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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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.

PRESIDENT EXTENDS MOST-FAVORED NATION STATUS TO CHINA AGAIN

As expected, President Clinton once again extended Most-Favored Nation (MFN) trade status to the People's Republic of China for the next year. MFN places China on the same footing with other U.S. trading partners, greatly reducing tariffs which otherwise would be imposed on the $75 billion annual trade between the two countries.

According to industry sources, California's trade with China accounts for nearly $6.5 billion of the state's economy and supports 122,000 workers throughout the state. California companies that rely on export trade support China-MFN and would like to see it permanently extended, eliminating the need for annual renewals.

Regardless of the importance of the role of the Chinese market in U.S. trade, a fight in Congress this year on the renewal is expected. Recent allegations that the Chinese government illegally contributed to Clinton's Presidential campaign and that protected U.S. satellite technology was turned over to the Chinese will fuel the debate. Nevertheless, two prominent House members, Speaker Newt Gingrich (GA) and Ways and Means Chairman Bill Archer (TX) have already indicated their support for renewing China's MFN status. In announcing the renewal, the President argued that the recent nuclear tests in India and Pakistan make it even more imperative that the United States continue its present policy of constructive engagement with China.

Congress has 90 days to override the President's decision by passing a resolution of disagreement in both houses. If it does so, the President can veto that resolution, leaving it to Congress to try and override the veto with the 2/3rds vote needed.

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SENATE APPROPRIATIONS UPS BAY-DELTA FUNDING TO $65 MILLION

The Senate's Energy and Water Appropriations Subcommittee reported out its bill on Tuesday with $65 million in FY 1999 funding for the Bay-Delta restoration project. That is $15 million more in funding than the Senate committee agreed to last year. Nonetheless, it is still well below the full annual funding level of $143 million. The Senate Appropriations Committee retained the Subcommittee's figure in its mark-up on Thursday.

Last year, the House Energy and Water appropriations bill called for $120 million, and the Senate bill contained $50 million. The conference committee agreed to split the difference and funded the Bay-Delta project at $85 million for FY 1998. The House Energy and Water Appropriations Subcommittee is not expected to mark up its FY 1999 funding bill until later this month. Efforts will continue to ensure that the House committee provides the full $143 million for the Bay-Delta, thus increasing the chances of coming out of the conference with more money than last year.

The San Francisco Bay/Sacramento-San Joaquin Delta Estuary is a 700 square-mile region of waterways, sloughs, and islands where the San Francisco Bay meets the state’s two largest rivers. The Bay-Delta supplies some or all of the water needs for two-thirds of the state's homes and businesses and over four million acres of agricultural land. It is also the home of millions of birds and over 53 species of fish.

TEA21 AWAITS PRESIDENT SIGNATURE; FIX-IT MEASURE SPEEDS ALONG

Although the Transportation Equity Act for the 21st Century (TEA21) awaits the President’s signature, Congress continued its work on renewing the nation’s surface transportation laws. Over last week's recess, staff identified several duplications, needed corrections to the measure, and provisions agreed to by the conference committee but left out of the final conference report. The fix-it measure, H.R. 3978, unanimously passed the House on Wednesday. Due to lengthy debate on tobacco legislation and the concerns of several Senators about H.R. 3978, action by the senate on the House’s highway correction bill was unscheduled as of Thursday evening. The President has until June 9th, Monday, to sign TEA21, but has said he would like to sign both bills simultaneously.

One clarification defined more specifically the scope of denied benefits for veterans’ smoking-related illness, which compose the bill’s primary offset of $15.4 billion. Among TEA21's other oversights, the National Historic Covered Bridge Preservation program, drunk driving penalties, and language requiring the Department of Transportation to establish a discretionary grant selection and criteria program, were restored to the reauthorization package in the technical corrections bill. Specific to California, changes were made to the descriptions of two California highway high priority projects and a San Diego transit project. According to a printed summary of the bill, H.R. 3978 does not change the funding allocations set out in TEA21.

TEA21, the $215 billion, six-year (1998-2003) transportation bill will provide about $175 billion for highways (about 81%); $41.4 billion for transit (19.25%); $2.2 billion for safety programs (1%); and $650 million for the Motor Safety Carrier program. The conference report contains “guaranteed spending” provisions which means $165 billion and $35 billion will be available for appropriation over the next six years. The guaranteed spending provisions are intended to ensure that all federal gas tax revenues are used for transportation infrastructure.

California ISTEA Task Force members and House conferees Jay Kim (Diamond Bar), Steve Horn (Long Beach), Bob Filner (San Diego), George Brown (San Bernardino), and Senator Barbara Boxer helped to get the state an estimated $20 billion in federal transportation funding over the next six years. For a more detailed summary of California specific funding provisions, including a list of earmarked highway and transit projects, in TEA21, please visit our web site at http://www.calinst.org/pubs/tea21fact.htm.

HOUSE APPROPRIATIONS CHAIR SETS TENTATIVE 302(B) ALLOCATION SCHEME

While it will likely change if agreement is reached on a budget resolution, House Appropriations Committee Chairman Bob Livingston (LA) recently proposed a tentative 302(b) allocation, the mechanism via which the Committee allocates discretionary spending funds among its 13 subcommittees. In the absense of a budget deal, the total amounts proposed to be allocated -- $255 billion in non-defense budget authority, $290 billion in non-defense outlays, $272 billion in defense budget authority, and $267 billion in defense outlays -- were set by last year's balanced budget agreement, and these totals are the same in the House and Senate.

While these totals may change if action is completed on an FY99 budget resolution (H.Con.Res. 284 was to be considered Thursday and Friday), the current 302(b) proposals are interesting insofar as they provide some early insight into Committee leadership priorities.

Among non-defense programs, House Chair Livingston's proposed budget authority allocations would provide more than $1 billion more than the Senate's allocation for spending by the Subcommittee on VA/HUD/Independent Agencies, chaired in the House by Rep. Jerry Lewis (Redlands). It would also allocate more funds than the Senate side for the subcommittees on Commerce/Justice/State (an additional $138 million), Treasury/Postal/Related Agencies ($243 million more), and Interior ($50 million more). The Livingston proposal would provide lower budget authority levels than the Senate Committee's proposal for the Transportation panel ($665 million less), Energy & Water Development ($327 million less), Labor/HHS/Education ($243 million less), Foreign Ops ($100 million less), Agriculture ($75 million less), and Legislative ($40 million less).

The defense accounts are fenced off from non-defense programs, but there is some discretion within defense programs. The Livingston plan would allocate $250 million less than the Senate plan for spending on military construction projects, with a commensurate boost in national security panel funds.

To view the House allocations, refer to the committee's website at http://www.house.gov/appropriations/99302b.htm. For a previous article on the Senate's 302(b) allocations passed on May 14, see *Bulletin, Vol. 5, No. 18 (5/14/98)*. Details of the Senate allocations are available at http://www.senate.gov/~appropriations/302b.htm.

STUDENT LOAN RATE COMPROMISE INCLUDED IN TRANSPORTATION BILL

Congress also included in TEA21 a bipartisan provision to address the July 1, 1998 scheduled change to the student loan interest rate, originally a component of the House and Senate Higher Education Act reauthorization measures. The impending deadline for action on the scheduled change in the student loan interest rate presumably led lawmakers to include a short-term version of the compromise in the transportation measure. The 90-day alteration in the student loan interest rate would offer students lower rates on their school loans, but pay private lenders at a higher interest rate to ensure their continued market participation. (*See Bulletin, Vol. 5, No. 10 (3/19/98)*) Although the Administration says it will sign TEA21 with the student loan interest rate measure intact, in general the President believes the congressional compromise is too generous to private lenders. The cost of the interest rate change is paid for by TEA21.

TEAM CALIFORNIA MEMBERS SOLICIT SUPPORT FOR CALREN-2

Recently, members of Team California, a bipartisan task force of state and federal elected officials, sent a letter to fellow Californian Rep. Jerry Lewis, Chairman and Rep. Louis Stokes (OH), Ranking Member, of the House Appropriations Subcommittee on VA, HUD, & Independent Agencies. The letter asks their support for funding of CalREN-2. CalREN-2 (California Advanced Services Research & Education Network) is a high-speed computer network that will electronically interlink California universities, and eventually link into the national Internet II community.

The letters, signed by Team California members Gary Condit, Buck McKeon, Lucille Roybal-Allard, Frank Riggs, and Jane Harman, asks Reps. Lewis and Stokes to fully fund the National Science Foundation’s request for the Next Generation Internet Initiative. While the universities and colleges have identified $27.6 million in funding for the $33.6 million project, $6 million is still needed to complete the California project.

The CalREN-2 network will be run by the Corporation for Education Network Initiatives in California, a consortium of California’s private and public universities in the San Francisco Bay Area and Los Angeles Basin. The San Diego Supercomputing Center will also connect UCSD and SDSU to the network, as well as to the NSF computing facilities. CalREN-2 is expected to be up and running sometime this summer, and when operational, more than 100 times faster than today’s internet.

FEDERAL HOUSING ADMINISTRATION LOAN LIMIT INCREASE CONSIDERED

The Senate Banking, Housing and Urban Affairs Subcommittee on Housing Opportunity and Community Development met Tuesday and Thursday of this week to hear testimony on the performance and programs of the Federal Housing Administration (FHA). Tuesday's hearing focused on oversight of the performance of the FHA, the historical and modern roles of the agency, results of a recent audit of the FHA by KPMG Peat Marwick, and new management reforms within the organization. Of particular interest on Tuesday, and the focus of Thursday's hearing, was the proposal put forth in President Clinton's budget that the limit on loans which FHA insures for single family housing be standardized nationwide, and the maximum loan level raised. Currently, there are 250 different loan levels in the country's 3200 counties. Limits in California range from the national minimum level of $101,250 in counties such as Alpine, Imperial, and Sutter, to the maximum level of $170,132 in Monterey, San Francisco and Los Angeles. In California, 23 of the 58 counties are at the maximum level. President Clinton has proposed a single nationwide FHA loan limit of $227,150.

In addition to Subcommittee members, Thursday's hearing included a statement by Senator Alfonse D'Amato (NY) arguing in favor of special consideration of the FHA limits being raised in high cost areas of the country. He noted that in San Francisco, for example, the National Association of Realtors has found the average home price to be $292,000, well above even the proposed new limit. HUD expressed its belief that the FHA program works well at its purpose of providing access to loan insurance to those who are under served by the commercial market -- especially low income individuals, people who live in the inner cities, and minorities -- and should be expanded further. Senator Richard Bryan (NV) argued in support of the proposal that raising the limit will serve to increase the number of new home owners by an estimated 60,000; that GAO research shows that larger loans have a lower default rate and thus raising the limit will bolster the FHA fund; and that raising loan limits will generate $225 million in annual revenue. Representatives from the Mortgage Bankers Association of America, The National Association of Home Builders, and the National Association of Realtors spoke to reasons why the limit should be raised. Catherine Whatley of the National Association of Realtors argued that FHA housing limits have not kept pace with the increasing cost of housing in cities and fast growing rural areas and need to be raised if they are to represent the same purchasing power that FHA loans have historically represented.

Senator Lauch Faircloth (NC) argued against raising the loan limits, citing in particular that the $227,150 limit represents a growth in size beyond the original purpose of the FHA -- to meet loan insurance needs of low and moderate income people. It was noted that the proposed $227,150 may buy a bare-bones starter home in the Bay Area, while it would cover a high-end home in many lower-priced areas of the country.

Representatives from Fannie Mae, the National Training and Information Center, the Long Island Housing Partnership and Mortgage Insurance Companies of America (MICA) presented testimony opposing the creation of a new national standard at $227,150. Fannie Mae stated that there is no need for a raise in FHA limits. In support, they cite statistics that in several districts in California, the average amount requested by loan applicants is well below the regional FHA loan limit. In San Bernardino County the average loan request is $87,000 and the loan limit is $152,000.

Nationwide, FHA loans default at more than four times the rate of Fannie Mae and FreddieMac loans. Roger Haughton, Chairman and Chief Executive Officer of PMI Mortgage Insurance Company (San Francisco) and president of the Mortgage Insurance Companies of America (MICA) raised additional concerns about the appropriateness of the government taking business away from the private sector and mentioned several alternative ways in which business and government could work together to more effectively meet the needs of those currently underserved by the commercial market. Several critics of the President's proposal cited the high foreclosure rate among FHA loans, and what they described as insufficient inspection and appraisal work by FHA as reasons they do not support the growth of the FHA.

The proposal in the President's Budget entails both standardization of the FHA loan limit nationwide and raising the limit to $227,150. While several witnesses opposed the idea of raising the limit, others were more concerned about the imposition of one national standard in all of the varied markets across the country. Chairman Connie Mack (FL) indicated that the Subcommittee will be considering this issue in a broad context and trying to craft a multi-faceted solution. Also among those attending the hearing was House Housing Subcommittee Chairman Rick Lazio (NY), author of HR 3899 which would, among other things, allow the HUD Secretary flexibility in setting the FHA single family loan insurance limit in cases where strict adherence to existing metropolitan statistical areas limit home ownership opportunities.

For copies of the testimony at the hearing, please see the Senate Banking, Housing and Urban Affairs Committee homepage at www.senate.gov/~banking.

CENSUS BUREAU SELECTS POMONA FOR DATA PROCESSING LOCATION

This week the Census Bureau approved TRW's recommendation of Pomona and three other locations nationwide for Census 2000 data capture processing centers. Phoenix (AZ), Baltimore (MD), and Jefferson (ID) were also selected as sites for the collection and processing of the Census 2000 questionnaires.

In January, TRW was awarded, by the Census Bureau, the $187 million contract to manage and operate the data capture centers. Each data center is expected to process about one billion pages of census questionnaires in 99 work days and was chosen for its ability to meet that demand. About 2,000 temporary workers and at least 200,000 square feet of suitable leased space will be needed in each location. According to TRW, salary levels of the census workers will be based on regional figures and job opportunities will include office administration, mail handling, sorting and scanning operations, and data entry.

HOUSE COMMITTEE PASSES BILINGUAL EDUCATION REFORM AND CHILD NUTRITION RENEWAL BILLS

A step behind California voters, the House Education and Workforce Committee approved by a party vote, 22-17, a bill that would convert federal funding of bilingual education from a competitive grant program to a state block grant program. The distribution of money would be based on the numnber of "English language learners," of which California has the most significant share.

Authored by Rep. Frank Riggs (Windsor), H.R. 3892 “The English Language Fluency Act” limits participation in federally funded bilingual programs to three years. Also, the bill would give local school districts flexibility, consistent with state law, to design their instructional programs. Rep. Lynn Woolsey (Petaluma) asked Rep. Riggs if the passage of his measure would supercede the law enacted by the passage of Proposition 227 on Tuesday. Rep. Riggs said his measure would not change the one year limit on bilingual instruction required under the voter-approved Proposition 227.

The Committee also combined four separate measures into one bill, H.R. 3874, and renewed these child nutrition programs through 2003. The Committee’s modifications focus on reducing fraud, abuse, and unspent funds in the Women, Infants, and Children program (WIC) and expanding the after-school snack program to children from age 13 to 18 under the Child and Adult Care Food Program (CACFP). H.R. 3874 does not propose major changes to the formula for distributing WIC dollars under which California received nearly 17% in 1997.

Finally, the Committee approved three resolutions by voice vote. H.Res. 399 expresses the need to make federal funding of the Individual with Disabilities Education Act (IDEA) the highest priority among federal education programs. H. Res. 417 calls for recognizing the importance of the role of the child-rearing and H. Res. 401 expresses the sense of Congress that social promotion should end. Two weeks ago, the Subcommittee on Early Childhood, Youth, and Families reported these measures to the full committee. (*See Bulletin, Vol. 5, No. 18, (5/21/98)*). The Senate has not scheduled a mark-up for the child nutrition reauthorization programs.

SURVEY SHOWS IMMIGRANTS ARE FEELING IMPACT OF FOOD STAMP LOSS

A survey conducted by the Los Angeles and San Francisco welfare agencies and tabulated by the non-profit California Food Policy Advocates shows that immigrant families, including children, are suffering more hunger since their food stamp benefits were dropped in the 1996 welfare reform law. The study surveyed 403 randomly selected immigrant families in Los Angeles in November of 1997, two months after the cuts went into effect, and another 376 families in March 1998. The November survey showed moderate to severe hunger in 40 percent of the households were at least one member had lost food stamps. Moreover, even immigrant children, who continue to receive food stamps under a state program, were found to be suffering hunger when one of the adults in the family was cut off food stamps. The survey found that the hunger rate in Los Angeles was ten times the rate found by the U. S. Census Bureau in a 1995 California sampling.

The results for the San Francisco survey of 241 households were roughly equivalent to those found in L.A., with moderate to severe hunger found in 32 percent of the households were one member had lost food stamps.

Congress is currently considering legislation that would restore food stamps to 250,000 immigrants. The Senate has already passed the bill *(see Bulletin, Vol. 5, No. 17 (5/14/98)*), and the House is expected to do the same shortly. Nevertheless, the bill will not totally alleviate California's hungry immigrants. Although the state is home to about 40 percent of the immigrants living in the United States and is expected to receive the largest share of the federal money, Califoria's Legislative Analyst's Office estimates that 241,000 immigrants in California lost food stamp benefits under the 1996 law. Los Angeles alone dropped over 120,000 immigrants, 12 percent of the national total.

To obtain the survey, please contact either the Los Angeles or the San Francisco welfare agencies.

STATE'S REAL ESTATE MARKET CONTINUED TO SURGE IN APRIL

The number of sales of existing homes in California rose in April by 15.4% over the same period last year, and the median home price rose 10% since one year before, according to data from the California Association of Realtors and a Transamerica group. The figures also represented an month-to-month increase over March 1998 levels, with sales numbers rising 1.1% and prices 1.4%. The median price for a single family residence rose to $199,160.

Data showed increases for two out of three cities in California, and the number of days it took to sell a single family home in California declined to 33 from 47 one year before. Significant one-year regional increases in median prices were logged in the Central Valley (from $103,890 to $114,070), Los Angeles ($170,400 to $186,760), Orange County ($223,030 to $250,870), Palm Springs/Lower Desert ($109,650 to $133,830), Sacramento ($110,000 to $125,000), San Diego ($178,840 to $209,580), and the San Francisco Bay ($284,820 to $322,780), among others.

For a full table of home prices in more than 300 California cities, see the CAR website at http://www.car.org/economics/archives/dataapr98.html.

JOBLESS CLAIMS RISE IN U.S., FALL IN CA

Americans filing new claims for unemployment benefits grew by 30,000 to 339,000 for the last week in May, according to data from the Department of Labor. The rise exceeded analysts' expectations and brought the total number of unemployed individuals in the U.S. to 2.1 million. In contrast, Califrnia saw a decrease of more than 5,000 first-time filings for the most recent period, attributed to reduced layoffs in the construction and agricultural sectors.

CAPITOL HILL LUNCHEON ON MONDAY TO DISCUSS EL NINO

The first in a series of luncheons for Capitol Hill staff interested in science issues will be held on Monday, June 8 from 12:30 to 1:30 pm. The briefing will feature a discussion on the El Nino climate phenomenon and its impact on the United States and the world. UCSD professor Dr. Nick Graham, Director of the Experimental Forecast Division of the International Research Institute for Climate Prediction (IRICP) at Scripps Institute of Oceanography, and Dr. Steve Zebiak, Director of Modeling Research for the IRICP at Columbia University, will be the featured speakers. The event is sponsored by the Association of American Universities, American Association for the Advancement of Science and the National Association of State Universities and Land Grant Colleges. The event will be held in the House International Relations Committee hearing room, Room 2200 of the Rayburn House Office Building. Hill staff interested in attending should RSVP to Renee Keck with the AAU at 202-408-7500.