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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 a computer server donation from Sun Microsystems.

REP. MARY BONO ADDRESSES ADVISORY BOARD

Representative Mary Bono (Palm Springs) met with the California Institute's Advisory Board at its monthly breakfast meeting on Tuesday. Rep. Bono discussed her position as chair of the Salton Sea Task Force, and the necessity of passing the Salton Sea restoration project as soon as possible (see article below). As a newly elected member, Rep. Bono told the group that she would be most interested in hearing about the issues they were following this year. Several Advisory Board members then discussed such diverse issues as electricity deregulation, high technology issues such as the R&D tax credit and intellectual property rights, and the Bay-Delta restoration project. Rep. Bono stated that she looked forward to learning more about these issues as she learned her way around Capitol Hill and asked the attendees to keep her and her staff informed on issues impacting their industries and California.

Rep. Bono has been appointed to serve on the House Judiciary and National Security Committees.

SENATE LIFTS CAP ON SKILLED WORKER VISAS; HOUSE JUDICIARY REPORTS BILL REQUIRING EMPLOYER ATTESTATIONS

On Monday, the Senate passed, by a vote of 78-20, its version of a bill to raise the caps on the number of skilled workers allowed visas under the H-1B program. On Wednesday, the House Judiciary Committee reported its version, H.R. 3736, which also raises the caps, but which requires that employers attest to recruiting efforts to find U.S. workers and to not replacing American workers with foreign labor.

Both bills raise the caps on H-1B visas from the current 65,000 level to 95,000 for this year, with additional increases to a maximum of 115,000 by fiscal year 2000. The current year's 65,000 limit was already reached earlier this month, providing an urgency to act quickly on lifting the cap.

CONTENTS:

Rep. Mary Bono Addresses Advisory Board	1
Senate Lifts Cap on Skilled Worker Visas; House Judiciary Bill Requires Employer Attestations . . .	1
Justice Distributes SCAAP Funds To California . . .	2
ISTEA Passage Predicted Before Recess	3
Senate Debating Tobacco Legislation; Feinstein Seeking Equitable Allocations	3
House Approves DOD Bill Authorizing Military for Border Patrol Functions	3
Commerce Examines Securities Litigation Bill . . .	4
House Resources Marks Up Bono Salton Sea Bill . .	4
House K-12 Education Subcommittee Marks Up Bilingual, IDEA, Nutrition Bills	4
House Subcommittee Examines Piracy In The Music and Film Industry	5
Oceans Conference in Monterey, June 11-12th . . .	6
Subcommittee Approves Disaster Mitigation Bill . .	6
Census Subcommittee Scrutinizes Questionnaires . .	6
Panel Examines Mandatory Social Security Coverage for State & Local Employees; California Would Be Among 7 States Impacted by a Change . . .	7
FCC Says E-Rate Demand to Exceed Supply	7
Alameda Naval Air Station Conversion Offers Commercial Space for Environmental Firms . .	8
Investment Capital Shortage in California	8

The House bill significantly differs from the Senate in that it requires U.S. employers to attest that they have not laid off a worker with the same qualifications within the six months preceding, or the 90 days following, application for the visa. Employers must also attest to their proactive efforts to recruit and retain U.S. workers for the positions for which H-1B visas are sought. During the mark-up, an amendment, offered by Rep. James Rogan (Glendale) to strip the bill of these provisions was defeated 7-24.

In the Senate, however, efforts to include attestation provisions in the Senate bill were defeated. An amendment to include the non-layoff provision was tabled 60-38, and an amendment to require recruitment of U.S. workers before an H-1B visa was granted was defeated 59-39. Many U.S. companies argue that they are already undertaking significant recruitment efforts for qualified U.S. workers and inclusion of the attestation provisions may create vague and broadly applied regulations that would slow their ability to hire badly needed foreign workers under the H-1B program. The Administration, however, has indicated it supports the House version of the bill, and would likely veto the bill if it did not contain the attestation provisions.

Prior to reporting H.R. 3637 by a vote of 23-4, the House Judiciary Committee also added several other amendments. One, offered by Rep. Howard Berman (Mission Hills), and accepted by voice vote, would protect employees who complain of H-1B violations from retaliation. An amendment offered by Rep. Elton Gallegly (Simi Valley) to limit to four years (rather than six) the length of the visas granted in excess of the baseline 65,000 cap was also approved by voice vote. Rep. Zoe Lofgren (San Jose) also offered several amendments, which were accepted by voice vote: one requires a Government Accounting Office study of the information technology labor market and the extent of a shortage of skilled workers in that market; another authorizes a GAO study of whether there is age discrimination against older workers in the information technology industry; and a third requires the Immigration and Naturalization Service to compile statistics on the recipient of H-1B visas showing their country of origin, education level, the positions in which they are employed, U.S. salary, and the like.

Rep. Lofgren also withdrew two amendments after assurances from the Committee that it would continue to work with her to develop language during floor or conference consideration. One amendment would have required a minimum salary of \$50,000 for any H-1B visa worker admitted over the 65,000 baseline cap for this year; the other would require employers to pay a \$250-\$500 fee for each visa application and direct that the fee be used for the education and training of U.S. workers.

JUSTICE DISTRIBUTES SCAAP FUNDS TO CALIFORNIA

Late last week, the Department of Justice released \$223.3 million to California and its counties to partially reimburse them for the costs of incarcerating illegal criminal aliens. The money is authorized under the State Criminal Alien Assistance Program (SCAAP), and represents about 45 percent of the \$500 million appropriated in fiscal year 1997 funds. Nevertheless, the figure is about \$47 million less than California received in FY 1996 funds. According to the Governor's office, this is because the number of jurisdictions nationwide applying for SCAAP reimbursement has risen from 146 in FY96 to 249 in FY97, highlighting the need for increased funding.

California now reports that it spends \$663 million annually to incarcerate illegal criminal aliens, or roughly three times more than the amount for which the federal government reimbursed the state. In addition, although the current SCAAP authorization level is only \$650 million, nationally state and county jurisdictions applied for \$1.46 billion in SCAAP reimbursement. Earlier this year, the California Congressional Delegation wrote letters to Attorney General Janet Reno urging her to release the reimbursement money as soon as possible, (*see, Bulletin, Vol. 5, No. 11 (3/26/98)*), and to Rep. Hal Rogers (KY), Chair of the House Appropriations Subcommittee on Commerce, Justice, State, urging funding of the State Criminal Alien Assistance Program (SCAAP) at its full authorization level of \$650 million (*see, Bulletin, Vol. 5, No. 13 (4/9/98)*).

Among the disbursement's made last week to the state's counties, Sacramento County was paid \$2.57 million, San Joaquin County received about \$166,000, and El Dorado County received \$158,107.

ISTEA PASSAGE PREDICTED BEFORE RECESS

Congress is anticipated to complete its work on the conference report to reauthorize and fund the nation's highway and mass transit systems this week. As of late Thursday, the conference committee still had yet to formally approve, and each House adopt, the final version of the massive transportation bill before sending it to the President. Although final details of how to allocate the highway formula funds to the state and the level of mass transit funding were said to be still in negotiation on Thursday, Congress is expected to complete its work on Friday before returning home for the week-long Memorial Day recess.

The unofficial framework of the approximately \$200 billion-plus measure includes about \$173 billion for highways and roughly \$36.3 billion for mass transit in guaranteed funding. Unlike the original ISTEA law, the 4.3 cents of gas taxes once redirected for deficit reduction, instead, will now be spent on highways and mass transit. More importantly, most of the funding for highways and mass transit will be guaranteed or mandatory spending from the Highway Trust Fund. However, the bill will most likely also contain money authorized from the general fund which would still be subject to annual appropriations.

The deal necessitates about \$20 billion in offsets, many formally set out in the Senate's Budget Resolution, which include a \$15.5 billion reduction in health benefits for veterans' smoking-related illnesses. Earlier this week, the House approved 442-0, a motion to instruct the House conferees not to support the veteran's offset, but there has been no talk of finding a replacement offset.

Late Thursday, the House rejected two further motions to instruct conferees, one to limit the number of highway projects in the bill and another asking that the ISTEA bill not exceed budget caps.

It is unclear what California's share will be of the highway and mass transit formula funds and additional discretionary dollars. According to a letter sent to all members of the California congressional delegation last week by Caltrans (California's state Department of Transportation), California is likely to receive at least \$2.3 billion in annual funding, an increase over the average annual return of \$1.6 billion under the original ISTEA law. However, Caltrans warned that despite the higher overall level of proposed funding for the state, California's contributions in federal tax dollars will continue to exceed the amount of federal transportation dollars returned to the state. That means, California's percentage share of the enlarged transportation funding pie may shrink under the rewrite as compared to other states. But with the details of the emerging compromise bill still very vague, it is impossible to predict what will be the final funding outcome.

SENATE DEBATING TOBACCO LEGISLATION; FEINSTEIN SEEKING EQUITABLE ALLOCATIONS

The Senate has begun debating the National Tobacco Policy and Youth Smoking Reductions Act, a process which will likely continue when the Senate resumes activity in June after the Memorial Day recess next week. Among the various features of the bill is a trust fund, part of which would be distributed to states. At present the bill would allocate state funds by pre-set figures. California's allocation figure would be pegged at 8.7% of total funds, while New York's would be 12.8% -- despite the fact that each state's share of the U.S. population is closer to the reverse. California residents account for roughly 12.1% of the nation's population, while New York's are just 6.8%.

Senator Dianne Feinstein and various senate colleagues are seeking to allocate funds in a more equitable fashion, based on population. Ultimately, these funds are meant to help states and local governments deal with the costs of dealing with smoking related health problems, and a population-based allocation would get the funds to where they are needed.

HOUSE APPROVES DOD BILL AUTHORIZING MILITARY FOR BORDER PATROL FUNCTIONS

By a vote of 357 to 60 on Thursday evening, the House completed work on and approved a \$270 billion authorization bill for the Department of Defense. The bill adds a provision authorizing the use of military personnel to help patrol U.S. borders to prevent undocumented immigration and drug smuggling. The border patrol provision was approved by a 288-132 margin after rejecting an amendment by Rep. (and former border patrol official) Silvestre Reyes (TX) to water down the amendment. Proponents of the border patrol

provision argued that more help is needed in those areas and that the INS or Customs Service would have to request the assistance and the Secretary of Defense would have to approve it. Opponents countered that DOD personnel are already strapped and that this may not be a legitimate military function.

As mentioned in prior editions, the bill does not authorize the two additional rounds of military base closures that were requested by the Clinton Administration. For further details regarding the DOD authorization bill, see last week's Bulletin, Vol. 5, No. 17 (5/14/98).

HOUSE COMMERCE EXAMINES SECURITIES LITIGATION LEGISLATION

The House Commerce Committee's Finance and Hazardous Materials Subcommittee held a hearing Tuesday on H.R. 1689, the Securities Litigation Uniform Standards Act of 1997. The bill, sponsored by Rep. Anna Eshoo (Atherton) and Rep. Rich White (WA), would require that class-action lawsuits on nationally traded securities would have to be brought in federal courts. It is aimed at closing a loophole created in the 1995 securities litigation reform law, which has resulted in the plaintiffs' bar bringing suit in state courts to circumvent the tougher pleading standards and discovery restrictions contained in the federal law.

Rep. Eshoo, a member of the Commerce Committee but not the Finance Subcommittee, testified, as did Rep. Tom Campbell (Campbell), a co-sponsor of H.R. 1689, and the author of a similar bill, H.R. 1653. Both members supported early passage of the legislation, with Rep. Campbell recommending three changes, including expanding the bill to cover private securities actions, as well as class actions.

The subcommittee also heard from Securities and Exchange Commission Chairman Arthur Levitt, who acknowledged that there has been a shift in securities actions from federal to state courts since enactment of the 1995 Act. Chairman Levitt recommended that the Committee adopt the changes made by the Senate, after negotiation with the SEC. Important among those changes was the inclusion of language in the legislative history clarifying that in the 1995 Act Congress did not intend to eliminate liability for reckless violations of federal securities laws, as some federal trial courts have held.

Other witnesses included Robert C. Hinkley, General Counsel, Xilinx, testifying on behalf of the American Electronics Association, and Blake Campbell, Assistant Commissioner, Securities Regulation Division of the California State Department of Corporations. Copies of the testimony can be obtained through the Committee's website at <http://www.house.gov/commerce>.

HOUSE RESOURCES MARKS UP SONNY BONO SALTON SEA BILL

The House Resources Committee on Wednesday reported out H.R. 3267, the "The Sonny Bono Memorial Salton Sea Reclamation Act," by voice vote after approving a substitute offered by Rep. John Doolittle (Rocklin), chair of the Committee's Water and Power Subcommittee. The substitute bill directs the Secretary of the Interior to conduct a feasibility study and report to Congress on a recommended project to reclaim the Salton Sea. In addition, the Salton Sea National Wildlife Refuge would be renamed the Sonny Bono Salton Sea National Wildlife Refuge. The study, to be completed within 18 months, is funded at \$30 million, with \$350 million authorized for construction of the approved project. Wildlife resources studies, authorized at \$5 million, would be conducted concurrently with the feasibility study. In addition, \$3 million is authorized for cleaning up the Alamo and New Rivers.

During consideration of the bill, the committee adopted an amendment that ensures all current rights and obligations concerning Colorado River water use are preserved, and that all activities to implement the project would be carried out consistent with existing Colorado River rights and obligations.

After attending the mark-up, Rep. Mary Bono (Palm Springs), chair of the Salton Sea Task Force, stated that she has "every hope that the bill will pass the House and we will take another step towards saving California's largest inland body of water and preventing a major environmental crisis."

HOUSE K-12 SUBCOMMITTEE MARKS UP BILINGUAL, IDEA, NUTRITION BILLS

The Subcommittee on Early Childhood, Youth, and Families met today to consider a plethora of education measures and bills to re-authorize the nation's child nutrition programs. The subcommittee is chaired by Rep. Frank Riggs (Windsor) and the ranking Democrat is Rep. Marty Martinez (Monterey Park).

The panel approved four education measures and two resolutions. On a party-line vote of 10 to 5, the Subcommittee approved H.R. 3892 to convert federal bilingual education programs into a single block grant. The move would allow state and local agencies to design their own bilingual education programs. Bilingual education is a hot issue in the 1998 elections, as voters will decide the fate of Proposition 227, and Governor Wilson recently vetoed an alternative to the ballot initiative. The Riggs bill would obviate consent decrees nationwide which contain requirements of providing bilingual education, and it allows parents to remove children from classes taught in the child's native language. Rep. Martinez opposed the measure, arguing that it actually diminished local control over educating children. According to the California Department of Education, the state to date has received between 40% and 45% of federal funds under the Bilingual Education Act.

Approval was given to H.Res. 399, a measure expressing a higher priority for federal funding of the Individuals with Disabilities Education Act (IDEA), and to H.R. 3254. H.R. 3254, offered originally by Rep. Riggs as an amendment to last year's Labor-HHS-Education spending bill, would prohibit the federal government from withholding all, instead of a proportion, of disabled education funds from states which do not provide disabled education services to eligible inmates in state prisons. (*See Bulletin, Vol. 4, No.30 (9/11/97)*) A dispute between the state and the U.S. Department of Education jeopardized jeopardizes California's entire \$384 million in IDEA funding. Rep. Martinez spoke to the importance of educating youthful offenders in order for them to become productive members of society. The Riggs amendment passed by voice.

In other action regarding disabled education, the panel approved a resolution (H.Res. 399) which urges Congress and the President to make funding for IDEA a higher priority among federal education programs.

Two child nutrition measures, reauthorizing the Women, Infants, and Children (WIC) program (H.R.3874) and the Summer Food Service program (H.R. 3871), were also passed to the full committee. The WIC program reauthorization would make few changes to the program, retaining the formula for distributing WIC formula dollars under which California received nearly 17% of funds in 1997.

The panel did not consider other scheduled bills that would make changes to the child nutrition programs because of an apparent lack of bipartisan agreement. Instead, Chairman Riggs said the subcommittee would, for now, move forward only on the two bills to renew the expiring nutrition programs. The subcommittee also did not consider the Dollars to the Classrooms Act, introduced by Rep. Joseph Pitts (PA), which would block grant a number of education programs and require that 95% of funds for those programs be spent at the classroom level.

Full committee consideration of the bills is expected for Wednesday, June 3.

HOUSE SUBCOMMITTEE EXAMINES PIRACY IN THE MUSIC AND FILM INDUSTRY

The House International Relations Subcommittee on International Economic Policy and Trade held a hearing on Thursday to explore the status of international intellectual property rights in the music and film industry. The subcommittee heard from Bruce Lehman, Asst. Secretary and Commissioner of Patents and Trademarks for the Department of Commerce. Sec. Lehman applauded the Senate's action in passing the Digital Millennium Copyright Act last week by a vote of 99-0 (*see, Bulletin, Vol. 5, No. 17 (5/14/98)*), and urged the House to adopt the Senate language during consideration of its bill, H.R. 2281. He also testified that the Administration supports copyright term extension to life of the author plus 70 years, as is contained in H.R. 2589, the recently House passed bill.

Bonnie J.K. Richardson, Vice President for Trade and Federal Affairs for the Motion Picture Association of America also testified. Ms. Richardson also testified in support of the Senate's Digital Millennium Copyright Act and the extension of copyright term, although she stated the MPAA opposes the language included in the bill which exempts bars, restaurants, and stores from paying licensing fees for music use. Ms. Richardson also noted several countries, including Italy, Greece, Mexico, and Russia, where the Administration is expected to focus its efforts this year to control intellectual property violations.

Copies of the testimony of these and other witnesses can be obtained through the International Relations Committee's website at http://www.house.gov/international_relations.

NATIONAL OCEANS CONFERENCE IN MONTEREY, JUNE 11-12TH

On June 11-12, the U.S. Navy and the Department of Commerce will co-host a national forum on the importance and role of oceans in the United States. Last year, the United Nations named 1998 as the International Year of the Ocean and earlier this year President Clinton made a similar proclamation. The National Ocean Conference will be held at the Naval Postgraduate School in Monterey, CA.

Global security, commerce, environment, and exploration and education will be the four central themes of the conference. President Clinton and Vice President Al Gore are scheduled to attend, as well as representatives from other federal agencies, state and local officials, academics, researchers, and interested ocean groups. According to Navy Secretary John Dalton, "one of every six jobs is marine-related and one-third of the nation's gross domestic product is produced in coastal areas through fishing, transportation, and recreation."

In preparation for the national conference, Rep. Sam Farr (Carmel) and the Monterey Bay Ocean Consortium (MBOC) sent a letter to President Clinton recommending three national initiatives and a pilot program to be established at the forum. Rep. Farr also introduced legislation, the Oceans Act of 1997 (H.R. 2547) and the California Coastal Rocks and Islands Wilderness Act of 1998. H.R. 2547 would require the President to establish a long-range national oceans policy, establish a commission on oceans, and to report to Congress biennially on the impact of the federal government on oceans. Nine Californians are co-sponsoring the legislation which is under consideration by the Subcommittee on Fisheries Conservation, Wildlife and Oceans of the House Resources Committee. Introduced this week, the California Coastal Act would designate the islands and rocks, and pinnacles off the California coast and under federal jurisdiction as part of the National Wilderness Preservation System.

If you would like more information, please visit <http://www.mbocean.org/>

SUBCOMMITTEE APPROVES DISASTER MITIGATION BILL

By a voice vote, the Subcommittee on Water Resources and Environment of the House Transportation and Infrastructure Committee approved H.R. 3869, the Disaster Mitigation Act of 1998, on Wednesday. The bill, among other things, would authorize FEMA to design and implement a three-year, \$180 million national pre-disaster hazard mitigation program. The bill is the result of a series of hearings (*see Bulletin, Vol. 5, Nos. 3(1/29/98), 11 (3/27/98), and 16 (5/7/98)*) held to examine the FEMA's current efforts and other ways to reduce the costs of disaster assistance. The measure now goes to the full House Committee on Transportation and Infrastructure for consideration.

CENSUS SUBCOMMITTEE SCRUTINIZES QUESTIONNAIRES

The Census Subcommittee of the House Government Reform and Oversight Committee examined, at a Thursday hearing, the long and short form questionnaires proposed for use in the 2000 Census. The decennial census is composed of two questionnaires, the short and the long form. Every household receives a short form and about one in six households receive the long form (52 questions).

Both Reps. Constance A. Morella (MD) and Charles T. Canady (FL) testified before the committee on their legislation regarding the long form. Rep. Morella's House Concurrent Resolution 246 would express the sense of Congress that the Census Bureau should continue to collect data using the long form in the 2000 Census. The Census Bureau has proposed phasing out the long form in favor of an annual survey after the 2000 Census. Rep. Canady's measure, H.R. 2081, would provide for an enumeration of family caregivers as part of the 2000 decennial census. According to Rep. Morella, the Census Bureau plans to ask only questions required by court order or federal law in order to simplify the long form. Committee members inquired about the need for specific information on family caregivers and whether or not federal agencies that use data gathered from specific long form questions should share the cost burden of the census. Many witnesses cited the statistic that the long form, which costs less than one-tenth (\$400 million) of the cost of the total decennial census, is cost-effective and the only resource for the information gathered.

Representatives from the Coalition to Preserve Census Data, American Legion; Formosan Association for Public Affairs; American Association of State Highway and Transportation Officials; Competitive

Enterprise Institute, and the Working Group on Ancestry also testified and submitted written comments at the hearing.

WAYS & MEANS PANEL EXAMINES MANDATORY SOCIAL SECURITY COVERAGE FOR STATE & LOCAL EMPLOYEES; CALIFORNIA WOULD BE AMONG 7 STATES IMPACTED BY A CHANGE

The House Ways & Means Subcommittee on Social Security held a hearing Thursday on the issue of mandatory inclusion of state and local employees in the Social Security system. Traditionally, the Social Security system has allowed state and local governments to opt out of the retirement system if they provide a parallel system for their employees. California is among seven states (the others being Colorado, Illinois, Louisiana, Massachusetts, Ohio and Texas) which account for 75% of non-covered payroll. Nationwide, roughly 4.9 million state and local employees are not covered -- or about 30% of all such employees in the U.S.

Bills have been introduced in this Congress to extend mandatory coverage to all newly hired state and local employees, perhaps in response to concerns that the Social Security system may face a shortfall in approximately 30 years. While proponents of mandatory coverage argue the impact can be lessened by gradual phase-in and by covering only new hires, many in California and other affected states are concerned that eliminating the state and local plan for teachers and other public employees will gradually bankrupt these systems.

Rep. Barney Frank (MA) is sponsoring HR 2549 to modify the windfall law to eliminate the reduction in the Social Security benefit if a retired member's combined monthly Social Security benefit and government pension is \$2000 or less. If the combined amount is \$3000 or more, the windfall would still apply and the Social Security benefit would be reduced as under present law. Between \$2000 and \$3000, the benefit would be phased in. Legislation that would modify the offset law, HR 2273, has been introduced by Rep. William J. Jefferson (D-La).

A proposal revealed this week for treating Social Security's ills included gradual a raising of the retirement age from 65 to 70 (with a corresponding rise in the early retirement age from 62 to 65) which would keep pace with the increasing life expectancies of present-day Americans. The proposal, drafted by the National Commission on Retirement Policy, also proposed taking two percentage points from the 12.4% payroll tax for Investment Savings Accounts to invest in stocks, bonds, government securities or a combination thereof, in the hope that the return might exceed the 2.7% currently averaged by Social Security. The commission would phase in a reduction in benefits for spouses who had not paid into the program.

Because relatively fewer Californians are over the age of 65 (11.0%) than are residents of the nation as a whole (12.8%), Californians proportionally pay more into Social Security than they receive back in relative payments.

The witness list for the Thursday hearing is available on the committee's website at http://www.house.gov/ways_means/socsec/ss-16wit.htm. Written testimony from the hearing will be available at that address in the near future.

FCC SAYS E-RATE DEMAND TO EXCEED SUPPLY IN FIRST YEAR

Last spring, the Federal Communications Commission established an "e-rate" -- a discounted education rate schools and libraries pay for telecommunications service. This month, the FCC indicated that it expects to collect \$1.67 billion from phone companies this year to pay for e-rate discounts -- \$350 million less than the projected demand and \$580 million less than the \$2.25 billion cap for the program. FCC sources were quoted saying that the \$2.25 billion figure was meant to be an annual cap, but that first year funding is likely to come up short. The FCC lowered the total figure due to concerns that phone companies might otherwise have to raise long-distance rates or otherwise pass costs to consumers. The e-rate offers school districts discounts of 20-90% for telecommunications services based on poverty levels and discounts on inside connections to classrooms and Internet access including installation and maintenance costs. According to late data, 53% of

the discount requests for 1998 to date are for high poverty schools which would receive discounts in the 80-90% range.

ALAMEDA NAVAL AIR STATION CONVERSION OFFERS COMMERCIAL SPACE FOR ENVIRONMENTAL FIRMS

This week, the Alameda Center for Environmental Technologies (ACET) Corporation announced the opening of a commercial space for environmentally-related enterprises as part of the overall conversion of commercialization of federal laboratory research. ACET, a partnership between the Alameda Reuse and Redevelopment Authority and California State University, Hayward, is part of the larger federal effort to convert former military facilities to private, peacetime use. Converted from military to civilian use last April, the Alameda Naval Air Station was scheduled for closure as part of the 1993 BRAC III.

The ACET facility already is home to three companies and has room for about 20 more. The facility includes 10 modern wet laboratories equipped with exhaust hoods, reportedly the only facility of its kind in the west. The three established companies are Ocellus Incorporated, Retrokool, and Electrox Environmental Incorporated. The ACET also hopes the new occupants of the commercial space will provide opportunities for displaced defense workers.

If you would like more information, please contact ACET at 510/749-3977.

CRB REPORT EXAMINES INVESTMENT CAPITAL SHORTAGE IN CALIFORNIA

A recent report by the California Research Bureau takes a critical look at a \$6 billion problem facing California -- the shortage of venture capital for emerging growth companies. Entitled "Business Capital Needs in California: Designing a Program," the report was prepared by Gus Koehler, Ph.D. and Rosa Maria Moller, Ph.D in April. The report estimates California's need for early-stage investment capital and reviews what other states have done to address similar problems. The report estimates the early-stage capital need of rapidly growing companies ("gazelles") in California, examines how early-stage investment networks form, and assesses the success-rate of state-sponsored early-stage investment programs.

The report also reviews the structure and experiences of similar investment in other states. All programs cited involve an initial monetary contribution by the state for business capital investment purposes. The reviewed programs include publicly run venture capital programs and public/private funds that are for the most part privately managed.

For a copy of the report, as well as other CRB reports, visit the CRB home page at <http://www.library.ca.gov>. This report is available in Adobe Acrobat (pdf) format (608kb) on that page at <http://www.library.ca.gov/crb/98/05/98005.pdf>. Alternatively, you may contact the CRB at (916) 653-7843.