



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>

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FORTY-SIX CALIFORNIA MEMBERS OF CONGRESS UNITE TO OPPOSE ELIMINATION OF MEDICAID UPL

In a joint-letter to House Speaker Dennis Hastert and Minority Leader Richard Gephardt, a large bipartisan coalition of California’s Congressional delegation expressed its extreme concern over the Administration’s proposed elimination of Medicaid’s 150% Upper Payment Limits (UPL) for non-state public hospitals. According to the letter, doing so would severely compromise California’s emergency and trauma care system, effecting an annual loss of \$300 million in federal Medicaid funds to safety-net hospitals. Such a loss would force reduced operations and closures. The events of September 11, in addition to the serious threat of bio-terrorism in the country, lends added importance to preserving a viable and effective emergency and trauma care system, according to the authors.

The UPL change became effective on March 13, 2001, and is intended to eliminate the potential for abuse under the prior regulation, whereby some states (California not among them) used their federal Medicaid funds for inappropriate, non-health care-related purposes.

The letter underscores California’s legitimate Medicaid status, stating that all federal Medicaid dollars in the state are used exclusively for health care purposes. It goes on to request that any steps taken to eliminate Medicaid program abuses under the UPL should not undermine California’s program.

The letter was signed by 46 members of the California delegation.

HOUSE RESOURCES REPORTS CALFED BILL

On Wednesday, November 7, the House Resources Committee favorably reported H.R. 3208 by a vote of 24-18. The bill reauthorizes the California-Federal Bay-Delta Program (CALFED) to restore California’s endangered water ecosystem, and is intended to enhance water supply, quality, and reliability for California as well as 16 other western states.

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H.R. 3208, introduced by Reps. Ken Calvert (Corona) and Cal Dooley (Visalia), replaced an earlier version of the legislation, H.R. 1985. Rep. Calvert is Chair of the Committee's Water and Power Subcommittee, which has jurisdiction over the CALFED program. The new bill includes a new competitive grant program open to all reclamation states that provides cost-sharing in the amount of 35 percent of a project's total cost, up to \$50 million per project. It also reauthorizes the Bureau of Reclamation's recreation program, and provides a \$60 million authorization for environmental costs associated with the Salton Sea.

During the markup, the Committee considered ten amendments. An amendment offered by Rep. Dooley, along with Reps. Calvert and Richard Pombo (Tracy) on the "assurances" provision engendered a substantial amount of debate. H.R. 3208 contains assurances to South of the Delta water contractors that in normal water years the Department of the Interior will provide them with 70 percent of the water for which they contracted. The Dooley amendment clarifies those provisions to ensure that Interior is only encouraged to meet the 70 percent target "to the maximum extent possible," and must hold harmless all other water users while reaching that goal. Rep. George Miller (Martinez) opposed the amendment, as well as the underlying provisions in the bill, as an invitation to litigation and offering no protection for environmental restoration. After extensive discussion among several of the Californians on the Committee, Miller offered an amendment to strike the Dooley language. It was defeated by a vote of 13-20, and the Dooley amendment was approved by voice vote.

Rep. Pombo offered an amendment that was accepted by voice vote to ensure that, when land purchases are made for ecosystem restoration, CALFED must mitigate any adverse impact on any other landowners, even if they are only indirectly affected. Rep. Grace Napolitano (Norwalk) offered an amendment to strike the 25 percent cap placed on the total amount of grants California could receive from the Bureau of Reclamations water reclamation programs. Although the amendment was opposed by Committee Chairman James Hansen (UT), it was approved by the Committee by a vote of 18-16. Rep. Hilda Solis (El Monte) offered an amendment to strike the "pre-authorization" provisions contained in the bill, which would have allowed CALFED projects to move ahead without full congressional scrutiny, as is required for other states' water projects. The amendment was accepted by voice vote.

Rep. Miller also offered another amendment to assure that Davis-Bacon prevailing wage rates applies to projects under the bill; it was approved 23-18. Finally, Chairman Hansen was successful in including language mandating that California meet its reduction to 4.4 million acre feet of Colorado River water by January 1, 2016. It was accepted by voice vote.

Further details on the markup and amendments considered can be obtained from the Committee's website at: <http://www.resourcescommittee.house.gov> .

SENATE PASSES LABOR-HHS-EDUCATION FUNDS BILL; LANDRIEU AMENDMENT COULD REDUCE CALIFORNIA'S TITLE I FORMULA FUNDS

During floor debate on Thursday, November 1, on its version of the FY 2002 Labor-HHS-Education Appropriations bill, the Senate (81-19) approved an amendment to revise the funding scheme for the Title I Education for the Disadvantaged Part A Program. If the new appropriations scheme survives conference, the shift could cost California \$14.5 million in FY 2002, compared to the version passed by the Senate Appropriations Committee. Both Senators Dianne Feinstein and Barbara Boxer voted against the amendment.

The amendment, numbered 2058 and proposed by Sens. Mary Landrieu (LA) and Thad Cochran (MS), would take \$1.65 billion away from the Title I basic and concentration grant programs and use the money to fund two previously un-funded Title I components -- "targeted grants" and "education finance incentive grants" (EFIG).

While hard data on state-by-state funding shifts are still pending, it appears that California's prospective losses may stem in part from the fact that EFIG grants are allocated according to numbers of school-age children, rather than the more targeted factors (primarily children in poverty) used by other Title I grants. While California was home to 12.5% of the nation's school-age children in 1999, the state housed 15.6% of the nation's poor children. Stated differently, while 17.5% of U.S. children are poor, 21.8% of California's school-age children live in poverty.

Another apparent problem for California in the EFIG grants is that funding is calculated partially based on state average per-pupil expenditure and tax effort for education. Moreover, state per capita income is also a factor in the grant formula, which serves to reduce the state's share of EFIG funds.

In contrast, the targeted grants component of Title I provides a considerably larger share of funding to California, because the state has a particularly high concentration of poor children.

In addition, the Landrieu amendment stripped compromise language, developed last year by Senator Dianne Feinstein, which allocates funds to states and school districts based on the higher of either last year's level -- a so-called "100% hold harmless" -- or the amount due under current law. For years, California funds have suffered because slow-growing states refused to relinquish their past funding levels, despite the fact that California and other high-growth states had skyrocketing needs. In last year's conference, Senator Feinstein and Reps. Randy "Duke" Cunningham and Nancy Pelosi were instrumental in ensuring a solution that worked for California. The Landrieu amendment deleted that compromise and replaced it with a flat 95% hold harmless level.

Before the Landrieu amendment, the bill passed by the Senate Appropriations Committee would have boosted Title I basic grants by \$1.17 billion over the FY 2001 level. After incorporating the Landrieu amendment (which cut basic grants from \$8.6 billion to \$7.2 billion), the Senate-passed bill actually cuts the basic grant by \$226 million from FY2001 levels, and it would slate no increase over last year for concentration grants. In contrast, the House bill provides for a \$639 million increase in Title I basic grants and a \$319 million increase in Title I concentration grants over FY 2001 levels.

Including California, 21 states would lose money (compared with the funding plan proposed by the Senate Appropriations committee) under the Landrieu plan, with the largest largest dollar losers being New York (\$18.9 million), Puerto Rico (\$17.7 million), California (\$14.5 million), Georgia (\$10.3 million), and Massachusetts (\$4 million). On the plus side of the ledger are 29 states, with the largest gains experienced by Ohio (\$16.1 million), Louisiana (\$10.5 million), Mississippi (\$8.9 million), Tennessee (\$7.6 million), and Pennsylvania (\$7.1 million).

Among the largest states, Florida and Texas would gain, while Illinois, Missouri and Michigan would join California and New York as losers.

On a percentage basis, the states hurt most by the amendment would be Georgia, Rhode Island, Montana, New York, Massachusetts, South Carolina and Virginia. The largest percentage winners are Utah, Mississippi, Nebraska, New Hampshire, Iowa, Louisiana, Tennessee and Ohio.

The House version of the FY 2002 Labor-HHS-Education Appropriations bill would offer a larger share of funds to California in a number of aspects. First, it would not siphon poverty-oriented Title I funds for the more dilute EFIG program. Second, it omits an excess hold harmless rider. Third, the higher level of increase for basic and concentration grants in the House bill allows for larger funding boosts in Title I funds for growth states like California. Fourth, the House version would provide funds only to the targeted grants, which is advantageous for California, as opposed to the less advantageous EFIG.

Neither the EFIG nor the Targeted Grants have ever been calculated before. The U.S. Department of Education is responsible for allocating funds to states and school districts, but is unclear whether there are adequate data for running the formulas. In addition, language in the law creating the EFIG grant allows the Secretary of Education to make changes to the allocations.

A Labor-HHS-Education conference committee is expected to meet in the very near future.

CALIFORNIANS JOIN TO URGE PIERCE'S DISEASE FUNDING

Twenty-two members of the California congressional delegation signed a letter supporting funding for Pierce's Disease (PD) in the FY02 Agriculture Appropriations bill. The letter, sent to Chair Henry Bonilla (TX) and Ranking Member Marcy Kaptur (OH) of the Agriculture Appropriations Subcommittee details six specific PD initiatives in the House and Senate bills. Among them, the members urge that the House level of \$10 million be retained under the Animal and Plant Health Inspection Service, and \$3.5 million, as contained in the Senate bill, be funded for short and long term research.

The letter, led by Reps. Mike Thompson (St. Helena) and George Radanovich (Mariposa) also calls for the House position of \$2 million in the Cooperative State Research Education Extension Service, and \$2 million for the Viticulture Consortium on PD. Additionally, the House position of \$2 million for the Exotic Pest Center (Riverside), \$800,000 for Grape Rootstock, and \$600,000 for Sustainable Viticulture (UC Davis) are supported.

The letter was sent on November 6, 2001.

CALIFORNIA DELEGATION SEEKS \$4 MILLION TO COVER FRUIT FLY EXPENSES

Twelve members of the California Congressional Delegation, led by Reps. Gary Condit (Ceres) and Cal Dooley (Visalia) have submitted a letter to Rep. Henry Bonilla, Chair of the House Appropriations Subcommittee on Agriculture, Rural Development, Food and Drug Administration and Related Agencies, requesting that he maintain House language for the California Fruit Fly Trapping Program while adopting the Senate's level of funding for the program, and related activities.

The letter cites California's greater share of costs in the area of fruit fly trappings and expenses as an unfair burden on California taxpayers and farmers. It goes on to encourage Subcommittee conferees to agree to the current Senate version of the bill that directs the U.S. Department of Agriculture to make \$4 million available to the state fruit fly trapping effort.

The Appropriators will be considering this plan during the FY 2002 Agriculture Appropriations conference later this month.

SCAAP FUNDS RELEASED BY JUSTICE; CJS CONFEREES STICK WITH \$565 MILLION FOR FY02

The Justice Department's Bureau of Justice Programs has announced preliminary FY2001 awards to the states under the State Criminal Alien Assistance Program (SCAAP). SCAAP provides the states with partial reimbursement for the costs of incarcerating undocumented criminal aliens.

The total award announced for the State of California and local jurisdictions is \$225,683,084. Of that, the state will receive \$158.3 million with the remainder going to individual city and county governments. Of those, Los Angeles County receives the most – \$29.725 million. Orange County receives the next highest local government share with \$6.6 million. After California's aggregate award, New York ranks second, receiving \$94.77 million, and Texas is third with \$45.3 million.

A total of \$536,809,841 is being distributed, which represents a 6.4% decrease in available funding from FY 2000. In addition, more than 100 new jurisdictions, a 25 percent increase, applied for payments, bringing the total of eligible jurisdictions to 517. These changes account for some of the fact that California's total award decreased this year from the \$240.8 million it received last year. However, Justice has indicated that there may be a second allocation of funds to the states, which would boost California's total annual award.

For a rundown of each local jurisdiction's announced award, go to the Department of Justice website at: http://www.ojp.usdoj.gov/BJA/html/scaap_states.htm .

In Congressional action, the conferees for the FY02 Commerce, Justice, State Appropriations agreed to continue SCAAP funding at \$565 million. The Senate bill and the President's request had called for slashing the funding to \$265 million, while the House had maintained the FY01 level of \$565 million. The California Congressional Delegation has been instrumental in maintaining the higher funding level for the program.

The Institute will do a detailed analysis of the CJS conference report and its impact on California in the near future.

ENERGY & WATER CONFERENCE REPORT CLEARED FOR PRESIDENT

The House and Senate approved the conference report to the FY02 Energy and Water Development Appropriations bill on Thursday, November 1. The \$24.6 billion bill provides more than \$2 billion over the Administration's request, and \$900 million over the House level, but reduces the Senate's version by \$362 million.

Of particular importance to California is the \$30 million included in the bill for projects under the CALFED Bay-Delta restoration program. Although the program has not yet been reauthorized (see article above), the funding was provided through broad Bureau of Reclamation programs. The specific CALFED projects include: \$12.5 for the Environmental Water Account; \$7.5 million for administration, coordination and science activities associated with CALFED implementation; \$1 million for the pre-construction activities of Los Vaqueros Reservoir, and \$1.9 million for those at Shasta Dam; \$2.5 million for storage at Friant; and \$3 million for the Tracy fish screen.

The bill also provides \$2.5 million for Lake Tahoe Wetlands Development; and \$4.5 million for the Salton Sea research project. In addition, \$55 million is allotted to the Central Valley Project Restoration Fund. In all, the conference agreement funds nearly \$500 million in California water projects.

In energy accounts, the bill includes the House- and Senate-passed level of \$248.5 million for fusion energy sciences, and it provides a \$39.5 million increase to \$506.4 million for inertial confinement fusion. Fusion work is largely focused in California. The bill provides \$245 million, the amount recommended by the President's Budget, for the National Ignition Facility, which is under construction at Lawrence Livermore National Laboratory, plus \$7 million for enhanced NIF diagnostics and cryogenic target activities. The conference specified \$22 million to be spent for a Terascale Simulation Facility at Livermore. For the high energy physics account, the bill provides the Administration-requested amount of \$716 million.

The Institute will provide a detailed analysis of the California projects included in the energy & water funding bill in the near future.

PPIC RELEASES REPORT LINKING INCREASED INCOME INEQUALITY TO GROWING HOMELESSNESS RATE IN CALIFORNIA

California's two-decade homeless population surge is largely attributed to economic market factors such as falling income rates and rising housing costs rather than personal disabilities or the deinstitutionalization of the mentally ill, according to *Homelessness in California*, a new study released by the Public Policy Institute of California (PPIC). Hence, the problem may be more amenable to policy solutions than previously expected.

The report manipulates existing systematic survey data sets to analyze the links between income inequality and homelessness, finding that higher rents and lower vacancy rates are associated with greater homelessness. The data analysis denotes a positive relationship between rents and income disparity

increases and increases in the incidence of homelessness (i.e., as rents move higher and income moves lower, homelessness rises). Simulating the housing markets in California's four largest metropolitan areas (Los Angeles, San Francisco, San Diego, and Sacramento), the authors find that when they decrease the average income of households at the bottom of the rental distribution, there is a substantial increase in homelessness.

The authors submit policy recommendations based on the study's conclusions, finding that general housing subsidy policies—including Section 8-type rental subsidies and subsidies to landlords—have a powerful effect in reducing homelessness. Their simulations show an effective universal housing voucher program reducing homelessness by about one-fourth. The authors note that most of the benefits of the policy responses they identify would go to low-income households who are not homeless. However, given that the homeless population may be difficult to target, the authors suggest that local governments should evaluate the potential to make low-end housing more affordable and thereby, largely as a by-product, reduce homelessness. A copy of the report can be obtained from PPIC's website at: <http://www.ppic.org> .

CALIFORNIANS MEET WITH NEW FERC CHAIRMAN

On Thursday, November 8, members of the California Congressional delegation met with Patrick Wood, Chair of the Federal Energy Regulatory Commission (FERC). Wood was appointed recently by President Bush to replace former Chairman Curtis Hebert.

At the meeting, California delegation members and Chairman Wood discussed a wide array of topics, including pending California Public Utilities Commission cases, the operation to date of this year's price mitigation order, power plant and energy infrastructure security issues in light of the September 11 terror attacks, the scheduling of maintenance for electricity generating facilities, the recent order regarding the California Department of Water Resources, and the investigation into market manipulation by El Paso Natural Gas.

HUNTER SEEKING INCREASE IN DEFENSE AUTHORIZATION

At a press conference on Thursday, November 8, Rep. Duncan Hunter (Alpine), Chair of the House Military Research & Development Subcommittee, urged additional a \$32.3 billion supplemental increase to the FY02 Defense Authorization bill. In a statement, he outlined that the increase would be allocated towards force protection, situation awareness and intelligence, munitions, initial crisis response and repairs and upgrades to the Pentagon that was damaged in the September 11th terrorist attacks. Hunter noted that Pentagon officials have expressed support for Congressman Hunter's proposal, but President Bush has threatened to veto any funding legislation that breaks the budget agreement made with Congress earlier this year. Hunter said the \$343 billion currently slated is not sufficient given the current overseas activities, and he pledged to try to add \$32.3 billion to the FY2002 defense authorization bill (S 1438), which is now in House-Senate conference.

HOUSE SCIENCE CONSIDERS SPACE STATION FUTURE

On Wednesday, November 7, the House Science Committee held a full committee hearing to review the findings and recommendations of the recently released International Space Station Management and Cost Evaluation Task Force report, the credibility of NASA's cost estimates and program plan, and whether the Space Station as currently planned will be able to achieve meaningful scientific objectives.

At the hearing, Task Force Chairman A. Thomas Young addressed the group's findings, whether NASA considered cost growth factors, and the achievability of the U.S. Core program. Also testifying

was OMB Deputy Director Sean O'Keefe, who presented the Administration's assessment of the management challenges facing the Space Station program and whether and how to implement the task force recommendations.

In its report, the task force cites deficiencies in management structure, institutional culture, cost estimating, and program control. It recommended that NASA overhaul program management, clearly define the science goals, and significantly reduce workforce levels to keep the currently planned three-person U.S. Core program within the projected budget. In addition, the report recommended that the Shuttle flight rate be reduced to four flights per year to save funds which could be used to offset increased Space Station costs.

During testimony, Young noted that the task force considered three approaches for the ISS: completion as planned, cutting operations as soon as possible, and a compromise between the two. Young recommended the third option, requiring NASA to establish a credible "core complete" program, establishing science priorities, and funding at a minimum level potential enhancements. The approach could be implemented within the next year, after which time an assessment would be made concerning the ISS program performance and whether or not to continue at that point.

At the hearing, Science Committee Chairman Sherwood Boehlert (NY) called the Space Station's current cost trajectory "unsustainable" but lauded the Young task force's plan. He stated, "We need to complete the core elements of the Space Station within the existing budget. We need to ensure that the costs of the Space Station do not eat into other NASA programs, limiting the Agency's excellent scientific efforts. We need to figure out how to maximize the science that can be conducted with the core elements of the Space Station. And we need to put off any consideration of further enhancements to the Space Station until we see whether NASA can get the core part of the program under control."

Witness testimony and an archived web cast of the hearing are available at <http://www.house.gov/science> .