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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.

ANOTHER CR – THROUGH NOV. 21

By a vote of 418-5 on Wednesday, November 5, 2003, the House of Representatives approved H.J. Res 76, the fourth stopgap continuing resolution to maintain for functions of the federal government covered by fiscal year 2004 appropriations bills that have not yet been enacted. This latest CR extends operating funding at 2003 levels through Friday, November 21.

In addition to an Iraq-focused supplemental appropriations bill signed on November 6 – which also provides \$500 million for disaster relief related to the California wildfires (*see Bulletin, Vol. 10, No. 32 (10/31/03)*) and Hurricane Isabel – three appropriations measures for 2004 have been enacted: Defense, Homeland Security, and Legislative Branch. The conference report for the Department of the Interior currently awaits the President's signature, the Military Construction conference report has been approved by the House, and the conference on the Energy & Water bill has reached agreement.

Congressional leaders are reportedly seeking to incorporate any unfinished bills into an omnibus bill that could be signed before Thanksgiving, though some would prefer to pass freestanding bills.

HOMELAND SECURITY GRANTS ANNOUNCED, CALIFORNIA AGAIN AT LOWEST PER CAPITA

On Monday, November 3, 2003, Department of Homeland Security (DHS) Secretary Tom Ridge announced fiscal year 2004 allocations of homeland security grant funding, and – as expected – California again would receive the fewest grant dollars per capita of any state.

The grants, appropriated by the recently-passed Homeland Security Appropriations Act of 2004 (PL 108-90) and distributed by DHS's Office of Domestic Preparedness (ODP), provide \$2.2 billion to state and local governments to help prepare first responders to prevent and manage terrorist-related incidents. The funding is provided via three programs: State Homeland Security Grants will provide \$1.7 billion, a new Law Enforcement Terrorism Prevention Program (LETPP) will distribute \$500 million, and the Citizen Corps program will provide \$35 million in grants.

CONTENTS:

Another CR – Through Nov. 21	1
Homeland Security Grants Announced, California Again At Lowest Per Capita	1
House Clears Temporary Nutrition Bill with Bipartisan Support	2
Conferees Approve FY 2004 Energy and Water Appropriations	3
House Panel Approves California Water Recycling Bills	3
House and Senate Committee Leaders Agree On Taxing Ethanol, MTBE and Ethanol Waiver Issues Unresolved So Far	4
Ways and Means Holds Second Hearing on China Trade	4
House Agriculture Subcommittee Considers Specialty Crop Issues	5
PRC Briefings To Examine Migration, Poverty, and Ethnicity Issues	6
New "Goods Movement" Transportation Legislation Introduced	7
Report Surveys Collapse and Revival of Bay Area Technology Sector	7
New PPIC Report Examines Gap Between Resources and Standards in California Schools	8

Thus, despite housing more than 12 percent of the nation's population (and perhaps an even larger percentage of venues that might be ripe for a terror attack), California will again receive less than 8 percent of DHS formula grant funding. California will receive \$176.5 million from the three ODP grants, including \$134 million in state grants, \$39.8 million in LETPP grants, and \$2.8 million in Citizen Corps grants. In each case, the state's share will be 7.95 percent.

All three grant programs use an identical formula that disproportionately advantages small states at the expense of large states. An unusually large (0.75 percent) minimum funding guarantee for small states provides Wyoming, for example, more than states seven times as many grant dollars per capita as California. For every person in California, the formula will provide the state \$5.03 in 2004 homeland security grant funding. For every person in Wyoming, that formula will provide that state \$37.94.

For a detailed table of 2004 state allocations from these ODP grant programs, as well as a chart showing per capita shares by state, see <http://www.calinst.org/datapages/DHS.htm>.

Some organizations have expressed concern that the new \$500 million law enforcement grant program might displace funds from the Department of Justice's (DOJ) Community Oriented Policing Services (COPS) program. The House-passed version of the 2004 Commerce-Justice-State appropriations bills would reduce COPS grant funding by \$295 million; the Senate Appropriations Committee bill would reduce that program's funds by \$322 million.

Rep. Christopher Cox (Newport Beach), Chair of the House Select Committee on Homeland Security, has introduced a bill (H.R. 3266) that would change the formula by basing allocations on threat levels. For additional information regarding the Cox bill, see [Bulletin, Vol. 10, No. 31 \(10/23/2003\)](#) http://www.calinst.org/bulletins/b1031.htm#_1_3 and [Vol. 10, No. 30 \(10/17/2003\)](#). Committee Ranking Member Jim Turner (TX), author of a similar measure, commented that the DHS grant announcement "shows that the government needs to stop using arbitrary formulas that distribute dollars without rhyme or reason." He added, "Thirty-eight dollars per capita spending in Wyoming and only \$5 per capita in Texas and California do not reflect the threats and vulnerabilities facing those states."

A 2004 state allocation table and chart are available at <http://www.calinst.org/datapages/DHS.htm>.

HOUSE CLEARS TEMPORARY NUTRITION BILL WITH BIPARTISAN SUPPORT

The House on October 28, 2003 voted unanimously to extend the life of federal child nutrition programs through March 31, 2004. Programs attached to the stop-gap measure, H.R. 3232, include the National School Lunch and Breakfast program, the Special Supplemental Nutrition Program for Women, Infants and Children (WIC), and Child and Adult Care Food programs administering After School Snack and Summer Food Service activities. Whereas the measure's approval keeps child nutrition programs in operation through the winter, the action also gives authorizers in the House Education and Workforce Committee time to complete work on a long term renewal plan, which is as yet still in its formative stages.

Education Reform Subcommittee Chair Rep. Michael Castle (DE) indicated that Committee members required additional time to finish work on a 5-year nutrition plan. Up to 100,000 children, mostly from low-income families, will benefit from H.R. 3232 nationwide, said Rep. Castle.

Rep. Lynn Woolsey, Ranking Minority Member of the Education Reform Subcommittee and a cosponsor of the bill, voiced her support for the measure and stressed the importance of funding such programs to combat child hunger. She also announced her intention to introduce a bill with her Democratic colleagues that would increase child nutrition program access and improve the quality of federal nutritional programs.

The National School Lunch Program and WIC are among the largest federal formula grants to states. California has performed well under both programs, receiving \$775 million or 13.9 percent of school lunch allocations in 2001, while collecting \$748 million or 17.9 percent of WIC disbursements in the same year.

WIC, the tenth largest federal formula program, helps low-income women and children below age 5 with free food and nutritional education. The National School Lunch program, the sixth largest formula program reimburses states for the cost of providing free or reduced price school meals to their poor children.

CONFEREES APPROVE FY 2004 ENERGY AND WATER APPROPRIATIONS

Conferees on the fiscal year 2004 Energy and Water Appropriations approved their final version of the bill on Wednesday, November 5. The conference report provides a total of \$27.3 billion in new discretionary spending authority for the U.S. Army Corps of Engineers-Civil, the Department of Interior including the Bureau of Reclamation, the Department of Energy (DOE), and several Independent Agencies. The largest portion of funding, \$22 billion, is provided for DOE activities. The bill is \$1.19 billion above the fiscal year 2003 appropriation and \$382 million above the President's budget request.

Funding for the Bureau of Reclamation is \$948.3 million, an increase of \$70.28 million over the President's request and \$12.99 million above last year's level. No funding is specifically provided for the CALFED Bay-Delta project because of the expiration of the project's authorization. However, the following CALFED-type funding is provided through the Bureau's Central Valley Project Account:

\$1 million for the Environmental Water Account;

\$1 million for the Los Vaqueros Reservoir;

\$500,000 for coordination, administration, plans, etc. in the Delta Division;

\$1.5 million for the Upper San Joaquin Watershed;

\$1.25 million for Sites Reservoir;

\$750,000 for Shasta Dam; and

\$3 million for miscellaneous project programs, including:

- \$1 million for Storage Feasibility Studies;

- \$1 million for the Bureau's administration of storage, conveyance, etc. and

- \$1 million for the Environmental Water Account.

For the Corps of Engineers, the conference agreement provides \$4.57 billion; \$376.4 million over the President's budget request and \$68.4 million below fiscal year 2003.

On the Energy side of the appropriations measure, conferees reportedly provided \$268.1 million for fusion energy research. California continues to compete strongly for fusion research funding.

Other funding for the DOE Office of Science (which is funded at \$3.45 billion, a \$156 million increase above 2003) in the conference report includes \$738 million for high energy physics, \$391 million for nuclear physics, \$592 million for biological and environmental research, \$203 million for the Advanced Scientific Computing Research initiative, and a total of \$1 billion for basic energy sciences.

The National Nuclear Security Administration (NNSA) receives \$8.7 million under the conference report, an increase of \$530 million above the 2003 level, including \$6.1 billion for weapons work.

Numerous other programs and projects of importance to California are included in the Report, which has not been printed yet. The Institute will do a detailed analysis of the Conference Report in the near future once text becomes publicly available.

HOUSE PANEL APPROVES CALIFORNIA WATER RECYCLING BILLS

The House Resources Subcommittee on Water and Power passed three California water recycling bills by unanimous consent on October 30, 2003. The bipartisan bills sponsored by Southern California lawmakers each expand federal involvement in water reclamation and recycling operations in different water jurisdictions to improve federal-local partnerships and combat California water shortages.

Water and Power Subcommittee Chair Ken Calvert (Corona) presided over the mark up of pending legislative changes to the Reclamation Wastewater and Groundwater Study and Facilities Act. H.R. 142, authored by Gary Miller (Brea), instructs the Department of the Interior, in collaboration with local water agencies, to extract contaminated groundwater from the Santa Ana River and pipe it to a water treatment facility for filtering. Another measure, co-authored by Rep. Miller and introduced by Rep. Loretta Sanchez (Anaheim), would increase federal authorization levels for the Orange County Groundwater Replenishment System from \$20 million to \$80 million. This water supply project is projected to provide 72,000 acre-feet of new water for Orange County residents. Finally, H.R. 2991, sponsored by Rep. David Dreier (San Dimas),

authorizes Department of the Interior involvement in the Inland Empire Water Recycling Initiative, a project expected to provide 75,000 acre-feet of new water by 2010.

All three bills passed with unanimous support and will now move to the full House Resources Committee for consideration.

HOUSE AND SENATE COMMITTEE LEADERS AGREE ON TAXING ETHANOL, MTBE AND ETHANOL WAIVER ISSUES UNRESOLVED SO FAR

Rep. Bill Thomas (Bakersfield) and Sen. Charles Grassley (IA), lead tax conferees on the Energy bill, reportedly reached agreement Wednesday, November 5, on provisions concerning the tax treatment of ethanol. The compromise was offered by Vice President Dick Cheney and clears a major hurdle in completing action on the Energy bill.

Under current law, gasohol, a blend of gasoline and ethanol, is taxed at 5.2 cents-per-gallon less than the 18.4 cent gasoline tax. Under the agreement, gasohol would be taxed at the same 18.4 cents per gallon rate, but the 5.2 cents would be converted into a tax credit for ethanol producers. The issue of whether to transfer to the Highway Trust Fund the 2.5 cents of gasohol tax that now goes into the general treasury would be deferred until next year when the TEA-21 authorization bill is expected to be considered. Additionally, the agreement includes excise tax credits for biodiesel fuel made with soybeans or other agricultural products.

So far, the bill appears likely to include a provision ramping up the requiring amount of corn-based ethanol to be included in gasoline, reaching 5 billion gallons by 2010. House members of the conference committee are reportedly maintaining their support for a provision that would allow states to opt out of an ethanol mandate if the state would experience economic harm by implementing it. Farm state Senators, on the other hand, have opposed any waiver.

In addition, a final deal apparently has not yet been reached on whether to ban MTBE, which has contaminated water sources in California, and on whether to limit the liability of MTBE and ethanol producers. Some other provisions in the bill have also not been firmed up, although conferees hope that the Conference Report can go to the floor next week.

SENATE BEGINS CONSIDERING PERMANENT BAN ON INTERNET TAXATION

The Senate, on Thursday evening, November 6, began consideration of S. 150, which would permanently ban taxes on Internet access, and multiple and discriminatory Internet taxes. The bill, co-sponsored by Sens. George Allen (VA) and Ron Wyden (OR), is similar to H.R. 49, sponsored by Rep. Chris Cox (Newport Beach). The five-year moratorium on Internet taxes expired on November 1st.

Opposition to a permanent ban from the National Governors Association, National League of Cities, and other groups has grown over the last few months. Those groups fear that the permanent ban will adversely affect the taxing authority and revenues of state and local governments. At the time of this writing, the Senate was expected to vote on the bill, as well as an amendment to extend the current moratorium for two years rather than enact a full ban, on November 7.

WAYS AND MEANS HOLDS SECOND HEARING ON CHINA TRADE

The House Ways and Means Committee held a second day of hearings on China's economy and trade with the United States on Friday, October 31. Numerous witnesses from the private sector testified, including: James W. Jarrett, Vice President, Legal and Government Affairs, and Director of Worldwide Government Affairs, Intel Corporation, Santa Clara, California; Joseph S. Papovich, Senior Vice President International, Recording Industry Association of America; and Richard L. Trumka, Secretary-Treasurer, AFL-CIO.

Mr. Jarrett detailed Intel's facilities in China including assembly plants in Shanghai and Chengdu and software labs in Shanghai and Beijing. In explaining Intel's decision to open facilities in China, Mr. Jarrett stated: "China is attractive in part because it is now graduating substantially more electrical engineers than the

U.S. Three other notes: 1) the number of electrical engineers graduating in the U.S. is declining, 2) about half the Ph.D. candidates in the sciences in U.S. universities are foreign born, and 3) once they graduate, we are sending more of those newly minted Ph.D.s back to their countries because the number of H1B visas available has now dropped substantially.” On China’s compliance with WTO requirements, Mr. Jarrett noted that China is a signatory to important multilateral agreements governing semiconductors and intellectual property. However, he noted, that China has a Value-Added Tax that treats imported and domestically made chips differently – taxing the imported chip at 17% and the domestic chip at 3% after rebates.

Mr. Jarrett made several recommendations for changing U.S. tax laws to make the United States a more attractive location for manufacturing. Included were: making the research and development tax credit permanent and enhancing its benefits; eliminating the economic penalty incurred when corporations bring back to the U.S. money from foreign operations; creating new tax measures that incentivize investment in new factories and equipment, job training and job creation. He also urged that the Federal Government commit to increasing its funding of basic research and development in the physical sciences.

Mr. Papovich outlined the continuing intellectual property problems that the recording industry faces with China. First, although production of pirated CDs for export had declined, they are now increasing at an alarming rate. Second, almost all of the Chinese market in CDs remains pirate. Third, with the growth of the Internet in China, many websites are now offering downloaded pirated material. And, fourth, market access and investment barriers continue to prevent legitimate entertainment producers from serving the Chinese market in a timely manner, which, according to Mr. Papovich, “perversely increases consumer demand for pirated product.” Mr. Papovich suggested several solutions to the continuing problems, including several steps that China should take to criminally prosecute pirate producers, as well as steps to remove discriminatory censorship barriers to U.S. produced products.

Mr. Trumka testified that “imports from China continue to outstrip our exports by more than five to one, making this by far our most imbalanced trade relationship with any major trading partner. Meanwhile, the United States has lost more than 2.5 million manufacturing jobs since March 2001.” Acknowledging that many factors contributed to this loss, Mr. Trumka stated, however, that “it is clear that the Chinese government’s manipulation of its currency, violation of international trade rules, and egregious repression of its citizens’ fundamental democratic and human rights are key contributors to an unfair competitive advantage. The Chinese government is flouting its international obligations, and the U.S. government must act urgently to hold it accountable.”

Testimony of all the witnesses can be obtained from the Committee’s website at:

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

HOUSE AGRICULTURE SUBCOMMITTEE CONSIDERS SPECIALTY CROP ISSUES

On Wednesday, November 5, 2003, the Livestock and Horticulture Subcommittee of the House Agriculture Committee held a hearing on domestic policies affecting the specialty crop industry. The hearing was prompted by Reps. Doug Ose’s (Sacramento) and Cal Dooley’s (Visalia) Specialty Crops Competitiveness Act (H.R. 3242), introduced earlier this month, which aims to enhance specialty crops in California and the rest of the nation. The hearing focused on the issues of food safety, domestic inspection stations, increased need for specialty crop research and development, and invasive pest and disease control. In addition, participants discussed the block grant program to the states to assist specialty crop producers in research and development initiatives.

Those testifying before the Subcommittee included: Mr. Ed E. Raak, Producer, on behalf of the Michigan Farm Bureau; Mr. John M. McClung, President and CEO, Texas Produce Association; Mr. Matthew McInerney, Executive Vice President, Western Growers Association, Ms. Katherine A. Means, Vice President of Issues Management, Produce Marketing Association; Mr. Joel Nelsen, President, California Citrus Mutual; Mr. Squire Smith, President, Florida Citrus Mutual; and Mr. Tom Stenzel, President and CEO, United Fresh Fruit and Vegetable Association.

The U.S. specialty crop industry is the largest segment by value of the U.S. agricultural sector, with an approximate value of \$58.7 billion at the farm-gate level and with export value of \$9.3 billion in 2002. As a component of specialty crops, fresh and dried fruits (including nuts) and vegetables alone were valued at \$29.9 billion at the farm gate in 2002, with \$5.5 billion being exported. California is a major producer and accounts for approximately 50 percent of overall U.S. production of fresh and dried fruits and vegetables.

At the hearing, Rep. Ose expressed concern that the outbreak in California of exotic pests and diseases and subsequent quarantines has crippled the industry's ability to export product. Mr. McInerney similarly testified about the increased threat to domestic fruit and vegetable crops posed by invasive species and diseases from abroad. He called for greater levels of assistance and resource to be made available by the Animal and Plant Health Inspection Service (APHIS). Joining his fellow panelists, Mr. McInerney prodded Subcommittee members to require APHIS to develop a process whereby critical decisions are subjected to scientific peer review. In addition, Mr. McInerney spoke about the increased inability of domestic growers to compete with foreign producers who are heavily subsidized and/or minimally regulated. He named several factors that make domestic producers less competitive in the global market including stagnant growth due to lack of access to foreign markets, rapidly increasing production costs, and the loss of cost-effective crop protection tools, and called on Congress to improve the domestic agricultural policy.

Some witnesses, including Mr. McInerney and Mr. Nelsen, addressed issues raised by H.R. 3242, and testified that the legislation would provide much needed relief to the specialty crop industry as a comprehensive effort from producers and processors alike to address federal policy issues affecting the specialty crop industry. Mr. McInerney in particular commended the authors of H.R. 3242 for establishing a block grant program which would make available \$470 million annually for five years to the agriculture departments of the 50 states.

For more information about this hearing or to obtain copy of witness testimony, please visit the House Agriculture Committee website at: <http://agriculture.house.gov/hearings/testimony.htm> .

PRC BRIEFINGS TO EXAMINE MIGRATION, POVERTY, AND ETHNICITY ISSUES

The Population Resource Center (PRC) will hold several briefings in the coming weeks examining migration patterns, child poverty, and the changing ethnic make-up of the U.S. population, and the implications that these issues have on public policy.

On November 21, 2003, a briefing entitled "*Three Americas: Metropolitan Magnets for Migration and Implications for Public Policy*" will feature William H. Frey, a demographer with the Population Studies Center at the University of Michigan and Center on Urban & Metropolitan Policy at the Brookings Institution, and Roland Anglin, the Executive Director of the New Jersey Public Policy Research Institute. California is home to several metropolitan areas, dubbed "immigrant magnet metros", that both gained the greatest numbers of international immigrants and lost the most domestic migrants in the late 1990s (*See, Bulletin, Vol. 10, Nos. 11 (04/25/03) & 29 (10/10/03)*).

PRC will hold another briefing on December 5, 2003, to discuss issues relating to child poverty in the U.S. Timothy M. Smeeding, a Maxwell Professor of Public Policy and Director of the Center for Policy Research at Syracuse University and President of the Luxembourg Income Study will speak at this briefing entitled "*No Child Left Behind? Children, Poverty and Policy in the U.S.*". Both programs will be held at 9:30 a.m. on their respective scheduled dates in Room 121 of the Canon House Office Building.

A third briefing program will occur on December 11, 2003 with the location and time to be announced at a later date. Featuring Kevin E. Deardorff as the presenter, the briefing will explore changing ethnic trends of the U.S. population. The briefing is entitled "*Changing Face of America*". Mr. Deardorff is the Chief of the Ethnic and Hispanic Statistics Branch of the Population Division at the U.S. Census Bureau. According to the latest Census data, California leads the nation as one of the most racially and ethnically diverse states. (*See, Bulletin, Vol. 10, Nos. 18 (06/19/03) & 28 (10/02/03)*).

For more information about these briefings, please visit the PRC website at: <http://www.prcdc.org> .

NEW “GOODS MOVEMENT” TRANSPORTATION LEGISLATION INTRODUCED

On October 29, 2003, Rep. Juanita Millender-McDonald (Carson), a member of the House Transportation and Infrastructure Committee and a co-founding member of the Congressional Goods Movement Caucus, introduced H.R. 3398, otherwise known as The Goods Movement Projects of National Economic Significance. The legislation aims to address the nation’s transportation and economic needs by allocating additional federal funds for projects that contribute to the overall efficiency of the national transportation infrastructure. *For additional information regarding previous activity, see Bulletin, Vol. 10, Nos. [11 \(04/25/03\)](#), [12 \(05/02/03\)](#), & [13 \(05/08/03\)](#).*

The legislation would provide \$18 billion over the course of six years to fund transportation infrastructure projects. Of the total amount, \$9 billion would be for discretionary programs for state and local governments to plan and build projects critical to the efficient shipment of freight, and the other \$9 billion for projects determined to be of “national economic significance”.

California’s geographic location provides it with important portals through which imports and exports flow, placing increased burdens on the state’s infrastructure. In 2000, almost \$440 billion in internationally traded goods flowed through the state. More than \$49 billion in exports passed through California on their way from some other mainland state to their ultimate destination. In addition, as much as \$248 billion worth of imports may have entered the United States through California for ultimate use in some other state. Once California’s shipments through other states are accounted for, \$177 billion worth of goods, weighing 32 billion kilograms, are transshipped through California by other states in excess of what California ships through other states. The Long Beach and Los Angeles Port Complex, which is the largest in the country and the third largest globally, alone handles close to 45 percent of the nation’s freight traffic. Eighty percent of the goods coming into the country from Pacific Rim nations and 45 percent of all containers come through the Long Beach/Los Angeles Port facility.

For more information about this legislation, please contact Craig Rasmussen in Rep. Millender-McDonald’s office at (202) 225-7924.

REPORT SURVEYS COLLAPSE AND REVIVAL OF BAY AREA TECHNOLOGY SECTOR

Technology jobs continue to decline in San Francisco and San Jose, but the technology-led economic downturn is temporary, suggests a new Federal Reserve Report released on November 3, 2003. The report indicates that the Bay Area region is better positioned for recovery than Los Angeles, which suffered through a similar crash initiated by the collapse of the aerospace industry in the late 1980s.

The Bay Area is one of the leading IT centers in the nation. Its focus on innovation and technology made it a primary beneficiary of the national IT investment run-up during the latter half of the 1990s. However, since December of 2000 nearly one in ten jobs have disappeared, with the tech sector accounting for half of the loss. The report notes that the region has lost 350,000 jobs, or 9.5 percent of total payroll and compares it to the national job drop recorded at 2 percent, and the Los Angeles falloff registered at 12.3 percent during the aerospace recession. In addition, the area lost a larger share of non-tech jobs than other tech centers in the last several years, particularly in the airline and hotel businesses.

The report’s authors assert that the Bay Area is not likely to find itself in the same spot as Los Angeles did, where by the mid 1990s the role of the aerospace industry was significantly diminished. Instead they argue that the region will not only retain its position as the world’s leading tech center due to its key resources such as universities, research labs and skilled workforce, but that its tech industry is more than likely to rebound in the near future.

To obtain a full copy of this report, please visit the Federal Reserve Bank of San Francisco website at: <http://www.frbsf.org/publications/economics/letter/index.html>.

NEW PPIC REPORT EXAMINES GAP BETWEEN RESOURCES AND STANDARDS IN CALIFORNIA SCHOOLS

Expectations of stellar academic performance for California students often outstrip resources available to schools trying to reach state standards found a new report released by the Public Policy Institute of California (PPIC) on October 29, 2003. Titled "*High Expectations, Modest Means: The Challenge Facing California's Public Schools*", the report is the first in the three-part project aimed to examine links among school resources, costs, and student outcomes in California. The report's initial findings suggest a large gap between academic standards and school resources, and raises questions about the most efficient uses of the state's already modest school funds.

In 1997, California adopted high curriculum standards for various academic areas, and currently 70 percent of the state's public school students are expected to exceed the national median on standardized tests under the Academic Performance Index (API) system. At the same time, in 1999-2000, 22 percent of the state's budget went towards public schools compared to 25 percent in other states.

To better understand the reasons for such a wide difference between spending and standards, the report looks at the per-pupil spending levels in California and how they measure up to the expectations set out for students, and also at the state's education finance system. The report found that California has 25 percent fewer teachers per pupil and spends approximately 9 percent less per student than schools in the rest of the nation. The authors suggest that California's higher-than-average teacher salaries and larger population of school children result in a lower percentage of spending on K-12 education in comparison to the rest of the U.S.

The report also questions the effectiveness of the state's school finance, where the amount of money provided to schools is based on previous funding levels rather than on independent needs assessment. Proposition 98, the 1988 constitutional amendment establishing a minimum guarantee for public schools, often acts as a ceiling for public school revenues instead of a floor. The authors cite the recession of the early 1990s and the rise in the number of students per capita as additional reasons for the declining school revenues. In addition, the report notes that schools are restricted in how they can spend their funds by the K-3 Class Size Reduction (CSR) and suggests that funds be allocated with respect to the need of the school district, as is the case with low-income schools. The report concludes by suggesting that the California's Quality Education Commission, created during the 2001-2002 state legislative session to develop prototypes for California's public schools, may benefit from the findings and recommendations produced in this report.

To obtain a copy of the report, visit the PPIC website at: <http://www.ppic.org> .