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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 PASSES COPYRIGHT LIABILITY BILL

In a flurry of activity prior to adjourning for the August recess, the House on Tuesday passed H.R. 2281, the WIPO Copyright Treaties Implementation Act. The bill implements two world intellectual property treaties which strengthen protections against copyright infringement of digitally produced works. The bill also provides limited liability from copyright infringement claims to on-line and Internet service providers, where a third-party uses the provider's network to infringe on copyrighted materials. *See, Bulletin, Vol. 5, Nos. 17 (5/14/98), 21 (6/18/98), & 25 (7/23/98).*

The House Commerce Committee made substantial changes to the bill during its consideration of it last month. Among them were a "fair use" provision aimed at providing universities and libraries with protection from copyright claims, and language ensuring that legitimate research into encryption techniques could continue without fear of copyright claims. *See, Bulletin, Vol. 5, No. 25 (7/23/98)*

Prior to taking up the bill, the House attached another bill to the legislation that had been passed in March. H.R. 2652 would establish criminal and civil penalties for the "misappropriation" of information contained in electronic databases. Some exemptions from the proscription, however, are provided for non-profit institutions, such as universities and libraries.

The Senate passed its version of the bill, by a vote of 99-0 in May. *See, Bulletin, Vol. 5, No. 17 (5/14/98).* There are substantial differences between the two bills, so a conference will be necessary.

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SENATE SENDS BIOMATERIALS ACCESS ASSURANCE ACT TO PRESIDENT

As expected, just prior to its adjournment last week, the Senate passed by voice vote 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, Nos. 16 (5/7/98), 22 (6/25/98) & 26 (7/30/98).*

The House passed the bill, also by voice vote, last Wednesday. The President has indicated he will sign the legislation 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.

HOUSE PASSES COMMERCE, JUSTICE, STATE APPROPRIATIONS

The House on Wednesday passed, 225-203, the FY99 appropriations bill for the Departments of Commerce, Justice, and State, and related agencies. Included in the bill is \$585 million to partially reimburse states and counties for the costs of incarcerating illegal criminal aliens. This amount is \$85 million more than that contained in the Senate bill, but less than the \$650 million authorized under the State Criminal Alien Assistance Program (SCAAP).

As the state with the greatest number of undocumented immigrants, California has received the lion share's of SCAAP dollars over the last several years. However, as more states and counties nationwide are filing claims for the money, California's actual allotment has gone down. For instance, although California received about 45 percent of the FY97 appropriation, \$223 million out of \$500 million, that was \$47 million less than it received in FY96. The state estimates that its total costs (including local jurisdictions) for incarcerating criminal illegal aliens is approximately \$663 million annually, substantially more than the maximum SCAAP authorization. The California delegation continues to work to increase funding under SCAAP to fully reimburse the state for these costs.

Also during floor consideration of the CJS bill, the House rejected, 201-227, a Democratic effort to delete a provision which would cut off funds for the Census Bureau after March 31 unless Congress and the White House reach agreement before then on whether to allow the use of statistical sampling in conducting the 2000 Census.

REPS. DREIER AND ESHOO INTRODUCE BIPARTISAN Y2K LIABILITY BILL

Rep. David Dreier (San Dimas) and Rep. Anna Eshoo (Atherton) today joined in introducing a narrowly focused, bipartisan bill to encourage private-sector companies to share information on potential computer problems without risk of antitrust liability. The bill, also co-sponsored by Rep. Chris Cox (Newport Beach), permits companies to release "Year 2000 Information Disclosures." Accurate information contained in these documents would be inadmissible in any civil litigation related to Y2K failures. This provision grants greater protection than that contained in the Administration's proposed bill, which protects companies from liability for unknowingly false Y2K disclosures.

BIOMEDICAL INDUSTRY STUDY SHOWS IMPORTANCE TO CALIFORNIA ECONOMY

The California Healthcare Institute (CHI) and KPMG Peat Marwick, LLP released a report this week showing the importance of California's biomedical industry to the state's economy. The study shows that over 210,000 jobs in the state are attributable to the industry. Moreover, with an average salary of \$50,500, those jobs pay 54 percent better than the state's overall salary average of \$32,800.

The report, entitled *California: The Biomedical Frontier*, was presented at an industry forum in San Diego featuring California Trade and Commerce Secretary Lee Grissom; Dr. Edward Penhoet, a Director and Co-Founder of Chiron and Dean of the UC Berkeley School of Public Health; Dr. Thomas

Pollard, President and CEO of The Salk Institute, San Diego Economic Development Corporation President Julie Meier Wright, and CHI President Dr. David Gollaher.

The report found that 2,500 companies and 75 university and private research institutions are actively engaged in healthcare technology in California. These companies invested nearly \$11 billion in the development of new products in 1997 alone, representing an average of 45 percent of a company's operating expenditures. In terms of international trade, the study shows that California now exports over \$4 billion annually in healthcare technology products, an increase of 61 percent over the 1992 level.

Further highlights from the report can be found on CHI's website at: <http://www.chi.org>. For a copy of the report, contact CHI at 619-551-6677.

CALIFORNIANS, HUD MEET ON HOUSING AFFORDABILITY IN SILICON VALLEY

Sen. Barbara Boxer, joined by Rep. Zoe Lofgren (San Jose), hosted a meeting last week between representatives of the Silicon Valley Manufacturing Group and the Secretary of Housing and Urban Development (HUD), Andrew Cuomo, to address the region's housing problems. Seven high-tech executives, along with San Jose's director of housing, discussed with Secretary Cuomo ways that the federal government could help with the housing crunch in the valley, where a two-bedroom apartment rents for about \$2,000, and the price of a single-family home is well over \$200,000.

The group suggested that HUD could contribute money to its Housing Trust Fund, which hopes to raise \$20 million to be used for loans to first-time home buyers. So far, the Fund has raised \$3 million, of which \$2 million has come from the Santa Clara County Board of Supervisors. Also discussed was raising the cap on mortgage loans underwritten by Fannie Mae. Currently, Fannie Mae-backed loans for first-time homebuyers are limited to a maximum of \$226,500. That amount is more than sufficient for many areas of the country, but does not reflect the high price of housing in Silicon Valley. The Californians encouraged Cuomo to explore setting regional levels for Fannie Mae loans, with higher limits in areas with high housing costs.

CALIFORNIA CENTER ASSESSES STATE'S STRONG ECONOMY AND PREDICTS ACCELERATING EXPANSION

According to a recent study by the Center for Continuing Study of the California Economy (CCSCE), solid job market expansion has resurrected California's population growth and will lead to future acceleration in per capita income, sales, and household growth. The Center notes that the state's economy has left recession behind and should now be viewed as a "leadership economy," adding that "California firms and workers have a leadership position in many sectors that will have a profound impact the nation's economic future."

In the report, entitled *California County Projections – 1998 Edition*, the Palo Alto-based center predicts that "California will add nearly 5 million residents by 2005 to reach a total population of 37.8 million." The report's authors also predict that "[p]er capita income will increase from \$26,314 in 1997 to \$29,767 in 2005 (measured in 1997 dollars). This represents a 1.6% annual gain versus 1.0% per year in the 1980s."

Examining prospective county-level growth patterns, the report predicts that the San Joaquin Valley will be the state's fastest growing region, adding nearly 750,000 from 1997 to 2005 (a 2.6% annual growth rate) thanks to lower housing costs and fewer "urban ills." Growth rate predictions for the five fastest growing counties were Madera (4.2%), Calaveras (4.1%), San Benito (3.9%), Imperial (3.7%), and Riverside (3.5%).

Center Director Steve Levy highlighted three key public policy issue areas which will have a substantial impact on whether California can sustain its economic strength into the future:

“1. The development of a universal workforce preparedness strategy – one that works simultaneously on helping welfare recipients enter the workforce **and** escape from poverty, helping middle class workers find upward career mobility and rising wages, and responding to the shortages of highly skilled workers identified by California’s businesses.

“2. Meeting the challenges of growth – by recognizing that economic growth will bring renewed population pressures and responding appropriately so that Californians can have both a healthy economy and sustainable environment.

“3. The development of a future oriented economic strategy to guide public policy in California – including investments in people, infrastructure, and quality of life; responsive and efficient government; and local government fiscal policies that simultaneously promote economic growth and quality of life.”

For further information, contact CCSCE at 650-321-8550.

SOME CALIFORNIA EXPORTS FIGURES UP, OTHERS DOWN

California’s merchandise exports to the world grew by 4.4% in the first quarter of 1998 from the last quarter of 1997 despite the Asian economic downturn, according to figures released recently by the Department of Commerce. California’s \$25 billion in exports represented 14.5% of the nation’s first quarter exports. California exports by sector declined in food products, apparel, petroleum products and scrap, while increasing sectors included computers, electronic equipment, scientific and measuring instruments, transportation equipment, chemicals, and agricultural products. Asia’s economic difficulties have not completely eluded the state, however, as exports from California to the top ten Asian countries declined 11% from \$11.8 billion in late 1997 to \$10.5 billion in early 1998. The state’s percentage decline in Asian exports and the growth in overall exports are roughly mirrored by the U.S. total figures. The state’s top export market is Japan, followed by Canada, Mexico, Korea, Taiwan, Singapore and the United Kingdom.

Other recent Department of Commerce Data (as reported by the L.A. Economic Development Corporation) looks at trade activity through the state’s custom’s districts during May. The state’s bright spot was San Diego, where exports were up 20.5% and imports up 32.5% over the previous May. Less positive were the figures for the Los Angeles district, where export values were down 18.9% from a year before, while imports were up 5.7%. Likewise, the San Francisco district saw both exports and imports down, 6.2% and 4.8% respectively.

JUSTICE DEPARTMENT REPORTS ON INCREASED PRISON POPULATION IN U.S.

On Sunday, the Bureau of Justice Statistics at the Department of Justice released a report on the prison population for state and federal prisons in the United States. The report cites a growth of 5.2 percent which translates into over 1.2 million prison inmates in the nation. The study attributes this growth to longer prison terms and various law and order measures passed by Congress and state legislatures, despite the declines in incidence of serious crime in the 1990s. Nationally, since 1980, the number of prisoners has grown nineteen times faster than the population as a whole. The total U.S. prison population of 1,244,554 demonstrates a five-year growth of 41.5 percent and a ten-year growth of 114 percent.

California witnessed an increase of 7.9 percent among its prison population in 1997, to total 157,547, the largest increase in the nation. California’s incarceration rate is about 475 for every 100,000 residents, the ninth highest in the nation. The number of female inmates in California grew by 9.6 percent to total 11,076. Additionally, California had the highest rate of overcrowding among its prison population exceeding its capacity at 206 percent. The combined prison populations of California,

157,547, Texas, 140,729, and the federal system, 112,973 comprise one-third of the total number of prisoners in the nation.

The increase in the California prison population during 1997 occurred at the same time every form of crime decreased in the state. The overall crime rate dropped in 1997 by 6.9 percent with a 7.9 percent decrease in the violent crime rate, according to statistics released in June by the State Attorney General's Office. *See, Bulletin, Vol. 5, No. 21 (6/18/98)*. State Attorney General Dan Lungren attributed this dramatic decline in part to the Three Strikes Law mandating 25 years to life for those convicted of a third felony. During 1993-1997, the Three Strikes Era, the violent crime rate dropped 26.2 percent and homicides dropped by nearly 40 percent. The study noted, however, that the greatest source of growth in state prisons stems from violent offenders and not drug violators. The average prison term overall has lengthened from 20 months a decade ago to the current rate of 25 months.

For additional information check the Bureau of Justice statistics web site at <http://www.ojp.usdoj.gov/bjs> for details on the study entitled "Prisoners in 1997."

FEWER CALIFORNIA IMMIGRANTS SEEKING WELFARE

According to a study commissioned by the Department of Health and Human Services and conducted by the Washington-based Urban Institute, there has been a drop in the number of immigrants seeking public aid in Los Angeles County. As a result, the number of welfare applications has decreased 23 percent. Since 1996, thousands of poor, legal immigrants opted not to pursue government assistance, although the majority in California remain eligible for many welfare programs.

The Urban Institute, which conducted the two-year survey for the federal government, claimed that welfare applications for U.S. citizens remained constant. The study, completed last week, provides the first documentation of the effect of welfare reform on immigrant families. The study suggests that a primary reason immigrants are not seeking government assistance is fear of a negative effect on their immigration status.

In January 1996, 21 percent of all families, or 1,500 a month, applying for welfare in Los Angeles County were legal noncitizens. By January 1998, the number declined dramatically to 8 percent, or 450 a month.

Also, there is a striking contrast in the number of undocumented immigrants applying for welfare for their U.S. born children versus legal immigrants. The drop for undocumented immigrants declined, but not nearly as much as for legal immigrants.

Los Angeles and New York are the areas of focus for the study because of their large numbers of noncitizens and highly varied immigrant populations. The report focuses on Los Angeles County because it had the most readily available data. The researchers examined immigrant applications for three public assistance programs: Medi-Cal, which provides medical care for the poor; CalWorks, which assists poor families with children; and General Relief, which provides cash aid for poor adults. *See related story below*

For more information regarding the Urban Institute's study, see the web site at <http://www.urban.org>

ADMINISTRATION TOUTS WELFARE TO WORK SUCCESSSES; MEDICAID HEALTH COVERAGE WILL EXPAND

On Tuesday, President Clinton announced a number of new measures to broaden current welfare reform in addition to emphasizing what the past two years of reform have accomplished. The President announced that the Department of Health and Human Services will revise its regulations to allow all states to provide Medicaid coverage to working, two-parent families who meet State income eligibility,

thereby offering health coverage for more than 130,000 working families. Under current regulations, adults in two-parent families who work more than 100 hours a month can not receive Medicaid, while there are no restrictions on single parent families

Clinton also reviewed the past two years of welfare reform, noting that the federal government has now hired 5,714 new workers off the welfare rolls; the goal is 10,000 by the year 2000. The President released the First Annual Report to Congress on the Temporary Assistance to Needy Families (TANF) program which showed an increase in the number of welfare recipients who have gone to work. Data from the Census Bureau's Current Population Survey show that the rate of employment of individuals on welfare in one year who were working in the following year increased by nearly 30 percent between 1996 and 1997. As a result, 1.7 million adults on welfare in 1996 were employed in March 1997. More than one fifth of the nation's welfare recipients are Californians.

For additional information please refer to the Department of Health and Human Services web page at <http://www.hhs.gov/news/press/1998pres/980804.html>

GOVERNOR WILSON AND STATE LEGISLATIVE LEADERS REACH BUDGET ACCORD; VOTE IN LEGISLATURE EXPECTED NEXT WEEK

On Wednesday, Governor Wilson and legislative leaders announced an accord on a \$76- billion state budget. Among its provisions are a \$1.4-billion tax cut in 1999, \$818 million more for public schools than is required by state law, and a 7.9% increase in welfare recipients' monthly checks.

The Legislature is expected to vote as early as next Monday on the spending plan for the 1998-99 fiscal year, and on about 60 bills that would implement it. This budget agreement comes 36 days after the start of the fiscal year and California's constitutional deadline for a spending plan. The next action will come next week when the State Legislature votes on the bill.

Some highlights of the spending deal:

Taxes: A \$1.4-billion tax cut, including a 25% reduction in the annual car tax (an average savings of \$42.75 per vehicle); A raise in the annual income tax credits for children and other dependents to \$222; a modest renters' credit; a special tax credit aimed at persuading defense contractors to build a new military fighter called the Joint Strike Fighter at Edwards Air Force Base, and give subcontract work to Californians.

Welfare: A 7.9% increase in monthly checks for welfare recipients affecting 2.1 million Californians, including 1.5 million children; \$14 million for monthly payments to disabled and elderly immigrants.

Education: \$818 million more for public schools than is required by California's school financing law. In total, schools will receive \$24.8 billion from the state, plus \$10.6 billion from local sources.

Food Stamps: An added \$59 million for food stamps for 200,000 low-income legal immigrants ages 18-64.