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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.

HOUSE PASSES INTERNET TAX MORATORIUM EXTENSION

On Tuesday, October 16, the House passed H.R. 1552 by voice vote to extend the moratorium on Internet Taxes for two additional years. The current moratorium is set to expire on Sunday, October 21.

The moratorium prohibits taxes on Internet access charges and multiple and/or discriminatory taxes on Internet transactions. The original bill would have extended the moratorium for five years and permanently ban Internet access charges. The House Judiciary Committee, however, reduced the extension and dropped the provisions on the permanent ban during its markup of the bill on October 10. The vote on that action was 19-15.

The Senate has yet to take action on the bill. The White House has issued a statement supporting the two year extension.

BOXER & FEINSTEIN AGREE ON CALFED DEAL

Senators Dianne Feinstein and Barbara Boxer have reached an agreement on the reauthorization of the CALFED Bay-Delta restoration project.

The plan approves the Record of Decision (ROD) as a framework for addressing ecosystem restoration and water management issues confronting the Bay-Delta and authorizes the Secretary of Interior to implement Stage 1 of the ROD. It also pre-authorizes all CALFED projects certified in the ROD as long as the individual cost is under \$10 million. Most ecosystem restoration project meet this criteria, but water storage projects typically exceed \$10 million.

The agreement does not include water supply assurances for Central Valley agricultural contractors and drops the requirement that progress on CALFED's objectives be balanced between environmental and water supply and use issues. Both of these provisions have been included in other CALFED bills.

Senator Feinstein indicated that the new agreement will replace her previous bill, S. 947. On the House side, Rep. Ken Calvert's bill, H.R. 1985, has gotten subcommittee approval and is expected to be marked up by the full Resources Committee on Wednesday, October 24.

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ADMINISTRATION REJECTS SAMPLED CENSUS DATA FOR DISTRIBUTING FORMULA GRANTS; CALIFORNIA'S UNDERCOUNT TO COST STATE UPWARDS OF \$1.5 BILLION

On Wednesday, October 17, the Bush Administration officially declined to allow nearly \$200 billion in federal grants to states and local governments to go out using census data which are adjusted to compensate for apparent undercounting in states such as California. A report, issued in August by PricewaterhouseCoopers, estimated that this week's decision will cost California more than \$1.5 billion in reduced formula funding from now until after the next decennial census is conducted in 2010.

For much of the past decade, there had been extensive and heated political debate over the use of sampled data for reapportionment and redistricting -- an issue which could have impacted which party controls of the House of Representatives -- and Congress and the Administration stated decisively in March 2001 that only actual headcount figures would be used for these purposes. (In addition, a January 1999 Supreme Court decision had interpreted the 1976 Census Act as Congressional intent to use only headcounts for reapportionment.)

However, both the Supreme Court decision and Commerce Secretary Donald Evans' March 2001 statement left open the possibility of release and using sampled, or adjusted, data for use in allocating federal funds among the states. A wide array of federal grant programs use census data to allocate \$185 billion federal dollars which are distributed to state and local governments via Congressionally-devised formulas.

Acting Census Bureau Director William Barron stated Wednesday that additional research is necessary before the Census Bureau will decide whether to release any adjusted data at all. Barron cited discrepancies between adjusted data, the raw count and a third survey used to check accuracy, and he stated that there has not yet been adequate time to resolve the differences.

Previously leaked figures indicate that the 2000 Census' national undercount was 3.2 million persons (1.2% of the total population), which would be an improvement over the 1990 Census' 4 million undercount (1.6% of the total). Likewise, California's undercount rates improved considerably in the 2000 Census headcount over its 1990 counterpart. While California's undercount rate was 2.7% in 1990, it was just 1.5% in 2000.

California's rate is still higher than the national rate, however, which is why this week's decision will cause California to lose formula grant funding. The 19 states with undercount rates below the national average will take funding from California and the other 30 states with above-average rates. Within the state, California counties which could lose funds because their undercount rates exceed the national average include Alameda, Fresno, Kern, Los Angeles, Orange, San Bernardino, San Diego, San Francisco, and San Joaquin. For more information, see [Bulletin, Vol. 8, No. 29 \(9/27/2001\)](#). To review the PricewaterhouseCoopers report on shifts among states in formula grant funding levels, go to <http://www.cmbp.gov> or <http://www.pwcglobal.com>.

WAYS AND MEANS APPROVES STIMULUS PACKAGE

On Friday, October 12, the Ways and Means Committee approved H.R. 3090, a \$99.5 billion economic stimulus package. The party-line vote was 23-14.

The bill contains substantial new tax cuts and accelerates the cuts made in last year's tax bill. Among other things, it retroactively repeals the corporate alternative minimum tax, and accelerates the individual tax rate reduction to 25 percent beginning in tax year 2002. Currently, the 25 percent rate is scheduled to be phased in over the next five year.

The bill also would make \$9 billion in surplus Federal unemployment funds available for cash benefit needs. States would be able to use this money for regular or extended unemployment benefits, as

well as for worker training and services. The legislation also uses an existing block grant to channel \$3 billion more to the states to provide health care coverage assistance for unemployed workers and their families. The bill also extends the Work Opportunity tax credit and the Welfare To Work tax credit for two more years. California is home to more than one-fifth of the nation's welfare recipients. The House version of the stimulus package will also allow businesses to depreciate qualified businesses over a three-year period, encouraging purchase of replacement assets.

Arguing in favor of the package, Ways and Means Committee Chairman Bill Thomas (Bakersfield) stated, "Economic stimulus isn't about dividing up the pie - or a food fight - it's about strong and decisive action to achieve a very specific goal: immediate economic growth without long-term inflationary pressure." Opponents of the bill argue that it is too heavily weighted to corporate tax cuts and does not address the needs of unemployed workers. The House vote on the measure has been postponed until next Tuesday, October 23, because of the decision to close House offices through next Monday in order to sweep for anthrax.

For a detailed summary of the bill, go to <http://www.house.gov/jct> .

HOUSE AND SENATE APPROVE MILITARY CONSTRUCTION APPROPRIATIONS CONFERENCE REPORT

On Thursday, October 18, the Senate approved the military construction appropriations conference report by a vote of 96 to 1, following the House, which had approved identical legislation the day before on a 409-1 vote. Senator Dianne Feinstein, Chair of the Senate Appropriations Subcommittee on Military Construction, shepherded the bill through conference. "I am pleased that we were able to significantly increase funding for BRAC environmental remediation," Senator Feinstein said. She also noted that the bill includes adequate funding to cover the \$50.6 million environmental remediation project at Hunter's Point Naval Shipyard in San Francisco.

In addition to various specific California projects, the bill includes \$632 million for Base Realignment and Closure (BRAC) - related cleanup projects. A list of the bill's items directly related to California is attached to this *Bulletin*, and it will be available on the California Institute website at <http://www.calinst.org/pubs/milcon02.htm> .

HOUSE AND SENATE APPROVE INTERIOR CONFERENCE REPORT

By a vote of 380-28 on Wednesday, October 17, the House approved the Conference Report to the FY02 Interior Department appropriations, H.R. 2217. The Senate followed suit later that day on a vote of 95-3. The \$19.1 billion appropriated in the bill exceeds the President's request by \$1 billion, and includes \$400 million in emergency funding for wildfire. A total of \$26 million is provided to fund the Quince Library Group activities, and \$19.7 million is allocated for Lake Tahoe restoration, including \$500,000 for the South Lake Tahoe MTBE study. \$3.1 million is included for conservation of 100,000 acres in the Mojave desert, as well. The bill also funds \$500,000 for the Headwaters Preserve. In addition, over \$50 million is appropriated for other land acquisition and construction projects throughout the state.

Detailed analyses of the House and Senate versions of the bill can be found at:

<http://www.calinst.org/publications.htm> .

NASA ADMINISTRATOR DAN GOLDIN TO STEP DOWN AFTER NEARLY 10 YEARS

On Wednesday, October 17, National Aeronautics and Space Administration head Daniel S. Goldin announced his resignation, after nearly ten years leading the nation's space agency. Goldin's departure will be effective November 17. Appointed originally by then President George H.W. Bush,

Goldin also served as NASA Administrator during the entire 8-year term of President Bill Clinton, and retained his post through nearly a year under President George W. Bush. He became the longest-serving NASA Administrator in history. During his tenure, Administrator Goldin sought major changes in America's aeronautics and space program, focusing on a "faster, better, cheaper" approach.

Before joining NASA, Dan Goldin was Vice President and General Manager of the TRW Space and Technology Group in Redondo Beach, California. During a 25-year career at TRW, he led projects for America's defense, and conceptualized and managed production of advanced communication spacecraft, space technologies and scientific instruments.

Goldin announced he has accepted an interim position as a Senior Fellow for the Council on Competitiveness in Washington, as he transitions into the private sector.

BASE CLOSURE PRESSURE STAYS ON

The campaign to justify an additional round of military base closures is pressing on, despite an expected sharp uptick in defense expenditures. This week, eight former Secretaries of Defense wrote to Congress urging an additional round of closures and linking the action to the nation's battle against terrorism. The letter to the chair and ranking minority members of the House and Senate Armed Services Committees was signed by former Secretaries Harold Brown, Frank Carlucci, William Cohen, Melvin Laird, Robert McNamara, William Perry, James Schlesinger, and Caspar Weinberger.

Many Californians are leery of the fairness of the base closure process. Despite housing just 15% of the nation's military personnel in 1988, before the most recent closures took place, the state suffered 60% of the nation's net cut in personnel during the 1988, 1991, 1993 and 1995 closure rounds.

CA POVERTY DECLINED IN 1999, STATE CONTINUES TO EXCEED NATIONAL RATE

On September 25, 2001, the Census Bureau released poverty and income figures for states for the year 2000, showing a decrease in poverty for both California and the nation as a whole. Income figures rose for California but remained flat for the nation.

It is important to note that 2000 income and poverty statistics come from the March Supplement to the Current Population Survey, a sample survey of approximately 50,000 households nationwide, conducted each month for the Bureau of Labor Statistics, and are not from the 2000 census. Moreover, the state's and nation's economy appears to have declined considerably since 2000, so conclusions should be made cautiously.

The findings indicate that, from 1999 to 2000, California's poverty rate declined by 1.2%, dropping from 14.6% of California residents in 1999 to just 13.3% of state residents in 2000. The nationwide decline in poverty was from 12.3% of U.S. residents in 1999 to 11.5% of U.S. residents in 2000.

California's residents historically are more likely than average Americans to live in poverty. In 1998, 14.9% of California residents, or 4,917,053 persons, were living below the federally-defined poverty line. Of that number, 2,064,698 were children aged 17 years or younger. Relative to all children to the state, 22.8% of California children were living in poverty in 1998. The Census Bureau noted that 21.8% of California school age children and 23.9% of California children of pre-school age were in poverty. In 1998, California was home to more than 14% of the nation's poor, and it housed more than 15% of the nation's children in poverty. In 2000, the new Census figures predict that California was home to 4.5 million persons in poverty, or 14.2% of the nation's total.

The September 2001 report also indicated that California's median household income in 2000 was \$46,802 -- 11 percent higher than the national median household income level of \$42,148. The discrepancy attests to the persistence of income inequality in California; the state has above-average

income and above-average poverty. The phenomenon impacts federal formula grant funding to the state, as some federal programs attempt to address problems of poverty in part by providing greater funding to states with lower incomes -- thereby shifting dollars away from high-poverty California because of its relatively high income.

Census Bureau information regarding poverty is available at <http://www.census.gov/hhes/www/poverty.html> , and information regarding income is available at <http://www.census.gov/hhes/www/income.html> .

A state-by-state table of poverty rates and median income levels from the recent Census Bureau release will be available on the California Institute website at <http://www.calinst.org/pubs/poverty-by-state-09252001.htm> .