



**THE CALIFORNIA INSTITUTE FOR FEDERAL POLICY RESEARCH**  
 419 New Jersey Avenue, SE, Washington, D.C. 20003 202-546-3700  
 Fax: 202-546-2390 E-mail: ransdell@calinst.org Web: http://www.calinst.org

# California Capitol Hill Bulletin

**Volume 5, Bulletin 32 -- October 1, 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 in kind donations from Sun Microsystems and Qualcomm, Inc.*

## **CONGRESS PASSES Y2K LIABILITY BILL**

The Senate by unanimous consent on Monday and the House by voice vote on Thursday approved S. 2392 to allow businesses to share information on fixing the Year 2000 computer problem without fear of lawsuits. The bill provides that information made available by computer and software companies concerning the problem cannot be used as admissions of liability. In addition, a company cannot be held liable for false, misleading, or inaccurate statements unless there is "clear and convincing" evidence that the company made the statements knowing they were false. Both Senators Barbara Boxer and Dianne Feinstein supported the legislation, and the President indicated he will sign it.

The bill is similar to H.R. 4455, introduced on the House side by Reps. David Dreier (Covina) and Anna Eshoo (Palo Alto). However, the Senate bill reflected a compromise worked out with the Administration.

Information technology companies have urged expedited enactment of the bill to allow them to actively pursue ways to solve the Y2K problem, whereby most computers will be unable to recognize the year 2000 and will, instead, read it as 1900.

## **CALIFORNIA DELEGATION LETTER CIRCULATING ON TITLE I EDUCATION APPROPRIATIONS**

The bipartisan California Congressional delegation is circulating a letter to the heads of the House Appropriations panel on Labor HHS and Education which seeks a fair share of Title I education program formula dollars for California and other growing states.

The letter, to be sent to subcommittee Chair John Porter (IL) and ranking Democrat David Obey (WI), asks that the conference disagree with a Senate backed provision to lock in outdated data on child poverty, which would promise "a severe penalty for states like California with growing numbers of poor and immigrant children in our public schools."

Despite a longstanding provision in Title I which already ensures that no state can lose more than 15% in grant funds from one year to the next, Senators from states with fewer poor children inserted a "100% hold harmless" provision in last year's education appropriations

### **CONTENTS:**

Congress Passes Y2K Liability Bill . . .	1
California Delegation Letter on Title I Education Appropriations . . . . .	1
House Defeats Fast-Track . . . . .	2
Bay-Delta Funded at \$75 Million . . . . .	2
Fusion, NIF Funded . . . . .	2
Senate Considering Internet Tax Bill, Despite Filibuster Attempt . . . . .	3
Rep. Roybal-Allard Circulating Letter on INS Naturalization Backlog . . . . .	3
Letter Pushes State as Production Site for Joint Strike Fighter . . . . .	3
Air Force Awards \$2 Billion F-117 Depot Contract to Skunk Works . . . . .	4
Congress Unanimously Approves Higher Education Bill . . . . .	4
Tax Cut Bill Moves Toward Uncertain Future . . . . .	4
Primary Date: New Timing . . . . .	4
Fazio Promises Enduring Presence . . . . .	5
Caltech to Receive FEMA Funds to Study Woodframe Construction . . . . .	5
Economic Outlook for California . . . . .	5

bill, thereby freezing allocations so that there was no change whatsoever between 1997 and 1998. *See Bulletin, Vol.5, No. 31 (9/24/98)*. This year, the Senate bill again includes this 100% freeze.

Further background on the Title I problem is available on the California Institute website at <http://www.calinst.org/pubs/title1fact.htm>.

Offices of members wishing to sign the letter should contact Angie Melton with Rep. Vic Fazio (x5-5716) or Frank Purcell with Rep. Duke Cunningham (x5-5452).

### **HOUSE DEFEATS FAST-TRACK, AS EXPECTED, AMIDST POLITICAL WRANGLING**

Late last Friday, the House defeated, by a vote of 180-243, the bill that would have given the President the authority to negotiate trade agreements under fast-track parliamentary procedures. The size of the defeat may not accurately reflect the true feelings of all members, however, because the bill, unfortunately, had gotten bogged down in election-year politics and a debate over whether this was the time to bring it to the floor.

Fast-track authority, which has been used by every President since Gerald Ford, lapsed in 1994. It allows the Administration to send trade agreements to Congress for approval without the possibility of amendment, and under an expedited time frame. The debate over reauthorizing the measure has focused on whether fast-track authority can be used to negotiate agreements that address foreign labor and environmental issues.

Reauthorization of fast-track has been a priority issue for California companies that engage in substantial foreign trade.

### **CONGRESS FUNDS BAY-DELTA AT \$75 MILLION**

The House and Senate adopted the Energy and Water Appropriations (H.R. 4060) conference report on Monday and Tuesday, respectively. Included in the bill is \$75 million to fund water management and environmental restoration efforts in the Bay-Delta ecosystem. Although the funding falls far short of the maximum \$143 million authorized for the Bay-Delta, it is still a victory of sorts. The Senate bill had called for only \$65 million for FY99; however, the House version of \$75 million prevailed.

The San Francisco Bay/Sacramento-San Joaquin Delta Estuary (the "Bay-Delta") is a 700 square-mile region of waterways, sloughs, and islands where the San Francisco Bay meets the states two largest rivers. The Bay-Delta supplies some or all of the water needs for two-thirds of the state's homes and businesses and over four million acres of agricultural land. It is also the home of millions of birds and over 53 species of fish. Under the CALFED consortium of federal, state, and local, public and private entities efforts are underway to restore and improve water management and the environment in the Bay-Delta ecosystem.

The conference report was adopted in the House by a vote of 389-25, and by voice vote in the Senate. It provides \$20.9 billion for the Energy Department, Army Corps of Engineers, and Nuclear Regulatory Commission among other agencies.

### **FUSION, NIF FUNDED IN ENERGY & WATER BILL**

The House-Senate conference report on FY99 Energy & Water Appropriations passed this week (see above) provides \$230 million for fusion energy programs, a small increase from the requested level, yet still far below the funding level from several fiscal years prior. California is a perennial winner of federal funding for both magnetic and inertial confinement fusion. Fusion funds in the bill, H.R. 4060, were preserved by reprogramming some funds from the energy supply account to the science account, thereby avoiding an 8% cut which might otherwise have been imposed.

In addition, the conference report contains \$508 million for the inertial confinement fusion program, of which \$291 million is to fully fund the National Ignition Facility (NIF), which is being constructed at Lawrence Livermore National Laboratory. The NIF uses ultra high-powered lasers to concentrate energy in a manner which replicates the energy in the sun or in an atomic weapon, permitting scientists to maintain the nation's nuclear stockpile without violating the nuclear test ban treaty.

### **SENATE CONSIDERING INTERNET TAX BILL, DESPITE FILIBUSTER ATTEMPT**

The Senate on Tuesday voted, 89-6, to invoke cloture and end an initial filibuster on S. 442, which imposes a two-year moratorium on taxing Internet access charges. Nevertheless, the bill has yet to come to a vote, and another cloture motion may be needed before the bill is voted on.

Under the Senate rules, even after cloture is invoked, opponents can call for 30 hours of debate on the bill. This is what Sen. Bob Graham (FL) did, in the hopes of getting language he wants added to the bill. Graham's amendment would require the Commission established under the bill to also study if retail companies, whether operating on the Internet, or through mail-order and telephone sales, should be required to collect sales taxes from out-of-state customers. Graham's objection delayed further consideration of the bill, and may mean another cloture motion is required. Nevertheless, the Senate is expected to complete consideration of the bill this week, if at all possible.

In the meantime, before bringing the bill to the floor, the Senate added language to grandfather in those states, including California, that have already enacted Internet access taxes. The House bill, introduced by Rep. Chris Cox (Newport Beach), already contains a grandfather clause; but it differs from the Senate bill in that it calls for a three-year moratorium. The House has yet to act on its bill, and may just take up the Senate bill.

### **REP. ROYBAL-ALLARD CIRCULATING LETTER ON INS NATURALIZATION BACKLOG**

Rep. Lucille Roybal-Allard is circulating a letter among California members calling for the reprogramming of \$146 million in Immigration and Naturalization Service funds to help clear up the backlog of applicants waiting for naturalization. The letter to the Commerce, Justice, State Appropriations conferees urges them to approve the reprogramming in the appropriations bill. If the reprogramming is approved, INS plans to add that money to \$25 million in current carryover funds to beef up efforts to alleviate the backlog.

The letter cites the almost 2 million applications that are backlogged and the current two to three year wait for naturalization approval. California, according to the letter, suffers disproportionately from the backlog. The three INS Service Centers in California, located in Los Angeles, San Francisco and San Diego, account for 36 percent (694,925) of the entire backlog.

Members wishing to sign the letter should have their staffs contact Sherry Greenberg in Rep. Roybal-Allard's office at x5-1766.

### **LETTER HIGHLIGHTS STATE'S STRENGTHS AS A PRODUCTION SITE FOR JOINT STRIKE FIGHTER**

A letter currently being circulated for signature by California Members and Senators points out to the Department of Defense the state's advantages as a production site for the Joint Strike Fighter (JSF).

The letter, being circulated by Rep. Buck McKeon (Santa Clarita) requests that DOD "require the two competing prime contractors to complete a cost comparison" of the California-identified site (the B-2 site at Plant 42 in Palmdale) "as a benchmark to any other sites being considered for JSF production." The letter promotes the "state-of-the-art production facility, proximity to strategic military bases

(Edwards, China Lake, Pt. Mugu, Nellis), a highly-skilled workforce, and an unparalleled statewide network of tens of thousands of aerospace suppliers.”

The letter will be sent to DOD Undersecretary Jacques Gansler with copies to the JSF Program Manager and the Asst. Secretary of the Air Force for Acquisition and Technology.

Offices of members wishing to sign the letter should contact Greg Campbell with Rep. McKeon (x5-1956).

### **AIR FORCE AWARDS \$2 BILLION F-117 DEPOT CONTRACT TO SKUNK WORKS**

Rather than shifting out of California all depot maintenance work from the closing McClellan Air Force Base in Sacramento, the Air Force late Thursday announced that it will award a 7-year, \$2 billion depot contract to the Lockheed Martin Skunk Works in Palmdale. The contract provides for logistics support, material management, technical data and depot repair for the F-117 aircraft, beginning in FY 1999. Lockheed Martin Skunk Works was the original development site for the F-117 stealth fighter.

### **CONGRESS UNANIMOUSLY APPROVES HIGHER EDUCATION BILL**

The House by voice on Monday and the Senate, 96-0, on Tuesday approved and sent to the President H.R. 6, which reauthorizes higher education programs for five years. The bill, shepherded by House Subcommittee Chair Buck McKeon (Santa Clarita), strikes an agreeable compromise on interest rates for student loans, and it nearly doubles the cap on Pell Grants for needy college students. A new provision would forgive part of a students loans if they elect to teach school in high poverty areas, and includes grants for teacher training.

### **TAX CUT BILL MOVES TOWARD UNCERTAIN FUTURE**

On Saturday, the House passed the “Taxpayer Relief Act of 1998” containing \$80 million in tax cuts. In addition to big ticket items including relief of the marriage penalty, and giving self-employed individuals the right to deduct all health insurance costs, the bill included an extension of the research and experimentation (R&D) tax credit (*see, [Bulletin, Vol. 5, No. 30, \(9/17/98\)](#)*) and an increase in the Private Activity Bond Cap.

The R&D tax credit is widely supported by California's business community, particularly those in information technology that are highly dependent on constant research to stay competitive.

Under the bond cap measure, Congress authorizes states to sell tax-exempt bonds and use the proceeds for low interest rate loans to private entities or individuals for projects with defined public benefits. California created the California Housing Finance Agency (CHFA) to administer its bond program (for more information on CHFA, see <http://www.chfa.ca.gov>). According to the CHFA, in 1996 California's \$1.57 billion of private activity bond authority created over 19,400 jobs in the state. Bonds were used, among other things, to finance home mortgages, student loans, and pollution control projects throughout the state. In 1986, Congress reduced the limit on the dollar amount of tax-exempt private activity bonds that may be issued in each state, from \$75 to \$50 per capita. As approved by the House, the tax bill includes language that would increase the private activity bond (PAB) cap from \$50 back up to \$75 per capita.

The future of the tax bill in the Senate remains uncertain, and the President has threatened to veto the bill as it stands now.

### **TIMING MAY BE EVERYTHING**

Governor Wilson Tuesday signed California State Senator Jim Costa's (Fresno) Senate Bill 1999 which moves California Primary earlier in the year. The bill requires that the statewide direct primary

election be held on the first Tuesday in March in each even-numbered year and also that it be consolidated with the presidential primary held that year. California will join New York and other Eastern states in holding primary elections on the first Tuesday in March. The new date is March 7, 2000, and falls just one week after New Hampshire's traditional first-in-the-nation primary in presidential election years and one week before what to date has been called Super Tuesday. Moving up the date may increase California's influence in the presidential primary races.

### **FAZIO PROMISES ENDURING PRESENCE**

A Golden State Round Table lunch honoring outgoing Congressman Vic Fazio (Woodland) drew an audience of approximately 80 well wishers Tuesday including Reps. Sam Farr (Monterey), who introduced Fazio, Ken Calvert (Riverside), Tom Campbell (Campbell), Lois Capps (Santa Barbara), Bob Filner (San Diego), and Jerry Lewis (Redlands). The veteran of 20 years of service in Congress addressed the need for the California Congressional Delegation to continue working together to advocate for the State, and for renewed ties between the Congressional Delegation and the leadership in the State. Fazio specifically encouraged stronger relationships between the Delegation and the California State Legislature, and between the Delegation and the business community in California.

In response to a congressional staff member who said the staff are "going to miss you more than you know," Fazio promised an enduring presence in Washington, quipping, "you may see more of me than you'd like."

### **CALTECH TO RECEIVE FEMA FUNDS TO STUDY WOODFRAME CONSTRUCTION**

FEMA, California's Office of Emergency Services (OES), Caltech and the California Universities for Research in Earthquake Engineering (CUREe) announced Monday that a grant of \$5.2 million to the California Institute of Technology (Caltech) has been approved. The funds will be used for a three-year multi-university project to reduce damage and losses to woodframe construction in future earthquakes. Approved and funded under FEMA's Hazard Mitigation Grant Program (HMGP), which is administered by OES, the grant will fund the laboratory testing and analysis of woodframe buildings and studies of their damage in the Northridge Earthquake. Primary goals of the project include improving building codes and standards, making insurance ratings and loss estimates more accurate, and training building designers, building inspectors and contractors. Combined with non-federal matching funds, the total project budget will be \$6.9 million. Research will be conducted at laboratories or by faculty of several universities in addition to Caltech. CUREe's other member universities are Stanford University, University of Southern California, and the University of California campuses at Berkeley, Davis, Irvine, Los Angeles and San Diego. For more information, contact Bob Reitherman, Executive Director of CUREe via e-mail at: [reitherm@nisee.ce.berkeley.edu](mailto:reitherm@nisee.ce.berkeley.edu) or for general information refer to their website at <http://nisee.ce.berkeley.edu/>.

### **ECONOMIC OUTLOOK FOR CALIFORNIA**

A temporary slowdown is likely to follow a recent strong growth surge in the California Economy, according to a report released recently by the Palo Alto-based Center for the Continuing Study of the California Economy (CCSCE). A similar prediction was made by the Los Angeles Economic Development Corporation (LAEDC). The Summer 1998 edition of the CCSCE's *The Outlook for the California Economy* notes that job levels in mid 1998 were up 3% from the year before. Income and spending growth far outpaced inflation in early 1998, and total personal income rose 6.8% in the first quarter of 1998.

The LAEDC's *1998-99 Economic Forecast and Industry Outlook: Mid-Year Update* described the "shifting of economic gears" as reflecting in large part the impact of the Asian financial and economic crisis. Industries feeling the pinch include agriculture, international trade, technology, and tourism. In addition, agriculture is also still feeling the results of El Niño, and motion picture production has also slowed, according to the report.

Both reports conclude that strong construction turnaround, gains in manufacturing and foreign trade growth have led the Los Angeles Basin, in conjunction with San Diego, to define Southern California as the center of the state's economic growth in 1998. San Diego is expected to lead the state in total job growth in 1998.

The CCSCE report predicts the California economy will continue to grow in 1999, but at a slower rate. Job growth could fall from 400,000 per year to between 250,000 and 300,000. Personal income growth could fall from 7% to between 5% and 6%.

The report also details the connections between land use decisions and economic growth and prosperity in California from a recent report. As California's economy continues to grow, bold actions to preserve the state's quality of life and environment, according to the report, will make the state more and more attractive to workers and entrepreneurs. The authors describe this as the "paradox of a strong economy" and go on to outline five principles they have identified for improving California's land use decision making: the importance of regional perspectives; the need to use land more efficiently; a requirement for public investment; the necessity of fiscal reform; and the importance of equity considerations.

Information regarding the reports is available on CCSCE's website at <http://www.ccsce.com>, and on LAEDC's website at <http://www.laedc.org>.