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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 in kind donations from Sun Microsystems and Qualcomm, Inc.

COMPROMISE REACHED ON H1-B VISAS; HOUSE APPROVES BILL

A compromise was reached between Congress and the Administration on Wednesday on raising the cap on H1-B visas, opening the way for House passage of the bill (H.R. 3736) today by a vote of 288-133. (The Senate has already passed a bill increasing the caps, but is now expected to take up the House-passed compromise version.)

Under the compromise, the current 65,000 cap on skilled worker visas will be raised to 115,000 in fiscal years 1999 and 2000, and then lowered to 107,500 in FY01, and revert to 65,000 in FY02. Under the original bill, which had been headed to the floor and had drawn the threat of a veto, the cap would have incrementally increased from 85,000 to 115,000, and reverted to 65,000 in FY03. The bigger jump in the cap under the compromise is intended to absorb the backlog of visa applications pending because the 65,000 cap was reached this year in May. Employers will have to pay a \$500 fee for each application, and that money will be earmarked for training and scholarships for American workers and to beef up enforcement against abuses of the program. Universities and research institutions are exempt from the fee.

The compromise also requires that companies whose H1-B employees comprise over 15 percent of their workforce, must attest that they have tried to locate U.S. workers for the positions available and have not laid off any American workers to hire a foreigner. The attestation requirements do not apply if the company is hiring a foreign employee who will be paid over \$60,000 or holds at least a Master's Degree.

Prior to passage, the House defeated, 177-242, a substitute amendment offered by Rep. Mel Watt (NC) that would have included stricter employer attestation requirements and also limited the increase in the caps to FY99 and FY00.

The compromise bill won broad bipartisan support from the California delegation. Also, on September 15, Governor Pete Wilson, joined by eight other Governors, wrote Speaker Newt Gingrich and Minority Leader Richard Gephardt urging House passage of the legislation. California's high technology industry, which often must hire skilled foreign workers because of the unavailability of U.S. workers, strongly supports the bill.

CONTENTS:

Compromise Reached on H1-B Visas; House Passes Bill	1
House passes SSI/Medicaid Bill For Legal Aliens	2
Defense Bills Move; White House Warns to Boost in Spending	2
Senate Passes Digital Copyright Bill	2
House Passes Head Start Rewrite	3
Farr's Oceans Act passes House	3
Senate Environment Reports Bilbray Anti-Border Smog Bill	3
Air Force to Move McClellan Work Out of State	4
California Income Levels Decline Relative to Other States	4
State Becomes 8 th Poorest	4
MTA Backers Visit Capitol	5
Inland Empire's Valley Group Meets in Washington	5
California Housing Market: Faster, Smaller, More Expensive	5
Lewis' "House That Congress Built"	5

HOUSE PASSES SSI/MEDICAID BILL FOR LEGAL ALIENS

On Wednesday, the House passed H.R. 4558, by voice vote under suspension of the rules. The bill, which has wide bipartisan support, will allow legal immigrants who were receiving SSI and Medicaid benefits as of August 22, 1996 to continue to receive those benefits, even if they have lost the documents necessary to prove they were legally in the country on that date. Under the welfare reform legislation passed in 1996 and the 1997 budget bill, these benefits are due to be terminated as of October 1 of this year.

About 12,000 legal immigrants are slated to be cut off from SSI and Medicaid as of October 1. Although the exact number at risk who reside in California is not known, its 40 percent share of the nation's legal immigrant population indicates that many California legal immigrants would benefit from the bill.

The Senate has not yet acted on similar legislation.

DEFENSE AUTHORIZATION AND APPROPRIATIONS BILLS MOVE; WHITE HOUSE WARMS TO BOOST IN MILITARY SPENDING

On a 373-50 vote, the House on Thursday approved an FY99 defense bill compromise authorizing \$270.5 billion for defense programs, \$2.6 billion less than 1998 in inflation-adjusted terms, and providing a 3.6% raise for military employees. Conferees reportedly also reached agreement Thursday on a companion defense appropriations bill.

Meanwhile, defense proponents were heartened by a letter made public Wednesday from President Clinton to Senate Majority Leader Trent Lott which signaled the White House's interest in spending an additional \$1 billion in FY99. Moreover, the President's letter expressed support for additional increases in future years, specifically mentioning shortages in spare parts, Navy recruitment, and Army training.

Funds for certain Bosnia operations were left out of the appropriations bill and were expected in later supplemental appropriations legislation; additional readiness funds could be incorporated therein.

According to press reports, military leaders have estimated that they will need roughly \$10 billion to \$15 billion per year in additional revenues above the balanced budget agreement cap of \$270 billion to improve readiness of the nation's armed forces. At a hearing on Thursday, Senate Armed Services Readiness Subcommittee Chair James Inhofe (OK) estimated the military-wide maintenance backlog at \$31 billion. Federal defense accounts have suffered after more than a decade of spending reductions.

While the state's share of federal defense expenditures has declined over the past decade, California continues to win a large share of DOD procurement funds. In FY 1997, California won \$30.9 billion, or more than 15%, of the nation's DOD prime contract awards and compensation expenditures.

SENATE PASSES DIGITAL COPYRIGHT BILL

The Senate last Thursday passed by voice vote, H.R. 2281, the WIPO Copyright Treaties Implementation Act, after substituting its version of the bill, S. 2037. 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.

The House passed its version of the bill in early August just before leaving town. *See, Bulletin, Vol. 5, Nos. 17 (5/14/98), 21 (6/18/98), 25 (7/23/98) & 27 (8/6/98).* There are differences between the two bills, especially in their treatment of the fair use doctrine as it relates to the electronic medium; therefore, a conference with the House is necessary.

HOUSE PASSES HEAD START REAUTHORIZATION

After only brief floor debate last week, the House voted 346-20 to pass S. 2206, reauthorizing the federal Head Start program, which provides preschool services to low-income children. In addition to a number of programmatic changes, and a shift from expansion of enrollment to boosting services to those already in the program, the bill altered the formula for distributing federal dollars. It changed the so-called hold harmless provision (which requires that no state shall receive less than it had in a prior year) from a 1981 base year to 1998. Additional funds above that level would be distributed according to the number of children below the age of 5 years who live below the poverty line.

Importantly, the bill would require the use of the "most recent data available" regarding poor children. Because poverty figures traditionally have been collected only every 10 years, California and other growing states have received increasingly fewer poverty formula program dollars due to the outdated data's usage as the decade wears on. Because of language inserted by Californians in the 1994 reauthorization of the Title I education program, intercensal figures for school-age children in poverty are now developed every two years. Similar data could be made available for preschool poverty children for Head Start usage.

In other child- and education-related news, the House is scheduled to vote Saturday on the Taxpayer Relief Act, which passed the Ways and Means Committee, 23-15, last week. The bill would allow school districts to keep revenues made from local bonds for up to four years rather than the two years currently allowed, thereby freeing funds for school construction. The White House prefers an alternative school construction approach, which would be financed through tax credits.

FARR'S OCEANS ACT PASSES HOUSE

Rep. Sam Farr's (Carmel) Oceans Act of 1998 was passed by the House on September 15 by a unanimous vote. Farr said his intent in authoring the act is to develop "a comprehensive national ocean policy that will enable the United States to sustain our oceans' magnificent resources well-into the 21st century."

The Act calls for the creation of the Commission on Ocean Policy to examine ocean and coastal activities and to report its recommendations for a national policy within 18 months. The Commission is required to assess federal programs and funding priorities, infrastructure requirements, conflicts among marine users, and technological opportunities. The Act authorizes \$3 million dollars over the course of fiscal years 1999 and 2000 for the Commission to complete its work, and calls for the President and Congress to develop a coherent national ocean and coastal policy that provides for the responsible use and stewardship of ocean and coastal resources.

Farr also convened the first National Oceans Conference in Monterey in June of this year. An estimated 85% of tourist revenues are spent in coastal states, and tourism in California generates \$38 billion in revenues annually.

The Senate version of the legislation was introduced by Senator Fritz Hollings (SC) and passed the Senate last November. The two versions of the bill still must be reconciled before being sent to the President for his signature.

SENATE ENVIRONMENT REPORTS BILBRAY ANTI-BORDER SMOG BILL

On Wednesday, the Senate Environment and Public Works Committee reported out H.R. 8 to reduce pollution from commuter vehicles at the U.S.-Mexico border. The bill, introduced by Rep. Brian Bilbray (Imperial Beach) passed the House earlier this year.

The bill will require foreign-registered cars and trucks to meet U.S. state and local vehicle emissions standards before entry into the U.S. at the Mexico border is allowed. It is aimed at targeting individuals and businesses who register their vehicles in Mexico in order to avoid the higher standards in

the U.S., and contains provisions to penalize individuals who repeatedly attempt to enter the U.S. with non-compliant vehicles. The bill is expected to reduce air pollution in the San Diego area by about 13 percent.

H.R. 8 does not apply to vehicle entries at the Canadian border, but those northern border states could opt into the program if they choose.

AIR FORCE TO MOVE MCCLELLAN WORK OUT OF STATE

At a Pentagon news conference this week, the Air Force announced that depot maintenance work at McClellan Air Force Base in Sacramento will be moved to Hill Air Force Base in Utah, with subcontract work to be conducted by a Boeing unit on the grounds of the closing Kelly Air Force Base in San Antonio, Texas.

The Utah base will handle modifications and maintenance on A-10 attack aircraft, while the Texas site will handle similar tasks for KC-135 tankers. The transition will begin in November, with the transition of the entire workload to be completed by September 1999. A competing proposal led by Lockheed Martin would have kept the work in Sacramento. Each base is expected to gain as many as 800 new jobs in the shift.

A number of Sacramento area business and community leaders have been examining alternative approaches for the McClellan site and many are confident that it can be redeveloped successfully, assuming adequate attention is paid to transition and cleanup.

CALIFORNIA INCOME LEVELS DECLINE RELATIVE TO OTHER STATES

California's median household income rose slightly less than one percent between 1996 and 1997, climbing from \$39,340 to \$39,699, according to Census Bureau figures released Thursday. But the state's 0.9% growth rate was less than the 1.5% growth in the nation as a whole, which rose to \$36,656. While the state's total income level remains above the U.S. average, California's scant growth numbers were so low that they do not even qualify as statistically significant.

Between 1996 and 1997, California was leapfrogged by several states in income levels. In 1996, California ranked 12th among states in median household income, the same rank as in 1990. By last year however, California's rank had fallen to 16th among the 50 states, an historic low. After being surpassed last year by Delaware, Utah, Virginia, and Washington, California ranked lower among states in median income than at any time in recent recordkeeping.

Alaska again posted the highest median household income level among states in 1997, at nearly \$51,000, followed by New Jersey, Maryland, Connecticut and Hawaii. At the bottom end were Arkansas and West Virginia, both with household income levels below \$27,000.

Nationwide, the median income of households headed by native born persons rose by 2.0% (to \$37,643) between 1996 and 1997, while there was no substantial change in median income for households headed by foreign born persons (\$31,318) or by non-citizens (\$26,959).

Detailed information is available on the Census Bureau website at

<http://www.census.gov/hhes/www/income97.html>.

CALIFORNIA POVERTY RATE UNCHANGED AT 16.8% AS NATION'S FIGURE SLIPS TO 13.5%; STATE BECOMES 8TH POOREST

In its annual reports on income and poverty released Thursday, the Census Bureau found that the nation's poverty rate declined slightly between 1996 and 1997, from 13.8% to 13.5%, while California's rate remained higher and did not decline, holding steady at 16.8%.

California thus logged the 8th highest rate of poverty among the 50 states plus the District of Columbia. Far ahead of California were New Mexico (at 23.4%) and D.C. (at 23.0%), followed by Mississippi, Louisiana, Arizona, and Arkansas, all of which had rates between 17% and 19%.

One of only two metropolitan areas for which figures were available, the Los Angeles area's poverty rate declined from 18.7% to 18.4% between 1996 and 1997.

Poverty figures are used to distribute funds for a number of federal formula grant programs.

The full report, *Poverty in the United States: 1997*, is available on the Census Bureau's website at <http://www.census.gov/hhes/www/povty97.html>.

MTA BACKERS VISIT CAPITOL

A coalition of supporters of the Metropolitan Transportation Authority were in Washington this week discussing the funding MTA needs for FY99 to complete its restructuring plan, including construction to North Hollywood. The coalition was encouraging members of the California Congressional delegation to support the House's transportation appropriation levels which includes \$62 million toward completing the extension of the red line subway into the San Fernando Valley.

INLAND EMPIRE'S VALLEY GROUP MEETS IN WASHINGTON

A coalition of business, education and local government officials from California's Inland Empire region, which includes Riverside and San Bernardino Counties, visited Washington this week to discuss a range of issues with congressional and private sector contacts. Among the topics of focus were clean water reauthorization, Salton Sea reclamation and restoration, air quality, railroad feeder branch line access, and the endangered species act.

CALIFORNIA HOUSING MARKET: FASTER, SMALLER, MORE EXPENSIVE

The 1998 California Housing Finance Survey (HFS), produced annually by the California Association of Realtors, had some interesting things to say about the second quarter 1998 housing market figures. The typical California home was on the market for four weeks in 1998, half of the eight week time for the second quarter of 1997. The median price of a home in California was \$205,000, up from \$190,000 in 1997. Median size of the typical home bought in California in 1998 was 1,600 square feet, down compared to the 1,650 median in 1997. The survey found that 8.6 percent of California home buyers moved from either another state or another country, down from 11 per cent the previous year. The survey also reported an increase in the percentage of buyers staying within the same county, 61.7 percent, up from 56.2 percent in 1997. "Distressed" sales, including short sales, sales in lieu of foreclosure, and Real Estate Owned, dropped from 19.3 in 1995, to 13.2 in 1997 and were 8.3 in 1998. Finally, 18.8 percent of first mortgages in 1998 were FHA-insured or VA-guaranteed, compared to 22 percent in 1997.

NEARLY ALL OF CONGRESS JOINS REP. LEWIS IN "HOUSE THAT CONGRESS BUILT" EFFORT

Rep. Jerry Lewis (Redlands) has enlisted 375 of his Congressional colleagues to help build or coordinate to build affordable homes in every Congressional district across the country. In conjunction with Habitat for Humanity, Fannie Mae, Freddie Mac, and the associations of Realtors and Home Builders, Lewis challenged his colleagues to take nationwide an effort that had begun in a low-income portion of Washington D.C. last year. Various local and national groups have lent building materials and volunteers. Rep. Lewis chairs the House Appropriations subcommittee which deals with housing.