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# California Capitol Hill Bulletin

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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.*

## **REMINDER: INSTITUTE/PRC BRIEFING ON FRIDAY**

The Population Resource Center, in cooperation with the California Institute, will host a congressional briefing on February 5 from 11:00 a.m. to 12:00 noon in Room 2203 Rayburn House Office Building. The briefing, entitled *U.S. Immigration Trends and Policy in the Era of NAFTA*, will be presented by Professor Douglas Massey, Ph.D., Chairman of the Sociology Department at the University of Pennsylvania.

The briefing will examine recent U. S. immigration policies -- from the Immigration and Control Act (IRCA) to NAFTA to 1996 legislation related to curtailing benefits to non-citizen immigrants -- and their effects on migration to the U.S. Dr. Massey will discuss his recent analysis of the forces driving Mexican migration to the U.S. and will suggest steps for more realistic immigration policies.

## **JUSTICE DEPARTMENT METES OUT SCAAP FUNDING**

The Department of Justice in January announced its FY98 allocation of State Criminal Alien Assistance Program (SCAAP) funding to partially reimburse states for the costs of incarcerating illegal criminal aliens. DOJ's awards total \$575 million of the \$585 million appropriated in FY98 (the remaining \$10 million was used to administer the program).

California, again, received the highest percentage of the funding, \$244.4 million, representing 42.48 percent of the total pie. Nevertheless, total costs for incarcerating undocumented criminal aliens in state and county facilities exceed \$610 million annually.

Of the \$244 million state grant, the state will receive \$183.9 million (31.96 percent of the total program) and the counties the remaining \$60.47 million. The largest county award, as expected, went to Los Angeles County with a grant of \$19.02 million. San Diego and Orange Counties were next, with awards of \$8.36 million and \$7.21 million, respectively. In all, 30 California counties will receive some SCAAP funding.

New York (\$96.4 million) and Texas (\$53 million) received the second and third largest awards, and the City of New York received \$33.4 million. An additional \$585 million in SCAAP funding was

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appropriated last year for FY99. In total, the program has awarded over \$1.6 billion to states and localities since first being funded under the 1994 Crime Act.

### **CCSCE REPORT ON CALIFORNIA ECONOMY: OPPORTUNITY AND CHALLENGES**

The Palo Alto-based Center for the Continuing Study of the California Economy (CCSCE) projects that California will outpace the nation in job, population, household, income and spending growth in the decade ahead. The 1999 edition of the Center's annual "California Economic Growth" series notes that while the state economy faces substantial future opportunities, this abundant opportunity does not guarantee success. The report addresses in depth the recovery from the recession of the early 1990s, the opportunities that face the state, and the challenges that stand between these opportunities and success.

California added more than 400,000 jobs in 1998, and the state unemployment rate fell to 5.7% in November 1998, the lowest level since before the 1990 recession. Between January 1997 and November of 1998 California gained 840,000 jobs representing a 6.5% increase, far outpacing the robust 4.6% national figure. The Los Angeles Basin posted the highest increase in nonfarm wage and salary jobs.

Total personal income gain is projected to have hit 6.8% in 1998, far above the 2.1% gain in California consumer prices. Taxable sales rose 5.7% for the first three quarters of 1998. Construction spending grew in the double digits in 1998, with nonresidential spending up 20% to nearly \$15 billion in 1998. Housing markets continued moderate improvement in 1998, with resale prices and volumes hitting record levels in many regions of the state.

CCSCE director Steve Levy, also the vice chair of the California Institute's Economic Advisory Council, said that California's economic recovery was led by future high growth sectors and that growth potential in these sectors provides the foundation for CCSCE's projections of continued above average growth in the California economy. The leading sectors with strong long term growth potential were high tech manufacturing, foreign trade, entertainment & tourism and professional services.

California retains more than 20% of nationwide high technology production and jobs. The report projects high tech manufacturing will grow three times as fast as other manufacturing industries in the United States during the next ten years. Silicon Valley posted its 9<sup>th</sup> consecutive annual record level of new venture capital funding with more than \$4 billion invested in startups in the region in 1998.

Foreign trade volume is growing more than twice as fast as the overall economy, with export growth led by technology industries and entertainment. While the Asian economic downturn in 1998 resulted in temporary declines in exports, California's share of US trade and total trade volume remained strong. Trade with Mexico and Europe grew at double digit rates in 1998. Exports to Mexico have tripled since 1990 to top \$14 billion last year, almost as much as the state exports to Japan.

The report also focuses on several challenges facing the state's economy, primary among which is developing a long term economic strategy for the state to nurture and expand the state's leadership position in key industries. The second challenge discussed in the report is the need to combine economic growth and quality of life to create a growth management strategy for the state. The third major challenge is broadening access to economic prosperity.

For more information, contact the Center at 650-321-8550.

### **BILBRAY MTBE BILL GAINS CO-SPONSORS**

On January 6, 1999, Congressman Brian Bilbray (San Diego) reintroduced a bipartisan California bill to amend the Clean Air Act. H.R. 11, which Bilbray previously introduced in the 104th and 105th Congresses, would permit California's more stringent regulations for its cleaner burning reformulated gasoline to apply in California, in lieu of existing federally mandated regulations, so long as

the State regulations continue to achieve equivalent or greater reductions in emissions of ozone-forming compound and toxic air contaminants. The bill is intended to help the state alleviate the problem of MTBE (methyl tertiary butyl ether), which is being detected in groundwater and wells throughout the state. MTBE is a widely used gasoline additive in California, which the Environmental Protection Agency has classified as a possible cancer-causing agent. Currently 44 members of the California Congressional Delegation are co-sponsors of the bill. Questions can be directed to Dave Schroeder in Congressman Bilbray's office at 225-2040.

### **PPIC FORUM IN SACRAMENTO**

The Public Policy Institute of California's (PPIC) annual California Issues Forum is this year entitled "California's Rising Income Inequality." It will be held in Sacramento on Tuesday, February 23<sup>rd</sup>, from 9:00 a.m. to 3:30 p.m. PPIC research fellow Deborah Reed will present her research on the topic, and will be followed by two panel presentations including a broad range of policy experts. For further information, PPIC can be reached at (415) 773-6227.

### **DISPUTE BREWING OVER HOW TO ALLOCATE EXTRA GAS TAX REVENUES**

Historically low gas prices and less efficient vehicles are boosting gas purchases, and thus gas tax revenues to the federal government. What to do with those extra funds, however, remains to be decided. In the Department of Transportation Budget proposed on Monday, President Clinton urged that about half of the extra \$1.456 billion (beyond the \$25 billion already to be allocated pursuant to last year's highway bill) should be spent on various federal programs.

House Transportation Committee Chairman Bud Shuster (PA) disagrees with the White House, arguing that nearly all the funds should be allocated according to the scheme laid out in the Transportation Efficiency Act for the 21<sup>st</sup> Century (TEA-21). On Thursday, Chairman Shuster outlined how much money each state would get if he got his way. According to the Transportation Committee, California's allocation would rise by \$121 million to \$2.59 billion. That increase would be slightly more than 9% of all extra funds distributed – a share in sync with California's share of total TEA-21 dollars distributed. The funds could be used for road construction, congestion reduction and air quality improvements and other approved projects.

Among the proposals in the Clinton Administration's FY2000 budget were that that \$730 million of the new funds be allocated by formula, with the remaining funds used as follows: \$291 million for mass transit, \$250 million for surface transportation research, \$125 million for National Highway Traffic Safety Administration safety programs, and \$35 million for rail programs.

### **CENSUS COMMITTEE CHAIR PROPOSES LOCAL REVIEW BILL**

One week after a Supreme Court decision invalidated the use of sampling methods to reapportion House seats among states, House Census Subcommittee Chairman Dan Miller (FL) and seven Republican colleagues have introduced H.R. 472, which would re-instate Post-Census Local Review within the census, to allow local governments to review data for their cities before they are finalized. Chairman Miller has recently expressed his openness to the possibility that census data could be adjusted to use updated data to allocate federal formula dollars.

Introduced Wednesday, the Local Review measure drew support from ranking subcommittee Democrat Carolyn Maloney (NY), though on the same day Maloney also introduced a bill to invalidate the Supreme Court ruling. H.R. 472 also drew the support of the League of California Cities and other local representatives. The debate over the census led to short term funding for the Commerce, Justice

and State Departments, and funding for those agencies will expire on June 15 unless additional funding legislation is passed by Congress and signed by the President.

### **CSAC DISCUSSES MANDATORY SOCIAL SECURITY COVERAGE, FEMA ASSISTANCE**

In late January, officials from the California State Association of Counties (CSAC) visited Washington and discussed a variety of federal issues impacting counties with lawmakers and Administration officials. A top priority was urging that state and local employees not be mandatorily covered under Social Security. California is one of seven states with a wide range of state, county and municipal employees covered under separate retirement systems and not Social Security. When the Social Security program was created in 1935, state and local employees were not permitted to be part of the system, and California entities were among the leaders in creating alternative retirement systems. Now, with some proposing to end these alternative systems as a means of buying short-term solvency for the Social Security system, California's public employees could be forced to pay more, lose benefits, or both. Also on the CSAC agenda was seeking to improve the Federal Emergency Management Agency's Public Assistance Program. For further information, call 202-898-1444.

### **GOVERNOR DAVIS SEEKS BOOSTS IN BOND CAP, HOUSING TAX CREDIT**

Continuing the push begun by his predecessor, Pete Wilson, Governor Gray Davis wrote recently asking for increases in the state-by-state caps on tax exempt bonds for housing, industrial development, exempt facilities and student loans. Davis and State Treasurer Phil Angelides also sought an increase in the state-by-state volume cap on the Low-Income Housing Tax Credit (LIHTC). The letter notes that "[T]he current limits on tax-exempt Bonds and Housing Credits used for financing housing have been strangling California's ability to meet the growing housing needs of our State's working poor." Californians in the housing and arenas have been seeking to increase the mortgage revenue bond cap from \$50 to \$75 per capita, and the LIHTC from \$1.25 to \$1.75 per capita, with both being indexed for inflation. Unfortunately, neither adjustment was proposed in the President's FY2000 budget. For further information, contact the California Housing Finance Agency's Terri Parker at 916-322-3991 or Bill Cranham at 916-323-1921.

### **CALIFORNIA HOME SALES CONTINUE TO RISE**

The volume of California home sales continued to rise in December, climbing 0.8% from November and 11.9% from one year before, according to data provided by the California Association of Realtors (CAR). Median home prices rose compared to the preceding December by 6.2%, but values were down slightly when compared on a monthly basis, declining 0.9% from the November figure.

Even on a monthly basis, prices rose in the San Diego and San Francisco Bay areas, and in Ventura and Orange Counties. Prices were down slightly in Los Angeles, Santa Barbara and San Luis Obispo Counties, and in the Central Valley and Inland Empire. Year-over-year prices were widely up, however. Sales volumes were strongly up in every area as well.

Statewide, the 10 cities and communities with the greatest median home price increases in December 1998 compared to the same period a year ago were: Adelanto, Canyon Lake, Twentynine Palms, Selma, Harbor City, Monterey Park, Tarzana, Laguna Beach, West Hollywood and Corte Madera.

For complete details, refer to the CAR website at <http://www.car.org/newsstand/news/jan99-1.html>.