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# California Capitol Hill Bulletin

**Volume 5, Bulletin 28 -- September 3, 1998**

*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.*

## **CALIFORNIA INSTITUTE RELEASES ANNUAL BALANCE OF PAYMENTS REPORT**

The California Institute this week released its annual examination of the relationship between federal taxes paid by Californians and federal spending in the state, entitled "California's Balance of Payments with the Federal Treasury FY 1981-97." The report notes that, for the 11th consecutive year, California continued to be a donor state. In FY 1997, California taxpayers sent \$14.3 billion more to the federal government than was received back, a new single-state record and a steep ascent from the \$10 billion shortfall one year prior.

The imbalance means that each individual Californian paid \$443 more in federal taxes more than was received in federal services. Or to put it another way, California receives \$0.93 in federal services for every dollar sent to Washington. California ranks 35th among states in balance of payments (New Mexico ranks number one with a balance of \$1.89 in return for every dollar paid to Washington, while Connecticut ranks 50th with a balance of just \$0.67 for every dollar paid in).

In 1997, California housed 12.1% of the nation's residents, but it paid 12.4% of federal taxes and received back just 11.4% of federal payments and expenditures. California's share of total federal spending receipts declined to 11.4% from 11.6% in 1996. These levels remain well below the 12% point at which California's federal receipts hovered for the preceding seven years. In the early 1980s, federal spending in California leapt from 12% in 1981 to 13% in 1984, propelled largely by military procurement contracts won by California's aerospace industry. A few years later aerospace declines settled the figure back to the 12% mark for the period from 1988 to 1994.

Federal spending figures reflect expenditures in various categories. In accounting for federal expenditures by state, the Census Bureau divides spending into five components: Procurement; Grants to States and Local Governments; Salaries and Wages; Direct Payments to Individuals; and Other Programs. California's 1997 share of federal spending on Procurement (which includes defense and other contract spending) declined slightly to 15.2%. Californians' share of all U.S. direct payments to individuals (which includes massive outlays for social security and medicare payments)

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remained stable at 10.8%. The state's share of all federal salaries and wages decreased slightly to 10.7%, and federal formula and categorical grants to state and local governments again remained stable at 12%.

For a copy of the report or the related op-ed piece published in the September 2, 1998 edition of the *San Diego Union-Tribune*, contact the Institute at 202-546-3700 or refer to our website. The report is available at <http://www.calinst.org/pubs/BOP1998w.htm>, and the op-ed piece is located at <http://www.calinst.org/pubs/opeds/Oped0998.htm>. The article is also available in Adobe Acrobat (pdf) format at <http://www.calinst.org/pubs/opeds/oped0998.PDF>.

## **THURSDAY BRIEFING ON MANDATORY SOCIAL SECURITY COVERAGE FOR STATE & LOCAL EMPLOYEES**

On Thursday, September 10, The California Institute will cosponsor a briefing for the California congressional delegation staff on the recommendation that newly hired State and local employees be required to participate in the federal Social Security program. California is among the small number of states with significant numbers of government employees are not under the Social Security system, and the proposal would have serious implications for those employees and the pension plans currently in place.

The briefing will be held on Thursday, September 10, from 10:00 - 11:00 a.m. in 1310 Longworth House Office Building, and will feature comments by representatives of various levels of government.

The Advisory Council on Social Security has proposed that the federal government require State and local governments to begin remitting payroll taxes. Several Social Security reform bills that have been introduced also contain such a provision.

School districts and more than 640 counties, cities, and special districts in California have for years provided their own retirement plans, because they were unable to join the Social Security program under the original provisions of the 1935 law.

The briefing will be conducted by a panel of experts representing several California government entities and pension plans, who will discuss the potential impact on California of this recommendation. The site for the briefing has been made available courtesy of Rep. William Thomas, who has made available his Ways and Means Oversight Subcommittee hearing room.

## **WEDNESDAY BRIEFING ON CSU HAYWARD'S SUSTAINABLE DEVELOPMENT VENTURE WITH THE PHILIPPINES**

On Wednesday, September 9, from 10:00 to 11:00 a.m. in 1300 Longworth, the California Institute will cosponsoring a briefing for the California congressional delegation staff regarding the activities of the Philippine Center for Sustainable Development and Environmental Technologies (PCSDET), a joint international center with California State University, Hayward, and De La Salle University in Manila as the lead institutions.

The Center promotes sustainable development by facilitating the transfer of environmental technologies, knowledge, and skills available from the State of California to the Philippines and eventually to other parts of Asia. Funding for the Center is provided by a US-AID program, the U.S. Asia Environmental Partnership, through the Council of State Government.

Briefing those attending on current and future projects planned by the PCSDET will be: Dr. Ric Singson, a professor at CSU, Hayward; Dr. Woodrow Clark, with the Office of Strategic Planning at Lawrence Livermore National Laboratory; and Karen Marshall, with the Centers for Environment & Safety at the Council of State Governments.

## **ELECTRIC UTILITY RESTRUCTURING EXPERTS TO BRIEF WASHINGTON ON CALIFORNIA'S POWER COMPETITION EXPERIENCE**

Next week, a dozen experts from various stakeholder organizations will visit Washington and brief the media and lawmakers regarding California's progress with competition in electricity generation, transmission and distribution. The AB 1890 Implementation Group includes the diverse organizations which brokered landmark legislation in California two years ago and which are directly involved in the operation of the new California marketplace.

Among those providing information and perspective will be representatives of Southern California Edison, Pacific Gas & Electric, the California Farm Bureau, Consumers First, California Utility Employees, California Municipal Utilities Association, California Manufacturers Association, California Small Business Association, the California Governor's Office, Natural Resources Defense Council, and Independent Energy Producers.

For more information, contact the AB 1890 Implementation Group at (916) 446-5508 or call Kevin Kelley with Southern California Edison at (202) 393-3075.

## **DREIER-ESHOO BILL ON Y2K GAINS BUSINESS ENDORSEMENTS**

A legislative proposal sponsored by Reps. David Dreier (Covina) and Anna Eshoo (Palo Alto) to encourage fixes to potential Year 2000 (Y2K) computer problems recently gained the support of groups such as the U.S. Chamber of Commerce, the National Association of Manufacturers, and the American Bankers Association. The bill, H.R. 4455, the "Year 2000 Readiness Disclosure Act," would limit the antitrust liability of companies sharing Y2K-related information among one another, thereby encouraging the sharing of information among the private sector experts who are probably best equipped to troubleshoot the problem.

The Clinton Administration has a similar bill, which protects companies from liability for unknowingly false Y2K disclosures, though supporters of the Dreier bill contend that H.R. 4455 offers companies a greater degree of immunity from Y2K liability. The Dreier-Eshoo bill provides liability exemption for any information, whether accurate or inaccurate, released as a part of a formal disclosure report, so long as the company was not deliberately providing false or misleading data. An August 19 letter from 55 business and trade groups to President Clinton, Vice President Gore and the congressional leadership urged support for the Dreier bill.

Companies fears about sharing details of their efforts to fix Y2K bugs may be well-founded. More than a dozen class action Y2K lawsuits have already been filed against software companies, including five filed by Milberg, Weiss, Bershad Hynes & Lerach -- a firm notorious for its pursuit of shareholder class-action suits against technology companies.

## **WILSON URGES CLINTON TO BACK H-1B VISA INCREASE**

In an August 24 letter, Governor Pete Wilson urged President Clinton to end a veto threat and strongly support legislation to increase the cap on the number of highly skilled foreign workers who could be granted visas to enter the United States under the H-1B visa program. The letter notes that the federal government's failure to extend the cap, which was reached in May, "has thwarted the growth of the high technology industry, both in California and throughout the nation." Wilson comments that educational reforms underway in California "will significantly reduce the need for H1-B visas in the future, it is clear that a temporary increase in the cap is needed" in the shorter term.

## **SENATE APPROPRIATIONS PASSES LABOR-HHS-EDUCATION BILL**

The Senate Appropriations Committee today approved and \$82.7 billion funding bill for the Departments of Labor, Health and Human Services (HHS) and Education. The Labor-HHS-Education Subcommittee had approved the bill on Tuesday. After the markup, full Committee Chairman Ted Stevens (Alaska) was quoted predicting a difficult time on the Senate floor, and various observers are predicting stopgap funding legislation in the form of a continuing resolution to keep the government operating past the September 30 expiration of this and other bills. Both the House and Senate versions of the Labor-H bill are now awaiting floor action.

The Senate Committee-passed overall bill would provide \$10.7 billion for the Labor Department, which is \$49 million less than this year's level and \$459 million below the Administration request; \$31 billion for the Education Department, \$1.5 billion more than 1998 funding but \$232.5 million less than requested; and \$33.4 billion for HHS, \$550 million more than for FY98 but \$1.1 billion below requested.

California Senators Dianne Feinstein and Barbara Boxer have sought to ameliorate inequities in the Title I education formula grant program, whereby states which no longer have as many children in poverty are still able to retain their prior level of funds, to the detriment of states such as California which have increasing numbers of poor children. Those efforts led to the addition of \$300 million for Title I, funds which may be available to redress the inequities. The inequitable distribution of Title I dollars is evident when Title I dollars per poor child are compared between states. California received just \$601 per poor child in 1998, well below the national average of more than \$700.

## **BIG TEN CALIFORNIA CITIES WRITE CONGRESS PROMOTING EMPOWERMENT ZONES**

Today, the mayors of California's ten largest cities wrote to members of the California Congressional delegation and Governor Wilson urging "ample and flexible funding" in any empowerment zones legislation.

The letter from the mayors noted that despite job growth and expanded investment in the state, "chronic economic distress remains in many urban and rural areas," adding that the empowerment zone program is "an important catalyst to revitalize these depressed communities." The mayors noted that several empowerment zone bills are under consideration in the current Congress and asked that "any final compromise legislation include flexible Title XX (Social Services Block Grant) funding for a minimum of ten years."

The Taxpayer Relief Act of 1997 authorized the designation of 20 empowerment zones (15 urban and 5 rural) to be designated by January 1, 1999.

The letter was sent by the mayors of Anaheim, Fresno, Long Beach, Los Angeles, Oakland, Sacramento, San Diego, San Francisco, San Jose, and Santa Ana. It was delivered today to California members of the House Ways & Means Committee, as well as to Senators Feinstein and Boxer, delegation caucus chairs Jerry Lewis and Lucille Roybal-Allard, and the Governor.

## **STATE LEGISLATURE'S BILL MAY BE FINAL CHAPTER IN HEADWATERS FOREST SAGA**

Matching the \$250 million appropriated by Congress last year, the State Assembly (54-12) and State Senate (29-5) this week approved spending \$245 million in state funds to buy 7,500 acres of old-growth redwood forest in Humboldt County. The state legislation appropriates the previously agreed-upon \$130 million to purchase the Headwaters Forest, but then adds several additional provisions focused on the region.

The bill provides up to \$80 million to buy the Owl Creek stand of redwoods and prohibits cutting there for 50 years, with any remainder from that \$80 million to be used to negotiate acquisition of more Pacific Lumber land. The bill also provides \$20 million for the state and private sources to purchase the Grizzly Creek parcel, and appropriates \$15 million for economic development assistance in Humboldt County. According to information provided by Senator Dianne Feinstein, the bill also provides that 100 foot buffers for Class I streams and 30 foot buffers for Class II streams must be in place until a watershed analysis by Federal and State regulatory agencies and Pacific Lumber is completed. After the watershed analysis is completed, buffers on Class I and II streams may be no less than 30 feet and no more than 170 feet.

## **COURT REJECTS USE OF CENSUS SAMPLING FOR REAPPORTIONMENT**

On August 24, a federal district court's special three-judge panel ruled unanimously that sampling methods may not be used to produce the population counts used to reapportion seats in Congress. The opinion, written by Judge Royce Lamberth, was issued in the case of U.S. House of Representatives v. U.S. Department of Commerce. A copy of the 31-page decision by Judge Royce Lamberth is available at <http://www.dcd.uscourts.gov>.

After finding that the Congressional plaintiffs had legal standing to bring suit, the court wrote that Congress expressly intended to prohibit the use of sampling methods for apportionment purposes when it made amendments to the Census Act in 1974. The court did not rule on whether the Constitution also prevented the use of sampling and statistical methods in the census. In the early 1990s, a number of states and localities sought unsuccessfully to adjust data from the 1990 census for purposes of allocating federal formula dollars, without making changes to reapportionment boundaries.

The day after the ruling, the Clinton Administration announced that it would appeal to the U.S. Supreme Court. The House Census Subcommittee will examine the matter next Wednesday.

## **CALIFORNIA, L.A. COUNTY LEAD NATION IN NUMBER, GROWTH OF HISPANIC PERSONS**

According to data for release Friday by the Census Bureau, California registered the largest rise among states in the number of Hispanic residents between 1990 and 1997, with an increase of 2.2 million, and Los Angeles County led all counties, with an increase of 649,404 Hispanics over the same period.

Following California, which had an estimated Hispanic population of 9.9 million in 1997, the states with the largest Hispanic populations were Texas (5.7 million); New York (2.6 million); Florida (2.1 million); and Illinois (1.2 million). New Mexico led all states with the highest percentage (40 percent) of Hispanics in its overall 1997 population. The next highest were California (31 percent); Texas (29 percent); Arizona (22 percent); and Nevada (15 percent).

Among all counties, Orange County was No. 3 and San Diego County No. 4 in total increase in Hispanic population for the seven-year period, following No. 2 Harris County (TX). Orange County saw an increase of 196,385 new Hispanic residents, while San Diego County added 185,933.

Los Angeles County maintained its position in 1997 as the county with the highest number of Hispanics (4.0 million), followed by Dade County (Miami) with 1.1 million, Cook County (Chicago) with 867,520, Harris County (Houston) at 852,177, and Orange County, which rose to fifth place with 761,228.

The Census Bureau's annual population estimates for states can be accessed at <http://www.census.gov/population/www/estimates/statepop.html> and county data at <http://www.census.gov/population/www/estimates/countypop.html>.

**STATE, L.A. COUNTY ALSO TOP NATION IN ASIANS & PACIFIC ISLANDERS**

The number of Asians and Pacific Islanders residing in California rose by more than 800,000 since the beginning of this decade, according to new Census Bureau data, making the state the fastest growing for this category. The state's Asian and Pacific Islander population grew by 829,623 between 1990 and 1997, the largest increase of any state, and Los Angeles County, Calif., led all counties with an increase of more than 190,000 during the same period.

Following California was New York, which added 243,609 new Asian and Pacific Islander residents between 1990 and 1997, then Texas (192,544), New Jersey (146,714) and Florida (96,674). California remained the state with the most Asians and Pacific Islanders at 3.8 million in 1997. New York was a distant second at 952,736, followed by Hawaii at 748,748, Texas at 523,972 and New Jersey at 423,738.

Among counties, Orange County, Calif., was No. 2 in Asian and Pacific Islander population increase for the seven-year period, with 91,501 new residents. Others in the top five were Santa Clara County (76,905); Queens County, (NY) (75,220); and San Diego County (73,383).

Los Angeles County, Calif., maintained its position in 1997 as the county in the United States with the highest total number of Asians and Pacific Islanders (1.2 million). Honolulu County (HI) was second (559,752), followed by Orange County (344,330); Santa Clara County (343,387); and Queens County (NY) (317,893). As a percentage of a county's total population, four Hawaiian counties topped the list with 58 percent or more of their populations made up of Asians and Pacific Islanders. Next came fifth-ranked San Francisco County at 35 percent and Santa Clara County, No. 6 at 21 percent.

The Census Bureau's annual population estimates for states can be accessed at <http://www.census.gov/population/www/estimates/statepop.html> and county data at <http://www.census.gov/population/www/estimates/countypop.html>.