



**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

# 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.*

## **HOUSE BANKING REPORTS DISASTER INSURANCE PROGRAM LEGISLATION**

The House Banking Committee on Wednesday finished its markup of H.R. 219, which establishes a federal reinsurance program to cover catastrophic losses caused by natural disasters, such as earthquakes and hurricanes. The Committee had begun the markup on June 25, before the Fourth of July recess. See, [Bulletin, Vol. 5, No. 22, \(6/25/98\)](#).

During this Thursday's session, the Committee began by accepting a compromise amendment offered by Reps. John LaFalce (NY) and Bill McCollum (FL). The amendment contains three major provisions. First, it changes the loss amount in the bill that triggers federal reinsurance from \$2 billion per event per state to \$2 billion or the loss amount of a "one in one hundred year" event, whichever is greater. A "one in one hundred year" event is a disaster that is estimated to occur only once in a hundred years and the actuarially projected damages expected to occur as a result. Second, members appointed to the national commission established under the bill do not have to be individuals publicly recognized as disaster experts, but should include individuals that broadly represent the public interest, and have no professional, financial, or personal interests that would conflict with their service on the commission. The Commission is set up to advise the Secretary of the Treasury on estimating the loss costs associated with reinsurance contracts. Finally, the amendment requires the Secretary to establish regulations to ensure the availability and affordability of disaster insurance, prevent discrimination in the issuance of policies, and evaluate state mitigation efforts, such as adequate building codes. After considerable discussion, the amendment was accepted by voice vote.

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The Committee also accepted by voice votes amendments allowing the Secretary to index the loss trigger to the annual inflation rate, to include a consumer representative on the national commission, and to require a report to Congress on the effectiveness of the program before Congress reauthorizes it.

The Committee defeated an amendment in the nature of a substitute that was offered by Rep. Joe Kennedy (MA). The substitute would have required the Secretary of the Treasury to analyze the current insurance market for catastrophic insurance, availability, and affordability and report to Congress on efficient and cost effective options, if needed, for establishing a federal disaster insurance program. The amendment was defeated 15-28. The Committee then favorably reported the bill by a vote of 33-12.

## **APPROPRIATIONS CONTINUE TO MOVE THROUGH CONGRESS**

Congress will continue to work over the next four weeks, before its month-long August break, to finish work on the 13 appropriations bills. This week action was taken on several bills.

### **COMMERCE, JUSTICE, STATE**

The full Appropriations Committee reported out the Commerce, Justice, State Departments spending bill with funding of \$585 million for the State Criminal Alien Assistance Program (SCAAP). The program partially reimburses states for the costs associated with incarcerating illegal criminal aliens. The funding figure is the same as that appropriated in FY98.

A thorny issue for the CJS bill will be funding for the Census Bureau. The House bill would fund the Bureau for half of its annual allotment in an attempt to further negotiations between Congressional Republicans and the Clinton Administration over whether or not to use statistical sampling techniques to supplement the 2000 census headcount. The restriction provision has elicited a veto threat. A committee news release regarding the bill is available at <http://www.house.gov/appropriations/pr99cjcm.html>.

### **LABOR-HHS-EDUCATION**

On Wednesday, the House Appropriations Committee approved, 32-23, a spending measure for the upcoming fiscal year for the Labor, Health and Human Services, and Education departments following the approval of several amendments to the bill. However, spending provisions remained the same as those in the bill from the Subcommittee. See, *Bulletin, Vol.5, No.22 (6/25/98)*.

The panel, by voice vote, approved three amendments designed to overturn a Clinton administration directive that states cover Viagra under Medicaid. Rep. Obey's (WI) amendment would bar the use of funds to reimburse states for Viagra and instead would direct the estimated \$100 million to programs for improving mental health services to children at risk of violent behavior. The committee also approved by voice vote an amendment by Carrie Meek (FL) to add a new label to cigarette packages warning of a particular health danger of smoking for African-Americans.

These amendments in addition to many program cuts, such as in GOALS 2000 and School-To-Work, complicate the prospects for the legislation. President Clinton has indicated he will veto the bill, because it eliminates funding for summer jobs for low-income youth, for the Low-Income Home Energy Assistance Program, and money for education initiatives, including a plan to hire 100,000 new teachers.

The bill would boost funding for a number of block grant programs, provide a sizeable increase for disabled education spending, and clarify that the U.S. Department cannot require California to spend disabled education funds on incarcerated adult felons.

For a complete list of the amendments to the bill and a programmatic breakout, see the House Appropriations Committee web site at <http://www.house.gov/appropriations/pr99lacm.html>.

### **TRANSPORTATION**

The House Transportation Subcommittee of Appropriations passed its \$47 billion FY99 spending bill, and full committee consideration is expected next week. Full Committee Chairman Bob Livingston (LA) was quoted as doubting that the bill would reach the House floor before the August recess. Like the Senate bill, passed by the Senate full committee on Tuesday, the House bill matches the funding

guarantee levels laid out in the TEA-21 (Transportation Equity Act for the 21<sup>st</sup> Century) law enacted this spring. For further information regarding TEA-21 or those funding levels, see the California Institute website at <http://www.calinst.org/pubs/tea21fact.htm>. Information from the Appropriations Committee on the transportation bill is available at <http://www.house.gov/appropriations/pr99trsu.html>.

#### **AGRICULTURE**

During consideration of the FY99 Agriculture Appropriations bill, the Senate on Thursday agreed by voice vote to provide \$500 million in assistance to farmers who have suffered multiple years of crop-related disasters. The amendment was offered by Sen. Kent Conrad (ND) would consider the expenditures to be emergency outlays, thus not requiring offsetting cuts in spending. Senate Agriculture Appropriations Chairman Thad Cochran (MS) expressed reservations about amendment, including a desire to see a list of states which would receive aid, but opted to take up his issues during conference with the House, which passed its bill in June. Whether to require offsets for spending has been increasingly debated during consideration of recent disaster relief bills.

Following passage of the Treasury-Postal bill Thursday evening, the House was expected to move to the VA/HUD/Independent agencies bill on Friday morning.

#### **HOUSE PASSES SALTON SEA RESTORATION BILL**

On Wednesday, the House passed the "Sonny Bono Memorial Salton Sea Reclamation Act," H.R. 3267. The bill authorizes \$358 million to fund a feasibility study by the Department of the Interior to determine the most effective plan to resolve environmental problems and to construct a project to clean up the Salton Sea. Included in the authorization is also \$3 million to clean up the Alamo and New Rivers, and \$5 million for a wildlife resource study to be conducted concurrently with the feasibility study.

The bill also deleted a controversial provision that would have used the Land and Water Conservation Fund as a source of funding for the bill.

Rep. Mary Bono (Palm Springs), chair of the Salton Sea Task Force, along with the other members of the Task Force, Reps. Duncan Hunter (Alpine), Jerry Lewis (Redlands), Ken Calvert (Corona), and George Brown (San Bernardino), have championed the bill as a fitting memorial to the late Sonny Bono, who was a driving force behind the restoration of the Salton Sea. See, [\*Bulletin, Vol. 5, No. 18 \(5/21/98\)\*](#).

#### **SENATE FINANCE CONSIDERS INTERNET TAX LEGISLATION**

The Senate Finance Committee on Thursday held a hearing on S. 442 and H.R. 4105, bills that would impose a tax moratorium on Internet access while a panel determined efficient methods of taxing Internet commercial transactions. H.R. 4105, the Internet Tax Freedom Act, was authored by Rep. Chris Cox (Newport Beach) and passed the House unanimously on June 23. S. 442 was introduced by Rep. Ron Wyden (OR).

Rep. Cox testified before the Committee on his bill, stressing the bipartisan and bicameral nature of the Internet taxation initiative. H.R. 4105, written after extensive negotiations with the Internet community and taxing authorities, imposes a three-year national moratorium on taxes on Internet access. It also establishes a commission to study how sales conducted over the Internet should be assessed and includes a grandfather clause for those states and cities that already have enacted Internet access taxes and reaffirm those laws legislatively within one year of enactment.

The panel also heard from several witnesses representing the Internet industry and tax groups. Testimony will be available on the Committee's website at: <http://www.senate.gov/finance>.

Supporters of the legislation hope that Senate floor action can be taken before the August recess.

## **SENATE PASSES RESOLUTION ON FAST-TRACK TRADE AGREEMENT, CHINA-MFN, AND IMF; HOUSE INCLUDES SOME IMF FUNDING IN APPROPRIATIONS**

The Senate on Thursday approved, by a vote of 71-28, a resolution calling on the Senate to vote by October 1 on extending fast-track trade negotiating authority. The non-binding measure also called for Senate support of extending normal trade status, Most Favored Nation status) to China for another year, and of funding the Administration's request for \$18 billion in additional money for the International Monetary Fund. The resolution was agreed to as a part of the Senate's Agriculture Appropriations bill.

Meanwhile, in the House, the Foreign Operations Appropriations Subcommittee included \$3.4 billion in funding for the IMF, after defeating an amendment offered by ranking member Nancy Pelosi (San Francisco) that would have included the entire \$18 billion in funding requested by the Clinton Administration to respond to the Asia financial crisis. Opponents of the amendment, including Rep. Ron Packard (Oceanside), indicated the additional funding could be addressed later.

## **COMPANIES OFFER ENCRYPTION EXPORT COMPROMISE**

A group of U. S. high-tech companies have offered a compromise to the Administration in the hope it will allow for greater export of encryption products. The coalition, headed by California-based Cisco Systems, Inc, unveiled its plan on Monday. Other members of the coalition include Sun Microsystems and Hewlett-Packard. The proposal, called a "private doorbell," would respond to law enforcement and national security concerns to have access to unencrypted data, by using the "routers" that manage electronic messages and transactions to sift out unencrypted data. Routers manage the flow of information traffic over the Internet, and each bit of data carries the name and address of the sender and receiver. Under the proposal, in response to a law enforcement warrant, the routers could be programmed to pull out unencrypted data either just before it is encrypted and sent over the system, or right after it is received and unencrypted.

Although the companies hope the private doorbell system will be accepted by the Administration and export licenses issued to companies that employ it, the system does not address access to data encrypted by an individual using software on a personal computer before it reaches the router level. Congressional supporters of easing encryption export controls believe that federal legislation will still be needed to ensure that the entire U.S. information technology community can remain globally competitive.

Full details on the proposal can be found on Cisco's website at:

<http://www.cisco.com/warp/public/146/july98/2.html>.

## **THOMAS - MATSUI LETTER ON WTO MEETING GAINS 34 CALIFORNIA SIGNERS**

Reps. Robert Matsui (Sacramento) and William Thomas (Bakersfield) garnered a bipartisan cross-section of 34 signatures from the California Members of Congress on a letter to President Clinton urging that California host the next World Trade Organization (WTO) Ministerial meeting. The letter cites numerous reasons for California to be the host including the fact that it is the largest export-producing state in the nation, with more than \$109 billion worth of products exported in 1997 alone, according to the California Trade and Commerce Agency.

The Ministerial meeting is expected to be held in the United States at the end of 1999. For further information, please contact Bob Winters in Congressman Thomas' office at 202/ 225-2915 or Francis Grab in Congressman Matsui's office at 202/ 225-7163.

## **GOVERNOR ANNOUNCES WATER STORAGE PLAN**

Governor Pete Wilson has called on Speaker Newt Gingrich and Congress to fund a package of water projects this year to increase water storage in California. The planned legislation, to be introduced

by Rep. George Radanovich (Mariposa), would authorize and appropriate funds to: do pre-construction work on raising the height of the Shasta Dam in northern California by about 6 feet to create more water storage; develop a ground water bank in Madera Country in the Central Valley; and build a new and improved fish screen in Tracy.

Although the funding figures are not finalized yet, it is expected that the total funding level will be about \$36 million, allocated as follows: \$2.1 million for the Shasta Dam study, in addition to the \$1 million already requested for Shasta in the President's budget; \$3 million for the Madera feasibility study; \$10 million for the Tracy fish screen; and about \$20 million for water rights acquisition and the ground water bank.

The Governor's plan is intended to be a logical complement to the current CalFed Bay-Delta restoration project that could be taken while full implementation of the preferred alternative is pending. The legislation is expected to be introduced before the August recess.

## **RESOURCES HOLDS OVERSIGHT HEARING ON ENDANGERED SPECIES ACT**

On Wednesday, the House Committee on Resources held a hearing on the Endangered Species Act (ESA). According to the Committee, the hearing was to examine how numerous pending lawsuits filed by environmental groups may have influenced the implementation of the ESA, particularly in the Southwest, where there appears to be more forceful implementation of the Act. The Committee also wanted to explore whether federal agencies have failed to allow public input into the decisions regarding grazing permits in this region, and whether the types of measures taken in the Southwest are indeed necessary to protect the environment.

Witnesses were present from Arizona and New Mexico to discuss the implications of these lawsuits on the ESA. There were also a number of individuals representing the administration to offer their testimony. Renne Lohofener of the Department of the Interior's Fish and Wildlife Service remains a strong proponent of the citizen suit provision in the ESA because it ensures that non-federal entities will have a say in protecting species and their habitat. The situation in the Southwest is not the result of citizen suits, according to Interior's testimony, but rather the complexity of managing natural resources and poor communication with federal agencies.

Peter Coppelman of the Justice Department testified that despite citizen litigation efforts, federal grazing programs and other operations have continued. Also, he stated there is active participation with other agencies to address natural resource issues in the Southwest that helps avoid litigation in the region. Eleanor Towns of the U.S. Forest Service was also present to argue that all challenges within the Southwestern region are a high priority for the Administration and work will continue in conjunction with other agencies.

For further information or to obtain the testimony, please contact the House Resources Committee at 202/225-2761.

## **SENATE PASSES HIGHER EDUCATION REAUTHORIZATION BILL**

On Thursday, July 9 the Senate passed the higher education bill, S. 1882, by a 96-1 vote. The measure cuts student loan interest rates, boosts state flexibility for improving teacher training programs, and creates incentives for teachers to work in poor areas. By a 414-4 margin in May, the House approved a similar bill led by Subcommittee Chair Howard P. "Buck" McKeon (Santa Clarita).

S. 1882 lowers the interest rates students pay on college loans from commercial banks, but uses government funds to subsidize the banks. Under a compromise, rates paid by students will fall to 7.43% after a student leaves college, but banks would receive 7.93%, with public funds making up the difference. Currently, students pay up to 8.23% on student loans. The bill also would increase Pell

Grant awards for disadvantaged students over a five year period, from \$3000 to \$5000 in the 1999-2000 academic year, and by an additional \$200 each year thereafter. The House version would increase the grants to \$4500 in 1999-2000 and gradually boost them to \$5300 in 2003-2004.

The measure also would trade off current teacher training programs in exchange for \$300 million in competitive block grants that states could use to improve teacher training and quality. Also included is an incentive for teachers to work in distressed areas, forgiving as much as \$10,000 in student debt for those who do.

During floor consideration, the Senate unanimously accepted an amendment by Senator Dianne Feinstein which would allow Pell grants to be given for a fifth year of college education on a case-by-case basis. In California, prospective teachers get a bachelors degree and then pursue a fifth year of teacher education coursework, which has not been considered "graduate studies" for Pell grant purposes.

Additionally, the bill includes programs to help disabled students, campus-based child care for low-income parents attending schools, and programs to benefit historically black colleges.

The Senate also adopted an amendment by Sen. Paul Wellstone (MN) that would count two years of higher education as work under the new welfare laws, rather than the one year currently counted.

### **CHILD SUPPORT PENALTY REDUCTION BILL SIGNED**

President Clinton today signed a bill reducing penalties on states such as California which have failed to meet federal deadlines for updating child-support enforcement computer systems. The more than \$30 million in fines still to be paid by the 12 delinquent states is vastly less than would have been imposed without the new legislation. California stood to lose as much as \$4 billion in the absence of this bill. The Ways and Means Committee estimated that the state's revised penalty will be just \$11 million.

### **HOUSE RESOURCES COMMITTEE APPROVES, 23-8, A BILL TO PROVIDE FLOOD PROTECTION IN SACRAMENTO**

On Wednesday, the House Resources Committee approved H.R. 4111, at a mark-up that left the Subcommittee bill unchanged. *See, [Bulletin, Vol.5, No. 22, \(6/25/98\)](#)*. The bill, sponsored by Rep. John Doolittle (Rocklin), Chairman of the Subcommittee on Water and Power, is designed to lower the risk of catastrophic floods around the Sacramento region. H.R. 4111 would transfer land associated with the unfinished federal Auburn Dam project to California, authorize modifications to the nearby Folsom Dam to improve its flood durability, and call for a study on rebuilding the Northfork American River Cofferdam. Under the bill, the governor of California also would have to approve the Auburn Dam land transfer. Federal funding would provide 65 percent of the estimated \$231.1 million cost of the projects.

Opponents of H.R. 4111 argue that the costs of constructing the dam are too high, and the possibility of environmental damage to the region too great. They support an alternative measure to construct levees, advocated by Rep. Bob Matsui (Sacramento).

### **MAJOR AGRICULTURAL LEADERS AND GROUPS IN CALIFORNIA RELEASE REPORT SEEKING FARMLAND PRESERVATION**

Released on Tuesday, the report by the Agricultural Task Force for Resource Conservation and Economic Growth in the Central Valley, which took nearly two years to produce, is the latest in a series of studies focusing on the threat to the valley farmland from development. The Central Valley growers outlined a number of local, state, and federal actions to preserve farmland from development. Proposals include state and federal tax credits to encourage continued farming in addition to buffer zones around valley cities. Unified county growth plans and changes in environmental laws to place a higher value on farmland are also addressed in the report.

Co-author of the report, Mike Chrisman of Visalia, claims that "by recognizing farming as the legitimate and necessary land use it is and adopting the report's recommendations, we can help save the agriculture economy and strategically important farmland of the Central Valley while still providing for the expected population growth."

The issue of land use is drawing increasing attention because of rapid growth in the population of the 18 valley counties from one million in 1940 to more than five million currently, with a projection of 14 million residents by 2040, according to the report. As a result, 150,000 acres of land intended for farm use has been lost in the 15-year period ending in 1995. A study by the American Farmland Trust projected that the low-density urban sprawl prevalent in the valley would consume more than a million acres of farmland by 2040, about 60% of which would likely be prime farmland of great economic importance to the state. This would reduce farm sales by \$2.1 billion a year. The report proposes that builders wanting to convert agricultural land for urban use be required to contribute to a farmland preservation fund, to encourage farmland conservation and the development of higher density housing.

For growers, the Central Valley produces 250 crops with an estimated value of \$16 billion and provides a way of life worth preserving. For development interests, the valley is home to a dozen counties plagued with unemployment rates that are two and a half times higher than the state average. The region, they argue would benefit from diversification of its economy and construction of affordable housing on some of the best priced land in the state. Legitimate interests on both sides of the debate complicate the outlook for a comprehensive future policy.

For additional information check the web site at <http://www.cfbf.com/agtask.htm> or to order a copy of the report call the California Farm Bureau Federation at 916/561-5677 or the Agricultural Council of California at 916/443-4887. Some business and building industry groups expressed concern that farmland preservation could further strain the state's housing market. *See story below.*

## **CALIFORNIA BUILDING INDUSTRY ASSOCIATION ADDRESSES NEED FOR HOUSING**

The California Building Industry Association (CBIA) recently commented on the growing urgency for increased housing facilities in the state. By emphasizing the rapid population growth occurring within California at a rate of 1,700 daily and 625,000 annually, the Association calculated that to meet this growth, it would require the availability and affordability of 250,000 homes, condominiums, and apartments annually. In 1997, the number was 110,000 and in 1998, the estimate is 129,000. Unless new homes can be built, the CBIA believes, prices will rise uncontrollably, resulting in young people, immigrants, and low and moderate income families being forced out of the housing market.

In a statement, CBIA President Dennis Moresco argues that California is facing "nothing short of a housing crisis and housing is not available to complement job growth." The Association and many other housing experts agree that California is suffering an affordability crisis. With the median California income at \$44,700 and the median priced home at \$199,000, the affordability gap short by \$20,970. This is up 9.6% from 1996 when the gap was \$19,167. The National Association of Home Builders' list of least affordable housing includes 11 of California's metropolitan areas.

In a related event at the 1998 Housing Summit last week, San Diego County Supervisor Ron Roberts claimed that housing in the county has increased in cost and there is less room for those who are annually moving to the region. Roberts, with jurisdiction over the 4<sup>th</sup> District which includes most of the city of San Diego, claimed tight regulatory controls restrict new home construction. The county expects to add 1.2 million new residents by 2020. In 1995, at the end of the recent recession, the median price for a new home in San Diego was \$212,900, and resales were at a median price of \$166,000. Currently, the median price of a new home is \$270,695, and the median resale price is \$190,700.

For further information, visit the CBIA web site at <http://www.cbia.org> or call 916/443-7933. For an alternate viewpoint, see the preceding article regarding farmland preservation.