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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 FOREIGN RELATIONS CONSIDERS WIPO TREATIES

The Senate Foreign Relations Committee held a hearing on Thursday on ratification of the World Intellectual Property Organization (WIPO) treaties strengthening copyright protection worldwide. The WIPO Copyright Treaty addresses issues pertaining to computer programs, data bases, and digital environment; the Performances and Phonograms Treaty addresses the rights of performers and producers of sound recordings. Although the Senate has not ratified the treaties, both the House and Senate have passed bills (H.R. 2281/S.2037) to implement them. *See, Bulletin, Vol. 5, Nos. [25 \(7/23/98\)](#) & [27 \(8/6/98\)](#).*

Assistant Secretary of State Alan Larson testified on behalf of the Administration in support of ratification of the treaties. The Committee also heard from Jack Valenti, President and CEO, Motion Picture Association of America; Roy M. Neel, President and CEO, United States Telephone Association; Christopher Byrne, Director of Intellectual Property, Silicon Graphics, on behalf of the Information Technology Industry Council; and Peter Jaszi, Professor of Law, American University, on behalf of the Digital Future Coalition. Each of these witnesses took the opportunity to address the House and Senate implementing bills.

Mr. Valenti urged that the U.S. should ratify and implement the treaties as soon as is possible.

Mr. Neel supported the "notice and take down" compromise worked out between copyright owners and Internet service providers (ISPs) during consideration of the implementing bills. Under that provision, both parties will share responsibility for protecting intellectual property on the Internet. Copyright owners will notify ISPs when they detect infringement on line and ISPs with knowledge of infringement, or alerted to it by a "red flag," will be required to take steps to halt further abuse. Mr. Byrne pointed out the importance to the information technology industry of the "no mandate" provision, clarifying that legitimate manufacturers of information technology and electronic devices are not required to respond to every technological protection measure created to protect copyright materials.

Professor Jaszi testified that the Digital Future Coalition, representing universities, libraries and consumers, will not support the final version of the implementing legislation unless it contains at least the level of protection afforded under the House bill to protect the public's access to protected materials under the fair use doctrine. The House bill allows the Secretary of Commerce, if necessary, to waive the prohibition against

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circumventing protection measures in order to ensure that individual users, including libraries and universities, have adequate access to a particular category of protected materials.

Conference action on the House and Senate bills to iron out the differences has not yet occurred. Testimony from the hearing can be obtained from the Foreign Relations Committee at 202-224-4651.

PANEL TELL DELEGATION THAT MANDATORY SOCIAL SECURITY FOR STATE & LOCAL EMPLOYEES WOULD DISPROPORTIONATELY IMPACT STATE

The burden of paying for a Social Security repair plan being promoted by the Administration and by some in Congress would fall disproportionately on Californians, according to a range of state and local officials. The plan would force state and local employees to pay into the system, regardless of whether an alternative system has been in place.

Traditionally, the Social Security system has allowed state and local governments to opt out of the retirement system if they provide a parallel system for their employees. (In fact, public agencies were prohibited from participating in Social Security when it was created in 1935.) California is among seven states (the others being Colorado, Illinois, Louisiana, Massachusetts, Ohio and Texas) which account for 75% of non-covered payroll. Nationwide, roughly 4.9 million state and local employees are not covered -- or about 30% of all such employees in the U.S.

Bills have been introduced in this Congress to extend mandatory coverage to all newly hired state and local employees in response to concerns that the Social Security system may face a shortfall in approximately 30 years. Moreover, Clinton Administration officials have indicated that mandatory coverage may be proposed in the President's Budget next January or February.

Experts estimate that mandating coverage on state and local employees would cover approximately two years of the 75 years of repair required. While proponents of mandatory coverage argue the impact can be lessened by gradual phase-in and by covering only new hires, many in California and other affected states are concerned that eliminating the state and local plan for teachers and other public employees will gradually bankrupt these systems.

At a briefing today hosted by the California Institute, about 40 staff members from California Congressional delegation offices were briefed on the situation by Brian Webb, Deputy Director of Governor Wilson's Washington Office; Dwight Stenbakken, Legislative Director for the League of California Cities; Paul Cauley, Assistant Administrative Officer of the City of Los Angeles; Jennifer Morrill, Deputy CEO of the State Teachers Retirement System (STRS); and Jim Burton, CEO of the California Public Employees Retirement System (CalPERS). Moderating and providing comments were David Vienna, Washington Representative for CalPERS; and James Seeley, Washington Representative for the City of Los Angeles. The briefers wish to thank Rep. Bill Thomas for making available his Ways & Means subcommittee room for the meeting.

Mr. Webb noted that most public employees in the state are already covered under Social Security, but that it is particularly firefighters and correctional officers, along with teachers who are covered separately. He noted that firefighters and correctional officers tend to retire earlier and have different needs than other employees. He also noted that it would be California taxpayers who would foot the bill for pension shortfalls created by the proposed shift.

Mr. Stenbakken noted that the proposal would also result in reductions in police, fire, and other services. He noted that the bulk of city services are spent on police and fire services.

Mr. Cauley referred to a recent GAO report on the subject which argued in favor of mandatory coverage, noting that the report was seriously flawed. In particular, he noted that cities do not have the options that GAO said they have and would likely reduce be forced to reduce services and benefits. Mr. Cauley cited a finding by his office that mandatory coverage would cost Los Angeles between \$340 million and \$430 million over 10 years, and \$1.6 billion to \$2.0 billion over 20 years.

Ms. Morrill of STRS noted that their program serves 400,000 active teachers in 1,100 school districts and that the proposal to mandatorily cover all teachers would cut deeply into the ability of those districts to provide teaching services, textbooks, libraries, etc., adding that it could bankrupt districts. A STRS actuarial study estimated the cost to school districts to be at least \$1,600 per new hire.

Mr. Burton of CalPERS noted that the proposal would cost the state, counties, cities and other employers more than \$2.7 billion statewide over 10 years, and also cost employees the same amount over the same period.

Because relatively fewer Californians are over the age of 65 (11.0%) than are residents of the nation as a whole (12.8%), Californians already proportionally pay more into Social Security than they receive back in relative payments.

A hearing of the House Ways & Means Subcommittee on Social Security was held earlier this year. (See Bulletin, [Vol. 5, No. 18 \(5/21/98\)](#).)

CALIFORNIA ELECTRIC UTILITY RESTRUCTURING IS WORKING, EXPERTS REPORT

A diverse array of California spokespersons converged on Washington this week to deliver the message that restructuring of the state's \$23 billion per year electric industry is progressing smoothly and producing positive results for consumers. Last year, the entire 52-member House delegation from California signed a Dear Colleague letter supporting the restructuring effort.

A press briefing on Wednesday featured remarks by Phil Romero, Chief Economist for Governor Wilson; Ralph Cavanaugh of the Natural Resources Defense Council; Bob Foster of Southern California Edison; Dan Richard of PG&E; Glenn Sheeren of the California Manufacturers Association; Betty Jo Toccoli of the California Small Business Association; Art Carter with the California Utility Employees; Jim Conran of Consumers First; Jerry Jordan of the California Municipal Utilities Association; Jan Smutny-Jones of the Independent Energy Producers (who also chairs the California Independent System Operator), and Karen Mills of the California Farm Bureau.

Mr. Romero put the situation in perspective by noting that the 10% across the board rate reduction and rate freeze has been a benefit to consumers, but that there may well be significantly greater benefits consumers once the rate freeze is lifted and rates can float, perhaps further downward. Romero also noted that the market has become very efficient; he cited a recent decision by Enron to leave the small consumer market due to small margins and limited potential for profits.

Mr. Cavanaugh of NRDC hailed the fact that of 3000 Megawatts (Mw) of new generating capacity which are currently planned, one fifth or 600 Mw are from renewable sources such as geothermal, solar, and wind.

Mr. Sheeren commented that the process is ahead of schedule, and highlighted the benefit of California's unique "power exchange" arrangement – while large customers commonly have leverage to negotiate a better deal, the power exchange system means that smaller consumers have an entity negotiating for better rates on their behalf.

General information regarding restructuring is available on from PG&E at http://www.pge.com/whats_new/issues/electric_restructuring/resource/ or from Southern California Edison at <http://www.sce.com/qkanswer/dereg/index.htm>.

CALIFORNIANS IN D.C. BRIEFED ON CALIFORNIA-PHILIPPINES ENVIRONMENTAL DEVELOPMENT PARTNERSHIP

The California congressional delegation was briefed on Wednesday on the U.S.-Asia Environmental Partnership (US-AEP) and 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 briefing was conducted by: Karen Marshall, Centers for Environment & Safety, Council of State Governments; Dr. Ric Singson, Prof., Sch. of Business &

Economics, California State University, Hayward; and Dr. Woodrow Clark, Prof. of Engineering, University of California at Davis.

US-AEP, led by the U.S. Agency for International Development, mobilizes U.S. public and private sector resources to assist Asian countries in sustaining economic development while improving the environment. AID provided funding to the Council of State Governments, which in turn awarded a grant to Dr. Singson to establish PCSDET. The mission of the Center is to promote sustainable development in the Philippines by facilitating the transfer of environmental technologies, knowledge, and skills available from the State of California to the Philippines and eventually to Asia.

Since its inauguration in November 1997, the Center has worked with many Philippine leaders in the public and private sector, and hopes to establish an international environmental research center in Puerto Princesa, the capital city and population center of the island province of Palawan.

At the briefing, the presenters stressed the point that U.S. environmental technology companies, many of which are located in California, have helped fulfill many of the nation's environmental cleanup needs, but that there is much work still to be done overseas, particularly in Asia. They also noted that the US-AEP programs have a history of leveraging federal funds; a \$350,000 program run through California's Environmental Protection Agency reportedly generated \$80 million in business for the small and medium sized companies assisted by the program.

Further information on the programs is available on the web at <http://www.usaep.org> or from Professor Singson at 510-885-3557 (rsingson@csuhayward.edu).

HOUSE MOVES TO OVERHAUL BILINGUAL EDUCATION PROGRAMS

After heated and largely partisan debate, the House on Thursday voted 230-184 to approve H.R. 3892, which would convert bilingual education programs to block grants to states and shift students out of the program after three years. The bill was sponsored by Rep. Frank Riggs (Windsor), Chair of the House Subcommittee on Early Childhood, Youth and Families.

Programs using federal funds would be required to move students into English-oriented classrooms within two years, void compliance agreements regarding bilingual education between the federal government many states and school districts, and require parental consent before a child were to be placed in such a program. California is one of the primary recipients of federal bilingual and immigrant education funding.

SUPREME COURT SETS CENSUS DATE; HOUSE CENSUS CHAIR DISTINGUISHES BETWEEN SAMPLING FOR APPORTIONMENT AND SAMPLING FOR FORMULA FUNDS

The U.S. Supreme Court announced today that it would hear arguments in the case of U.S. House of Representatives v. U.S. Department of Commerce on November 30. In August, a federal district court panel ruled that sampling methods could not be used to apportion House seats. Both the U.S. House of Representatives and the Clinton Administration, the opposing parties in the suit, had asked the high court to take up the case quickly in order to resolve the matter before 2000 census preparations progress further. A decision is reportedly expected by March.

At a Wednesday hearing on the status of census planning, House Census Subcommittee Chairman Dan Miller (Florida) reiterated his strong opposition to the use of sampling methods for apportioning legislative districts but pointedly left open the door to the use of sampling-adjusted data for allocating federal formula dollars. Rep. Miller stated, "I'd like to send a clear message to the outside groups that support sampling: It's now time to come and work with Congress, with the majority. No one here will ask that you denounce sampling. Just recognize that the court and Congress have spoken and that we WILL have an actual enumeration for the purposes of apportionment in the 2000 Census. I have chosen these words carefully for the issue of sampling is an issue of apportionment of representatives not, I repeat, not the distribution of federal aid." For a complete text, refer to Chairman Miller's subcommittee home page at http://www.house.gov/danmiller/census/sep9_98.html.

The House Subcommittee on the Census will hold another hearing on the use of sampling in the 2000 census, on Thursday, September 17.

JPL, LOCKHEED MARTIN, TRW TO COLLABORATE ON SPACE INTERFEROMETRY

NASA's Jet Propulsion Laboratory (JPL), a division of Caltech in Pasadena, announced today that it will team with Lockheed Martin Missiles and Space in Sunnyvale and TRW's Space and Electronics Group in Redondo Beach for the Space Interferometry Mission (SIM). SIM will be launched in 2005 to measure precisely the location of stars and to search for planets orbiting nearby stars. It is part of NASA's Origins Program.

The total value of these two contracts, including the mission formulation and implementation phases, is estimated to be in excess of \$200 million. The initial contracts will cover the mission's formulation phase, with an option for the implementation phase.

SIM will be an optical interferometer operating in an Earth-trailing orbit around the sun in 2004. Its multiple telescopes will be used in pairs along a 10-meter structure; the light they gather will be collected and processed to pinpoint the position of stars. Like the Hubble Space Telescope, SIM--from its orbit in space--will avoid the blurring effects of Earth's atmosphere which distort ground-based measurements.

The system will synthesize images that could normally only be obtained with a much larger telescope. It also will demonstrate the ability to cancel out the light from a star, which will help enable future missions to obtain a direct view of planets around other stars. SIM is expected to search for planets beyond our Solar System by watching for the telltale wobble motion of a star, which indicates the gravitational tug of an orbiting planet or planets. SIM also will image the regions immediately surrounding massive black hole candidates in the nearest galaxies, measure the distances to half a dozen nearby galaxies, and study other celestial objects.

For further information on the program, refer to <http://huey.jpl.nasa.gov/sim/>.

HIGH-TECH EXPORTS HELD THEIR OWN IN 1ST HALF OF '98 DESPITE ASIA CRISIS

Trade data released on Thursday by the American Electronics Association show that overall exports of information technology products did not significantly decline in the first half of 1998, despite the economic crisis in Asia. Although exports to Asia in the first six months of this year fell by 12 %, that decline was offset by increases in exports to Europe, Canada, and Mexico. As a result, high-tech exports were only down 0.38%, or \$311 million, according to the report. The dollar value of all high-tech exports for the first six-months of this year was \$81.9 billion, versus \$82.3 billion for the same period last year.

Exports to Mexico, in particular, were up significantly, growing 16% in the first six-months of the year. That growth accounts for a \$1.2 billion increase in information technology exports to the U.S.'s southern neighbor. China, despite the situation in the rest of Asia, also showed a major increase with purchase of U.S. high-tech exports up 50% over last year.

Despite these increases, however, the report shows the severe decline in exports to most Asian-Pacific countries. Exports to Japan were down 14%, South Korea down 37%, and Indonesia down a harrowing 64%.

The full report can be obtained from AEA's website at <http://www.aeanet.org>.

TRADE FIGURES INDICATE DEFICIT CLIMBING

According to Commerce Department figures released today, the current account deficit jumped 21% to a record \$56.5 billion during the second quarter as Asian economic difficulties stifled exports. The current accounts deficit is the broadest measure of the trade performance, measures both the goods and services that are part of typical trade deficit calculations but also accounts for investment flows between countries and government-to-government payments. The 2nd quarter figures eclipsed the previous quarter's then-record level of \$46.7 billion by nearly \$10 billion.