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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.

SENATE FINANCE REPORTS INTERNET TAX MORATORIUM BILL

On Tuesday, the Senate Finance Committee reported out, by a vote of 19-1, S. 442, the Internet Tax Freedom Act, after approving an amendment in the nature of a substitute by a vote of 11-1. As offered by the Chairman, William Roth (NJ), the substitute would have provided a three-year moratorium on the power of state and local governments to impose taxes on access charges to the Internet. During the markup, however, the Committee adopted an amendment, by a vote of 11-9, reducing the moratorium to two years. The amendment also allows the commission created under the bill only 18 months to conduct its study of Internet taxation. The House-passed version of the bill, H.R. 4105, sponsored by Rep. Chris Cox (Huntington Beach), calls for a three-year moratorium and provides two years for the study. *See, Bulletin, Vol. 5, No. 25 (7/23/98).*

The Committee also defeated, by a vote of 10-10, an amendment that would have grandfathered in states and certain cities that have already enacted taxes on Internet access charges. The grandfather provision is contained in the House bill.

GALLEGLY, COX SEEK FULL FUNDING OF INS PRE-ARRAIGNMENT IDENTIFICATION PROGRAM

Reps. Elton Gallegly (Simi Valley) and Christopher Cox (Huntington Beach) are leading a drive to get language in the conference report on Commerce, Justice, State Appropriations to fully fund the INS pre-arraignment identification program for criminal aliens. The program grew out of a pilot program in the city of Anaheim jail and the Ventura County jail, which was then broadened into a larger, permanent program in a bill (H.R. 1493) sponsored by Rep. Gallegly and enacted last year. H.R. 1493 passed in the House by a vote of 410-2. Under the program, INS agents identify criminal and illegal aliens prior to arraignment. After disposition of

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their case, they are then turned over to the INS for detention and deportation, preventing the possibility of their release into the community.

Last year, Congress included \$10 million in funding for the program. This year, Reps. Gallegly and Cox are looking for an additional \$15 million. The \$25 million would be used to expand the identification program to 25 counties, as authorized in last year's law.

The program has been very successful in Anaheim and Ventura County. In its first year of operation, INS placed "detainers" on 1,700 criminal aliens, almost 60 percent of those screened, in Ventura County alone.

HOUSE APPROVES VA-HUD FUNDING BILL

Shepherded by subcommittee Chairman Jerry Lewis (Redlands), the House on Wednesday completed work on its \$94 billion FY 1999 appropriations bill for veterans, housing, and a wide variety of independent agencies such as NASA, EPA, the National Science Foundation, and Federal Emergency Management Agency. The bill would make substantial changes to federal housing policy, an action which has drawn a White House veto threat.

The bill would boost funding for the National Science Foundation (NSF) by \$199 million over FY98, bringing FY99 funding to \$3.6 billion. The bill would fund NASA at \$13.328 billion, \$138 million slightly below the Administration's request for the space agency. Within NASA, the Space Shuttle program is funded at \$2.4 billion, \$32 million below the President's budget request (reportedly reflecting the dropping of two shuttle flights), the Space Station program is funded at the congressional cap level of \$2.1 billion, and the Earth and Observing System (EOS) would be funded at the requested level of \$1.35 billion, \$50 million below FY98.

The Federal Emergency Management Agency is funded at \$558 million, with \$30 million provided for pre-disaster mitigation (the same as FY98). The bill would terminate the Americorps program, which received \$428.5 million in FY98.

Among the amendments approved on the House floor on Wednesday was one by Rep. Howard Berman (Valley Village) providing that FEMA funding included for a hospital damaged in the Northridge earthquake be spent at the exact site it was intended. Narrowly passed (on a 214-212 vote) was an amendment offered by Frank Riggs (Windsor) which would deny housing funds, estimated by the *San Francisco Chronicle* at \$260 million, to San Francisco if the city/county retains its administrative code provision requiring city contractors to offer health and other benefits to same-sex domestic partners.

The bill also raises the maximum mortgage for which the Federal Housing Administration (FHA) may provide loans to between FHA loans to \$109,032 and \$197,620, depending on the cost of housing in the area. Specifically, according to the California Association of Realtors, the bill increases the floor on FHA loans from 38 percent to 48 percent of the Fannie Mae/Freddie Mac conforming loan limit, boosting the FHA floor from \$86,317 to \$109,032. It also establishes a new ceiling on FHA loans from the existing 75 percent to 87 percent of the conforming loan limit, thus increasing the FHA maximum mortgage amount from \$170,362 to \$197,620.

With the passage of the House VA-HUD Appropriations on Wednesday, the House approved \$16 million in funds to restore the Salton Sea. \$2 million will be used for an environmental restoration study on the future of the Salton Sea to be done by the University of Redlands Department of Environmental Studies. \$10 million will be allocated to the Salton Sea Authority, a California joint powers authority that is the lead agency in restoration efforts to save the sea. The final \$4 million is earmarked for the Imperial Irrigation District New River Environmental Restoration Project.

HOUSE PASSES BIOMATERIALS LIABILITY BILL

Late Wednesday night, the House by voice vote passed H.R. 872, the Biomaterials Access Assurance Act. The bill makes it easier for suppliers of materials used in the manufacture of medical devices to be dismissed from medical malpractice suits brought against manufacturers and others, if their materials met the

manufacturer's specifications. It also ensures that negligent or intentionally tortious suppliers can be brought back into a case if subsequent evidence warrants it. *See, Bulletin, Vol. 5, No. 16 (5/7/98).*

The Senate leadership stated that it hopes to consider the bill on the floor before its August recess begins this weekend, and the President has indicated that he will sign the bill when it reaches his desk. The legislation is strongly supported by California's biomedical technology industry and is cosponsored by a bipartisan majority of California's Congressional delegation.

In a statement, Rep. Brian Bilbray said, "Today, we're experiencing a critical shortage in the raw materials that go into these lifesaving medical devices ... because many suppliers of the raw materials needed for their production are balking for fear of being named in possible product liability suits."

HOUSE LEADERSHIP SCHEDULES FAST-TRACK VOTE

The House Republican leadership has announced that it will schedule a vote on reauthorizing the fast-track trade agreement procedures during the week of September 21. The Administration and congressional Democrats, however, argue that the bill should not be brought up prior to the elections.

Fast-track allows the Administration to negotiate trade agreements that are subject to approval by Congress with only an up-or-down vote, and no amendments.

RECORD DECLINE IN WELFARE ROLLS IN CALIFORNIA

California's welfare rolls have declined for the longest period in the state's history. As reported by the statewide figures from the Department of Social Services, in the ten months from July 1997 through April 1998, the number of families on welfare dropped by more than 100,000 or 12%, as counties report increasing success at moving welfare recipients into the workforce. The resurgent economy and the presence of new work programs has facilitated this decline.

Every county in California demonstrated steady decreases in the welfare rolls. Some counties with especially robust economies such as Santa Clara and San Mateo reported drops close to 25%. One third of the overall state decline was attributed to Los Angeles County, which had a 10.9% drop; more than 250,000 families are on the county's rolls. In the last three years, the caseloads in the county were down by 53,000. Los Angeles County research director Paul Fast said recipients are moving into jobs at a rate of about 4,000 a month. Orange County witnessed a dramatic decrease of 18%, or 6,306 cases in 10 months.

California welfare rolls were at their height in 1995, with nearly one million families on public assistance. Following the 1996 federal government-mandated reforms and the state reform plan adopted by the Legislature in 1997, the numbers slowly dropped. Even with this decline in welfare caseloads, it is still slower than the rest of the nation. This can be partially attributed to the fact that California did not formally begin to implement its reform plan until January, at least one year later than most other states, and to lingering effects of the state's persistent recent recession.

County welfare officials claim it is clear that more recipients are moving into jobs than in previous years. This analysis is also evidenced in a recent study by the General Accounting Office (GAO) which reported that California had more than doubled the job placement rate for welfare recipients from 1996 to 1997.

For further information please see the Welfare to Work web site at <http://www.welfaretowork.fed.gov/>, the Department of Labor site at <http://www.doleta.org>, or the GAO site at <http://www.gao.gov/monthly.list/jun/jun9821.htm#0>.

BAY AREA TRANSPORTATION BOARD UNVEILS 20-YEAR PLAN

On Wednesday, July 22 the Metropolitan Transportation Commission (MTC) for the San Francisco Bay Area released a draft report laying out the future for the area's 7,000 miles of transit, 1,400 miles of highways, and 18,000 miles of local streets and roads. The commission is accepting public comment until the

final draft is published in October. The Metropolitan Transportation Commission is a regional planning, financing, and coordinating agency in Oakland which plans transportation for the nine Bay area counties.

According to the report, the current healthy economy translates to increased growth and traffic, with the average commute increasing to 26.8 minutes in 2020 from 25.6 minutes in 1990. The report emphasizes maintenance and improvement of existing transportation rather than construction of new roads. About \$73 billion, or 82%, of the \$88 billion projected budget is devoted to maintenance and operations.

The commission plans to add carpool lanes, improve transit and develop a central source for travel information so that people can avoid congestion. The draft also states that the anticipated funding of \$88 billion falls short by \$6.5 billion, which could be made up with a regional gas tax of up to 10 cents per gallon, requiring the approval of two-thirds of voters. The extra funds would be used to maintain local roads and transit, as well for Golden Gate Bridge retrofits.

For additional information or comments contact MTC Senior Planner David Tannehill at 510/464-7867 or check the web site at <http://www.mtc.dst.ca.us/projects/rtp/rtpext.htm>.

SENATE REAUTHORIZES HEAD START, CSBG AND ENERGY ASSISTANCE PROGRAMS; HOUSE EDUCATION COMMITTEE MARKS UP REAUTHORIZATION OF SAME PROGRAMS

On Monday, the Senate passed S. 2206 which would reauthorize Head Start, the Community Services Block Grant (CSBG), and Low Income Home Energy Assistance Program (LIHEAP) for five years while also creating a pilot program to help the poor save for large purchases such as new homes.

On Wednesday, the Full House Committee on Education and the Workforce met to mark up pending legislation reauthorizing Head Start, H.R. 4241. The Community Services Block Grant (CSBG) and Low-Income Home Energy Assistance Program (LIHEAP) were considered separately, in H.R. 4271.

Under the Senate-passed bill, Head Start would receive \$35 million for transition activities and \$17 million for impact studies and research evaluations. The measure doubles Head Start funds that are set aside for core programs in education, health, and other services to toddlers and infants, mandates stricter requirements for education and teacher training and provides greater incentives for Head Start centers to work with states and local agencies to provide full day care for children. The measure also allows for-profit organizations to receive Head Start grants. New quality standards would be implemented to teach literacy awareness to children and to measure how well Head Start programs are performing. Head Start agencies would be required to fix any health or safety problems immediately. Also, S. 2206 would specify that collaboration grants are intended to encourage Head Start programs to work in conjunction with other organizations such as regional offices of the Federal Administration for Children and Families and services for homeless children. And additional funds would be allocated to states that develop unified, coordinated plans for early childhood education.

In House-side action, H.R. 4241 was approved by the full committee, 23-18, for a five-year reauthorization. Funding for the next several years is aimed at program reforms, rather than increasing enrollment; the Administration had set a target of enrolling one million poor children in Head Start by 2002. The Head Start reauthorization proposes new educational performance standards and measures, including language-skill proficiency evaluations. Currently, 75 percent of all new Head Start funds are used for expansion and 25 percent to improve the quality of established programs. The bill would redirect new funds so that 65 percent would be used for quality improvement. H.R. 4241 would set new education goals for children; help states set up full-day, full-year programs to aid women moving off welfare; require at least half of Head Start instructors to have a degree in early childhood development by 2003; and devote the bulk of additional funding through fiscal 2001 for improving program quality. Chairman Bill Goodling (PA) offered a substitute that eliminated the paternity and parental certificate, or voucher, proposals. Rep. Frank Riggs (Windsor) offered an amendment, approved 22-17, to provide certificates that parents could use for a child care provider of their choice, so long as the provider met program requirements. The panel also approved, 20-

19, a second Riggs amendment to disqualify children from the program if their mothers did not cooperate in paternity establishment efforts.

Last year, California received \$459 million, or 12.12% of Head Start funds. This level is somewhat less than the state's share of the nation's poor children, in part due to so-called "hold harmless" provisions which slow the shift of funds to fast-growing states.

The CSBG program would be reauthorized by the Senate bill at \$625 million in FY99 and unspecified amounts through 2003. The legislation would allow religious based groups to receive federal funds for programs under CSBG. An anti-poverty block grant program would be established requiring that 90 percent of funds be utilized for grants.

The House bill, H.R. 4271 reauthorizes CDBG with one significant difference. Last year, California received \$43.6 million or just 9.05% of CSBG funds, because the programs funds are divided among states based on the distribution of funds in FY 1981, a flagrant use of outdated data. Importantly, the House version of the CSBG reauthorization bill states that if funds in future years exceed the FY99 levels, the additional funds would be allotted to states based on the number of public assistance recipients, the number of unemployed individuals, and the number of persons below the poverty line. This change would work toward breaking the hold of shrinking states over the funds and allow appropriate flow of funds to states such as California which have experienced marked increases in needs since the artificial 1981 freeze was imposed.

In the Senate bill, LIHEAP, which assists low-income people pay for heating and cooling bills, would be reauthorized at the current level of \$2 billion for FY99 through 2003. The bill would allow the president to release program funds to respond to a natural disaster. Under the House Committee-passed bill, the Low-Income Home Energy Assistance Program (LIHEAP) was reauthorized for two years. The House Appropriations Committee has already voted to zero out funding for LIHEAP in its FY99 Labor-HHS-Education Appropriations bill (H.R. 4274). The Education panel also approved by voice vote an amendment that would create a pilot project for four years to test special savings accounts for low-income individuals. These accounts could be used to buy a new home, start a business, or pay for education.

Last year, California received \$44.9 million or just 4.6% of LIHEAP funds. The program's funding formula is notorious for favoring the heating needs of northern states over the cooling needs of southern states. The many heat-related deaths this summer in Texas and elsewhere throughout the southern half of the nation are a reminder of the importance of cooling needs.

For additional information regarding these bills, please refer to the House Committee on Education and the Workforce web site at <http://www.house.gov/eoo/>.

RATE OF HOME BUILDING EXCEEDS NUMBER OF CONSTRUCTION WORKERS IN CALIFORNIA; STATE'S HOME SALES AND PRICES INCREASE

The increase in home building in California has far exceeded the available supply of workers to complete the projects, resulting in higher home prices, according to a report in Monday's *San Jose Mercury News*.

Tom Holsman, the executive vice president of the Associated General Contractors of California in Sacramento claims that there is increased work due to the healthy economy, however the industry is experiencing a shortage of labor to meet this growing demand. The growth in construction jobs has outpaced most other fields in Santa Clara and Alameda counties. As a result, contractors in San Jose, for instance, have had to advertise for workers in other areas such as Fresno and Stockton. According to the Employment Development Department, 41,600 people were working in construction in Santa Clara County in June, a 10% increase from June 1997. The number of construction jobs in the county in 1997 surpassed the number for the previous 15 years. According to the report, the supply of employees has not kept up with the demand because many tradesmen left California during the recession years and fewer young people have entering the profession. Wages for the available labor have also reportedly increased.

According to the California Association of Realtors (CAR) and Transamerica, the median price of a California home in June reached its highest level in seven years. The median price of an existing single-family home in the state rose to \$210,140, an 11.3% increase from the median of \$188,000 in 1997. Nearly two-thirds of California cities and communities showed an increase in their respective median home prices from a year ago.

Sales of existing homes in June posted a 19.1 percent increase while the median price of a home rose 11.3 percent compared to the same period a year ago. According to the information obtained by CAR, sales of existing, single-family detached homes totaled 625,100 in June at a seasonally-adjusted annualized rate. Home resale activity increased 19.1 percent from the \$524,840 sales pace of June 1997.

For more detailed information, CAR releases may be retrieved by calling the PR newswire fax-on-demand service at: 1-800-758-5804, ext. 131489 or check the CAR web site at: <http://www.car.org/economics/archives/datajun98.html>

SENATE ENVIRONMENT AND PUBLIC WORKS COMMITTEE PASSES S. 2131, THE WATER RESOURCES DEVELOPMENT ACT (WRDA)

On Wednesday, the Senate Committee on Environment and Public Works approved S. 2131, which contains a number of provisions aimed at Northern California water projects. Sen. Barbara Boxer offered provisions regarding flood control measures for the Sacramento region. Boxer's legislation, passed by voice vote, would authorize \$464.6 million for raising downstream American River levees, modifying Folsom Dam and upgrading flood control facilities along the Sacramento river. The federal share would be \$302 million; the remaining \$162.6 million would be picked up by the Sacramento Area Flood Control Agency (SACFA).

Additionally, the WRDA authorizes \$64.8 million for the South Sacramento stream flood-control projects including improvements to the North Beach Lake levee. Federal funding would be \$38.8 million, with SACFA providing \$25.9 million. The bill raises the cost ceiling for the West Sacramento river flood-control project to \$32.9 million from the previous \$17 million as well as authorizing \$25.9 million for the Yuba River Basin flood control project.

S. 2131 also includes several major projects for the San Francisco Bay area. There is an authorization at \$202 million for a 50-foot dredging project at the Port of Oakland. International trade is expanding in the region, hence, the need for channel depths of 48-50 feet for many of the large vessels. WRDA also authorizes \$39 million for a wetlands restoration project at the former Hamilton Army Airfield in Marin County using environmentally sound dredge material from Bay Area dredging projects to restore nearly 900 acres of wetland. Other provisions contained in the bill authorize funds for flood control projects on various rivers in Santa Clara and Santa Cruz Counties, and an environmental restoration study on Strawberry Creek in Berkeley.

Transportation Committee spokesman Scott Brenner said Wednesday that no further action would be taken on the bill until at least September. The House has not yet considered its version of the bill.

For further information regarding S. 2131, see <http://www.senate.gov/member/ca/boxer>.

CALDERA WELCOMED AS ARMY SECRETARY

A formal arrival ceremony was held this week to welcome former California state legislator Louis Caldera as the 17th Secretary of the U.S. Army. Caldera, who had recently run the Corporation for National Community Service (Americorps) took office early this month to replace Togo West who is now secretary of Veterans Affairs. Caldera is a former graduate of West Point and holds degrees from Harvard's law and business schools. Secretary Caldera served for five years as a state Assemblymember representing Los Angeles after practicing law in the area.

INTERSTATE OUT-MIGRATION ABATES FOR CALIFORNIA

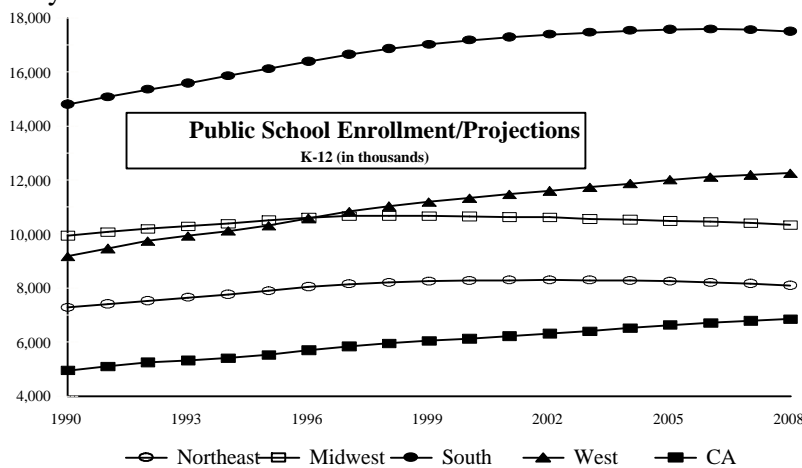
According to figures released by the Census Bureau last week, the flight of Californians to other states has begun to taper off. Between March 1996 and March 1997, 141,000 more Californians moved out of the state than did residents of other states move in. This outward migration level was well below that for prior years. Between July 1995 and July 1996, California lost 259,000 to domestic outmigration. That figure for 1994-95 was 379,000, and for 1993-94 was a whopping 430,000. (While California's domestic migration patterns has been negative, the state's overall population continues to rise sharply due to heavy international immigration and a relatively high birthrate.)

BY 2008, PUBLIC SCHOOL ENROLLMENT IN CA PROJECTED TO GROW 20%

The U.S. Department of Education's National Center for Education Statistics recently released its annual *Projections for Education Statistics to 2008*

(<http://nces.ed.gov/pubsearch/pubsinfo.asp?pubid=98017XXXXX>). Included in the report are estimates for public elementary and secondary school enrollment broken down by region and state.

California's public school enrollment is projected to rise 20% between 1996 and 2008. The state's rate of growth is second only to Arizona (21%). The Western region is projected to be the fastest growing region at 16%, the South second at 7%, the Northeast at 1%, and the Midwest is expected to see an overall decline by 2%.



Elementary school (grades K-8) enrollment nationwide is expected to increase by 2%, but California is likely to see a more significant increase of 13%. The report says "the expected increases in elementary enrollment are a reflection of immigration and the rising number of births beginning in 1977, rather than changes in the attendance rates of young children." Nationwide, decreases in enrollment are expected for the Northeast (-4%) and the Midwest (-4%), while the South (3%) and the West (11%) will gain in elementary enrollment.

The Education Department predicts California's high school (grades 9-12) enrollment will rise 40%, the largest single-state increase projected. In all regions combined, enrollment in public high school is estimated to jump by 15%, although the largest gains will be in the West (29%) and South (16%), followed by the Northeast (12%) and a moderate gain in the Midwest (2%).