of all the witnesses can be obtained at the Committee's website:

<http://www.house.gov/commerce>.

### **SENATE HEALTH LOOKS AT PATIENT SAFETY IN HUMAN SUBJECT RESEARCH**

The Senate Health, Education, Labor and Pensions Subcommittee on Public Health held a hearing on Wednesday, May 23, to discuss possible reforms of the system of protection for human subjects who volunteer for research projects and clinical trials. Among other witnesses, Dr. Bernice Welles, Sr. Director of Medical Affairs, Genentech, Inc., testified on behalf of the Biotechnology Industry Organization.

Dr. Welles testimony stressed the need to protect research participants, while continuing valuable medical research. She briefed the Subcommittee on the principles that BIO members have agreed must be considered in any reforms. Included in those principles are: eliminating multiple, separate levels of review; modifying the regulatory framework so that review is commensurate with the type of risk involved for the research participants; preempting state laws that create conflicting obligations; and working with academic medical centers and other affected entities and individuals to develop an approach for addressing real and perceived conflicts of interest.

Further testimony can be found on the Committee's website at: <http://www.senate.gov/~labor>.

### **HOUSE PANEL DISCUSSES EXTENDED AND DOUBLED DAYLIGHT SAVINGS TIME**

On Thursday, May 24, the House Science Committee's Subcommittee on Energy held a hearing regarding the "Energy Conservation Potential of Extended and Double Daylight Savings Time." The panel, led by Chairman

Roscoe Bartlett (MD) and Ranking Democrat Lynn Woolsey (Petaluma), heard from a number of witnesses, including Rep. Brad Sherman (Sherman Oaks). Rep. Sherman is the sponsor of H.R. 704, which would allow states to adjust their time zone to alleviate energy constraints from the first Sunday in May to the Sunday before Labor Day.

In testimony, Rep. Sherman noted that the concept of daylight savings time (DST) came about in order to save energy, first during World War I and then again during World War II, after which it became a fixture. He estimated that extending DST could reduce energy usage in the Western states by 1% to 2%. He commented that, "while one or two percent does not sound like a lot, we need to remember the impact of blackouts this summer on 1% to 2% of the state's electricity consumers." Rep. Sherman stated that a primary criticism of daylight savings extension is that children would have to go to school in the dark, and he noted that the May through August range of his bill would prevent that eventuality.

Rep. Woolsey asked Rep. Sherman whether it might be advisable to move the start of the school day, to which he responded that, while specific language in his bill would probably not require children to go to school in the dark, every school district should examine its schedule and structure to ensure it is best serving its students and parents.

Also testifying were Linda Lawson, acting deputy assistant secretary for policy at the Department of Transportation, and James C. Benfield of Bracy Williams and Company. Ms. Lawson commented that during WWII, Congress allowed local jurisdictions to set DST as desired, leading to circumstances where, for example, St. Paul was an hour ahead of Minneapolis. Congress subsequently set a uniform rule. She noted that during the 1970s energy crisis, Congress set DST at January through October in 1974 and February through October in 1975. Congress changed the DST's start date from late-April to early-April. She also cited various statistics regarding DST and its societal and economic impacts, though most of the data are as much as a generation old. One study showed a 10% to 13% reduction in violent crime in Washington DC after the clock was moved forward one hour. Another found a 0.7% reduction in traffic fatalities, saving 50 lives, due to extension of daylight in the evening. Mr. Williams cited a National Bureau of Standards study in the 1970s which found that late sunrises would cause an increase in danger for school children in the months of January and February, and he recommended against extensions into winter months. In order to avoid having a two-hour jump from Arizona into California, he suggested that Arizona adopt single DST if California implemented double DST. He also noted that, in the 1970s, both Idaho Senators supported including April under DST because of the increased french fries sold by fast food restaurants in the longer evening daylight hours.

For further information about the hearing, go to the Science Committee's website at <http://www.house.gov/science/energy/energyhearings.htm>. For details of the bill and other information from Rep. Sherman go to <http://www.house.gov/sherman/ddst.htm>.

## **AGRICULTURE SUBCOMMITTEE CONSIDERS FREE TRADE AREA OF THE AMERICAS**

The House Agriculture Committee held a hearing on Wednesday, May 23, on the Administration's proposal for the Free Trade Area of the Americas (FTAA) Agreement and its impact on U.S. agricultural exports. Witnesses providing testimony included Secretary of Agriculture Ann Veneman; Secretary of Commerce Donald Evans; and U.S. Trade Representative Robert Zoellick. Secretary Veneman indicated the FTAA will be a comprehensive free trade agreement among 34 democracies and will be completed in January 2005. She indicated that when completed it will provide U.S. producers and exporters with greater access to 450 million consumers outside the NAFTA countries. According to Veneman, the Department of Agriculture estimates that FTAA could expand U.S. agricultural exports by over \$1.5 billion annually.

Secretary Evans in his testimony provided an economic argument for trade liberalization, stating it has been a major factor leading to the country's longest postwar period of economic growth, and that trade accounted for 20-25% of economic growth in the last decade. Similarly, Zoellick argued that previous trade agreements have greatly benefitted the country and that the U.S. is falling behind in trade liberalization, being part of only two of the 130 trade agreements in the world.

Other witnesses included: Mr. Wythe Willey, President Elect National Cattlemen's Beef Association; Mr. Bruce McEvoy, President and CEO, Seald-Sweet Growers, Inc; Mr. Christopher Shaffer, Past Chairman, Wheat

Export Trade Education Committee and the U.S. Wheat Associates; Mr. Tony Anderson, President, American Soybean Association; and Mr. Jack Roney, U.S. Sugar Industry. Each witness provided background information on their respective industry and the impact of trade liberalization on each. While many indicated support for the direction the Administration is headed with regard to FTAA, many also indicated a need to examine the challenges and downfalls of existing trade agreements, such as NAFTA. Mr. McEvoy indicated that since the adoption of NAFTA, there has been a decline in agricultural exports of almost 50% and an increase of imports of 60%. He also submitted for the record a letter sent by Reps. Gary Condit (Ceres) and Richard Pombo (Tracy) to President Bush indicating the implications of NAFTA on the produce industry and the need to improve the results of NAFTA for U.S. agriculture in the FTAA.

To view the testimony of each witness, please visit the Agriculture Committee website at <http://agriculture.house.gov/hearings/testimony.htm>.

### **IMMIGRATION PANEL EXAMINES RURAL AND URBAN HEALTH CARE NEEDS**

On Tuesday, May 22, the Senate Judiciary Subcommittee on Immigration held a hearing on Rural and Urban Health Care Needs. The hearing focused on the shortage of health care professionals in rural and urban areas. Witnesses testifying at the hearing included: Ms. Susan Page, CEO, Pratt Regional Medical Center, on behalf of the Kansas Hospital Association; Mr. Carl Shusterman, Attorney and former Trial Attorney, Immigration and Naturalization Service; Ms. Ruth E. Levine, Senior Health Economist, World Bank; Mr. Bradley D. Lebaron, President and CEO, Utah Basin Medical Center, on behalf of the American Hospital Association; Ms. Diane Sosne, President, Local 1199 Northwest National SEIU, and President, Nurses Alliance; Dr. Doug Wear, Chair of the American Psychological Association's Committee on Rural Health; and Ms. Martha Hegerty, President, Country Care Inc., on behalf of the American Health Care Association.

Witnesses indicated that there is and will continue to be a severe shortage of health care professionals, specifically registered nurses across the country, due to various factors including a declining enrollment in training and educational programs and an aging workforce. Several of the witnesses spoke in favor of Congress's reinstating the H-1A visa program, and modifying and streamlining the H-1C visa program, to enable more hospitals to qualify, both of these programs they argue would increase nursing personnel. Ms. Levine reported on a recent study on the impact of the Immigration Nursing Relief Act (INRA), which was passed by Congress in 1989 and created a special temporary H-1A visa category for Registered Nurses. She and colleagues from the Urban Institute studied the impact of the Act in five cities and found that the entry of foreign-trained nurses did not harm U.S. workers' interests, but that the INRA regulations were ineffective and ambiguous.

Other witnesses, including, Ms. Sosne argued that while they are in support of the work of immigrants in healthcare, other initiatives should be examined by Congress to solve the nursing shortage before immigration is used. Other recommendations include: increasing funding and financial support for nurse and nurse aide education, recruitment and retention; emphasizing welfare-to-work programs and encouraging recipients to enter the healthcare arena; and defining post-secondary education as a qualified work activity.

### **PPIC SURVEYS ATTITUDES TOWARD STATE AND LOCAL GROWTH**

On May 21, the Public Policy Institute of California released its *PPIC Statewide Survey: Special Survey on Growth*. The public opinion survey of 2001 Californians focused on issues of growth in California, including state, local and regional issues, as well as the current electricity crisis and other political, social and economic trends. In terms of population growth, 82% surveyed believe that over the next two decades growth will make the state a less desirable place to live. Also in terms of the growth of 4 million people in the past decade, half of those surveyed believe this population increase is a "bad thing" and three out of four believe there is a link between population growth and the current energy crisis.

The electricity problem is believed by 43% of those surveyed to be the most important issue facing California today and 86% believe it will hurt the economy over the next few years. In terms of solutions to the energy crisis, 43% prefer to build more power plants, 27% prefer re-regulation of the industry, and 18% and 8%, respectively, favor conservation and federal price controls. However although 43% support building more power

plants 70% say they are not willing to relax air quality standards that regulate power plants. 58% of those surveyed indicated they were in favor of the state issuing bonds that will be paid by consumers through higher rates rather than taking taxpayer funds away from schools, healthcare and infrastructure.

Other survey questions focused on the issue of planning and the role of city, local and state governments in planning, as well as opinions and approval ratings of Governor Davis and President Bush. To view the report in its entirety, visit the PPIC website at <http://www.ppic.org>.

## **CCSCE RELEASES ANNUAL REPORT ON CALIFORNIA'S ECONOMIC GROWTH**

The Center for Continuing Study of the California Economy (CCSCE) recently released its annual California long-term outlook report entitled *California Economic Growth*. According to the Center, despite the current economic slowdown in the state, California can expect an additional 4 million jobs, 6 million residents, and 2 million households during the next decade. Topics covered in the report include a review of the 2000 economy and an outlook for 2001; a detailed analysis of California's economic base; projection of jobs, populations, households, income and spending; a review of construction trends; and an analysis of each major regional economy in the state.

In reviewing the 2000 economy, Palo Alto-based CCSCE found that in 1999 and 2000 California added more than 1 million jobs and had a 7.3% increase in nonfarm wage and salary jobs, outpacing the national increase of 3.5%. Also the state's unemployment fell to 4.5% in February 2001, the lowest since the 1960s. Though all regions in the state outpaced the nation in job growth in 2000, the Bay Area and San Diego led the state in job growth, with 4.5% and 3.8% increases respectively compared to a national increase of 2.1%.

In 2000, personal income in California also rose 11.5%, outpacing inflation which accounted for a 3.7% gain in consumer prices in California. The growth in income as well as spending slowed in the fourth quarter of 2000, though spending measured by taxable sales increased by 10.8% in the year. California also saw an increase in construction spending of 10% in 2000, with a 20% increase in public works construction. Nonresidential construction increased by 12% and there was a 65% gain in office buildings throughout the state. Construction of new homes increased to 150,000 units and the median housing resale prices hit record levels throughout the state, eventually surpassing the median of \$250,000 during the summer of 2000.

Growth in 2001 will be significantly slower according to CCSCE than that in 2000. However, CCSCE does project California will outpace the rest of the nation in job, population, income, and spending growth in the next decade. The report indicates job and income gains in the past six years were led by four sectors: high tech manufacturing, foreign trade, entertainment and tourism, and professional services, all with strong long term growth potential. CCSCE predicts that high tech manufacturing will grow 6 times faster than other manufacturing industries in the next decade, with California having more than 20% of nationwide production and jobs. Similarly, entertainment and tourism is projected to grow twice as fast as the total economy in the next 10 years. Also, professional services like software and engineering are the fastest growing sectors of the nation's economic base, paying wages more than 50% above the national average.

The report provides a detailed analysis of specific regional economic bases examining the Los Angeles Basin, the San Francisco Bay Area, the San Diego Region, and the Sacramento Region. For each region CCSCE examines economic trends, identifies regional industries, and makes projections for jobs, income and spending growths. The report also outlines issues and challenges facing California, including energy shortages, growth, land use and infrastructure issues, and continuing workforce challenges. For information on ordering the 2001 California Economic Growth report please visit the Center for Continuing Study of the California Economy website at <http://www.ccsce.com> or contact the Center directly at 650-321-8550.

## **BIO AND INSTITUTE TO HOST BRIEFING; 2001 INTERNATIONAL BIOTECHNOLOGY CONVENTION & EXHIBITION TO BE HELD IN SAN DIEGO**

On June 8, the California Institute will host a luncheon and briefing to inform congressional staff and others regarding the upcoming 2001 International Biotechnology Convention & Exhibition. The lunch will be held at noon in Room B-354 of the Rayburn Building. This year, San Diego will host the convention, to be held from June 24-27 at the San Diego Convention Center. The State of California and the California Technology, Trade and

Commerce Agency are title sponsors of the world's largest biotechnology event. It is expected to draw more than 10,000 industry participants, with over 750 exhibitors, and more than 350 technology, investor, and corporate partnering presentations.

BIO 2001 is the next in a series of annual events hosted by the Biotechnology Industry Organization (BIO) to give industry representatives a chance to meet and share accomplishments and explore future research and development opportunities in biotechnology. California is home to about one-third of the nation's companies engaged in biotechnical and biomedical pursuits. For further information, refer to the organization's website at <http://www.bio.org>.