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California Capitol Hill Bulletin

Volume 6, Bulletin 6 -- February 25, 1999

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.

REPS. LEWIS AND FARR ADDRESS CALIFORNIANS

Reps. Jerry Lewis (Redlands) and Sam Farr (Monterey), the chairs, respectively, of the California Republican Delegation and the California Democratic Delegation spoke at a luncheon on Tuesday, February 23. Both members pointed out the successes over the last two years to bring the delegation together on bipartisan issues of importance to California and stressed the need to continue those efforts. Reps. Lewis and Farr acknowledged the leadership of Rep. Lucille Roybal-Allard (Los Angeles) who chaired the Democratic delegation during the last Congress, as well as the hard work of delegation staffers Dave LesStrang and Sherry Greenberg. The members also encouraged the attendees to share their legislative agendas with the delegation, so that a California agenda might be developed. The speakers were introduced by Paul Johnson of the California State Society, Tim Randsell of the California Institute, and Scott Sudduth of the University of California. Farr and Lewis expressed their interest in working to ensure that California receives a fair share of federal formula funding program allocations.

BIPARTISAN CALIFORNIA DELEGATION MEETS WITH GOVERNOR DAVIS

Three-fourths of California's Members of Congress met Tuesday with California Governor Gray Davis in a constructive session to discuss various issues and strategies for improving the economic health of the state.

The 39 Members and the Governor discussed education reform and funding concerns (including accountability, flexibility, class size reduction, a requested federal waiver, and special education funding), increased trade and improved cross-border relations with Mexico, environmental matters such as reformulated gas and MTBE, drug interdiction, the healthy families program, and military base retention.

Governor Davis' agenda for his trip to Washington included seeking support for several items in his budget, including an increased share of funding allocated according to the federal Medicaid assistance

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percentage (FMAP), an increased federal share of family planning funding, and a funding increase sufficient to boost State Criminal Alien Assistance Program (SCAAP) funding to the state by \$100 million. Davis was in Washington for a meeting of the National Governors Association.

DELEGATION LETTER ON ELK HILLS RESERVE GARNERS FULL 52 SIGNATURES

The entire California Congressional Delegation signed a February 12 letter to House Appropriations Committee Chairman Bill Young (FL) urging appropriation of \$36 million for FY 2000 to pay the State of California the second annual installment of compensation in the Settlement Agreement between the Federal Government and the State regarding the Elk Hills Naval Petroleum Reserve. An identical letter was sent to Ralph Regula (OH), chair of the Appropriations Interior panel.

In 1996, Congress authorized the sale of the Elk Hills Naval Petroleum Reserve and created a process by which to pay California for its claims to two sections of land within Elk Hills. As part of the \$3.65 billion sale of Elk Hills, a total of \$324 million was set aside for California State Teachers Retirement System.

REP. MATSUI SEEKING CO-SPONSORS FOR SEMICONDUCTOR DEPRECIATION BILL

Rep. Bob Matsui (Sacramento) and Rep. Nancy Johnson (CT) will be re-introducing legislation to bring the tax depreciation life on semiconductor manufacturing equipment more in line with its actual useful life. The bill, which will reduce the tax depreciation period from five years to three years, is expected to be introduced the first week of March. It is substantially identical to their bill from the 104th Congress, which was co-sponsored by a large number of California members.

The semiconductor industry employs 70,000 persons in high-wage jobs in California, and the equipment manufacturing industry employs another 30,000 Californians. Unfortunately, because of the current global fiscal crisis, both industries have been in a downturn for the last year or so. Semiconductor equipment industry sales dropped over 25 percent in 1998, and may fall even further in 1999. The semiconductor industry's sales are also down, and experts estimate that 1996 levels of sales may not be reached until at least the year 2000.

Although the current tax code allows a five year depreciation on semiconductor manufacturing equipment, the actual useful technological life is about two to three years. Other countries competing for business in the industry, however, offer far more advantageous depreciation periods. Japan, for instance, allows 88 percent of the cost to be written off in the first year.

The semiconductor and equipment manufacturing industries strongly support enactment of the Matsui/Johnson bill in 1999.

Members wishing to co-sponsor the legislation should contact Francis Grab in Rep. Matsui's office at x57163, or Todd Funk in Rep. Johnson's office at x54476.

DELEGATION CIRCULATING LETTER TO RILEY ON EDUCATION FUNDING

Reps. Duke Cunningham (San Diego), Lynn Woolsey (Petaluma), Buck McKeon (Santa Clarita) and Nancy Pelosi (San Francisco) are circulating a bipartisan delegation letter to Education Secretary Richard Riley. The letter expresses concern "that the Department is making an error in applying federal education program funding formulas in a way that is shortchanging California's school children some \$3 million over two fiscal years." The letter goes on to explain that the Title I, Education for the Disadvantaged, program in the Elementary and Secondary Education Act (ESEA) currently includes a 100% hold harmless provision passed by Congress last year. These artificially stagnant figures were not intended to be used as the base on which other programs, such as the Eisenhower Professional Development, Safe and Drug Free Schools State Grants are based. Instead, these other programs that

use Title I funding in their own formulas should use Title I figures that would be current without the hold harmless provisions.

Members interested in signing should contact Frank Purcell with Rep. Cunningham at x57612 or Lynda Theil with Rep. Woolsey at x55161. The deadline for signing the letter is noon, Monday, March 1.

COAST GUARD TRAINING CENTER DELEGATION LETTER CIRCULATING

Rep. Lynn Woolsey (Petaluma) is circulating a letter to west coast senators and representatives addressed to Transportation Secretary Rodney Slater. The letter is a final push to keep the Two Rock Coast Guard Training Center in Petaluma, CA, from being closed as part of the Coast Guard review of possible consolidation of the five remaining training centers. A letter from the entire delegation was sent to Secretary Slater last November. Members wishing to sign the letter should call Janice Morris in Rep. Woolsey's office as soon as possible at x55161.

Y2K LITIGATION LEGISLATION INTRODUCED IN HOUSE AND SENATE

The "Year 2000 Readiness and Responsibility Act" was introduced in both the House and Senate this week. The bills are intended to encourage private companies to resolve Year 2000 computer problems without litigation. The House bill, H.R. 775, was introduced on Tuesday, February 23 by Reps. Tom Davis (VA) and Jim Moran (VA). California Reps. David Dreier (Covina), Cal Dooley (Visalia) and Chris Cox (Huntington Beach) are original co-sponsors of the bill, and Reps. Ellen Tauscher (Pleasanton), Ed Royce (Fullerton), Duke Cunningham (San Diego) and Tom Campbell (Campbell) have also co-sponsored the House bill. The Senate bill, which is substantially similar to the House bill, was introduced by Sens. Orrin Hatch (UT) and Dianne Feinstein on Wednesday, February 24.

Among other provisions, both bills call for a 90-day "cooling off" period if a company has a Y2K complaint against an information technology company. The aggrieved company must give written notice to the other business within 30 days, and then the prospective defendant has 60 days to resolve the problem before suit can be filed. Lawsuit pleadings, under the bills, must contain specific facts regarding the amount and nature of money damages and the basis for calculating damages, and must show specific facts demonstrating material Y2K defects. The bills also limit punitive damages to either: (1) the lesser of three times actual damages or \$250,000 for individuals whose net worth is \$500,000 or less and for any small businesses; or (2) the greater of three times actual damages of \$250,000 for all other defendants.

Passage of the bills is very strongly supported by California's information technology community, because of the potential for a massive number of frivolous lawsuits in the wake of any Y2K glitches.

For further information, or to co-sponsor the legislation, House members may contact either Amy Heerink in Rep. Davis' office at x51492 or Paul Reagan in Rep. Moran's office at x54376.

REPS. LOFGREN AND GOODLATTE RE-INTRODUCE ENCRYPTION BILL

On Thursday, February 25, Reps. Zoe Lofgren (San Jose) and Bill Goodlatte (VA) re-introduced the "Security and Freedom Through Encryption (SAFE) Act. The bill is aimed at easing U.S. export controls on encryption products and software to ensure that U.S. global competitiveness is not undermined. Original co-sponsors of the bill number 204, including: Majority Leader Richard Arney (TX), Minority Leader Richard Gephardt (MO), Majority Whip Tom DeLay (TX), Minority Whip David Bonior (MI), House Republican Conference Chair J.C. Watts (OK), and Democratic Caucus Chair Martin Frost (TX), among others. In addition, a strong, bipartisan, cross-section of 35 California members have already co-sponsored the legislation.

The bill provides that it is legal for any person in the U.S. or any U.S. person in a foreign country to use or sell any form of encryption. It also prohibits the federal government from requiring a key recovery system to provide access to the system through a third-party. Finally, it allows the export of very strong, generally available, encryption technology after a one-time, 15-day technical review by the government.

Members interested in co-sponsoring the bill should contact Jason Mahler in Rep. Lofgren's office at x53072, or David Lehman in Rep. Goodlatte's office at x55431.

IMMIGRATION SUBCOMMITTEE LOOKS INTO INS POLICIES

The Immigration and Claims Subcommittee of the House Judiciary Committee held a hearing on February 25 to address concerns over recent INS proposals to release criminal aliens from detention facilities and not to request funding for new border patrol agents for FY2000.

Among other witnesses, the subcommittee heard from Doris Meissner, INS Commissioner. Commissioner Meissner testified that the INS has not released any criminal aliens who are subject to mandatory detention. She stressed that the INS will continue to detain and remove from the U.S. aliens subject to mandatory detention under the 1996 reform act, and that the number of such removals has increased from 28,600 in FY93 to 56,100 in FY98. She also testified that the INS would consult with the subcommittee regarding plans for mandatory detainees. On the border patrol issue, Ms. Meissner pointed out that over the last two years the INS has had to hire and train more than 3,600 agents due to the significant attrition rate in these jobs, and that nearly 40 percent of the Border Patrol agents have less than two years experience. According to Ms. Meissner, the agency needs a year of consolidation to ensure that the force meets the highest standards of law enforcement.

The subcommittee also heard from Norman Rabkin, Director of Justice Issues for the General Accounting Office. Mr. Rabkin briefed the subcommittee on GAO's recently released report which found that the INS needs to improve its efforts to identify and remove imprisoned aliens. The report finds that the INS has not identified all potentially deportable imprisoned criminal aliens. As a result, the GAO found that INS has not fully complied with legal requirements to place criminal aliens who committed aggravated felonies in removal proceedings while they are still incarcerated or take those felons into custody upon their release from prison.

The complete witness list and testimony from the hearing can be obtained from the Subcommittee website at <http://www.house.gov/judiciary>.

SENATE COMMITTEE HOLDS HEARING ON RESEARCH NEEDS AND CONFIDENTIALITY OF MEDICAL RECORDS

The Senate Health, Education, Labor, and Pensions Committee held a hearing on February 24 to examine current practices to ensure the confidentiality of patients' medical records while not undermining legitimate medical research.

The panel heard from Dr. Gary Ellis of the National Institutes of Health who explained the "Federal Policy for the Protection of Human Subjects" (often called the "Common Rule"), which federal agencies use to ensure confidentiality during medical research. Under the Rule, the research organization sets up an Institutional Review Board (IRB) of at least five members. The IRB is responsible for reviewing medical research projects to ensure that several delineated safeguards are in place to ensure patient confidentiality. Dr. Ellis testified that the IRB system performs well in ensuring confidentiality, and that NIH and other federal agencies are always open to suggestions to further improve the system.

The panel also heard from Ms. Bernice Steinhardt of the General Accounting Office, who briefed the Committee on GAO's recently released report: *Medical Records Privacy: Access Needed for*

Health Research, But Oversight of Privacy Protections Is Limited (GAO/HEHS-99-55). Although the GAO report found that the organizations it reviewed all used several safeguards to protect medical record confidentiality, it concluded that IRB review, or another form of external oversight, is limited.

Dr. Elizabeth Andrews, Director of Worldwide Epidemiology for Glaxo Wellcome, testified on behalf of the Pharmaceutical Research and Manufacturers of America (PhRMA). Dr. Andrews testified that the GAO report findings were consistent with PhRMA's findings that legislation to merely expand the scope of IRBs would not be sufficient to ensure patient confidentiality. She stated that IRBs do not have the necessary expertise in reviewing confidentiality practices, and also would not have the capacity to handle the increased volume of reviews of all medical research. Instead, PhRMA supports S. 2609 from last Congress, which established a standard mechanism to require each institution to establish safeguards, policies and procedures for protecting data that identifies patients.

Complete copies of the testimony can be obtained from the Committee at 202-224-5375.

REPS. MATSUI AND JOHNSON REINTRODUCE PERMANENT R&D TAX CREDIT BILL

Reps. Bob Matsui (Sacramento) and Nancy Johnson (CT) on Wednesday, February 24, re-introduced their bill to permanently extend the Research and Development (also known as the Research and Experimentation) tax credit. The bill, H.R. 835, was introduced with about 100 co-sponsors, including a large, bipartisan cross-section of California members.

The credit is currently scheduled to again expire on June 30, 1999. Because it has always been extended for only limited time periods, since it was first enacted in 1981, Congress has had to pass new legislation almost every year to extend the credit, and it has been allowed to lapse for considerable periods in the past.

In March 1998, 48 members of the California congressional delegation signed a letter to the leaders of the House Ways and Means Committee urging an extension of the R&D tax credit, and expressing support for making the credit permanent. The credit is very important to California's high technology and aerospace industries, which must devote significant money to R&D in order to stay globally competitive. California's biotech and information technology companies have increased R&D spending from \$10.5 billion to \$64.2 billion since the credit was first enacted.

Other California members wishing to co-sponsor H.R. 835 should contact either Francis Grab in Rep. Matsui's office at x57163, or Todd Funk in Rep. Johnson's office at x54476.

DISASTER PREPARATION LEGISLATION

On Wednesday, the House Transportation Subcommittee on Oversight, Investigations and Emergency Management unanimously approved H.R. 707, the Disaster Mitigation and Cost Reduction Act of 1999. The bill amends the Robert T. Stafford Disaster Relief and Emergency Assistance Act to authorize a program for predisaster mitigation, to streamline the administration of disaster relief, and to control the Federal costs of disaster assistance. The bill authorizes a total of \$105 million over two years in hazard mitigation and proposes a 33% decrease in post disaster spending. Specifically, it would authorize \$25 million for fiscal 1999 and \$80 million for fiscal 2000 to help states develop disaster preparation plans, and each state that adopts a plan could receive \$500,000 a year. The bill would authorize grants for services that are currently not covered during or after a disaster, such as dental care and funeral costs, and would allow federal aid to help states and local governments repair public facilities, including property owned by nonprofits. States could be reimbursed for administrative costs associated with helping disaster victims. Victims could be eligible for up to \$25,000 in federal assistance per event, and could receive up to \$5,000 for repairs which are not covered by insurance. Subcommittee Chairwoman and bill author Tillie Fowler (FL) said she may offer an amendment later regarding the

requirement that nonprofit groups apply for disaster relief from the Small Business Administration before they could be eligible for general federal disaster aid. The measure could be considered by the House Transportation and Infrastructure Committee as early as next Tuesday.

Following the Transportation Committee's action, the House Small Business Committee met on Thursday and passed by voice vote H.R.818, a bill that would establish a pilot program to help small companies better prepare for natural disasters. The measure would authorize the Small Business Administration (SBA) to lend up to \$15 million a year from FY00 through FY04 to support programs that help mitigate disasters. The SBA would work with the Federal Emergency Management Agency to structure the programs.

HOUSE ARMED SERVICES BACKS MISSILE DEFENSE

By a 50-3 margin, the House Armed Services Committee on Thursday approved a measure declaring it a national goal to deploy a nationwide ballistic missile defense system. All California members of the committee voted in favor. House floor consideration is expected in the near future. The House measure does not specify when to deploy such a system; a Senate bill likely to reach the Senate floor in the next several weeks urges deployment "as soon as technologically possible," thereby prompting a veto threat from the White House.

EDUCATION SECRETARY SPEAKS AT CSU LONG BEACH, VISITS SACRAMENTO

Members of the California-DC Education Alliance met last week with Secretary of Education Richard Riley during his visit to California to deliver his sixth State of American Education address at California State University, Long Beach. In addition to highlighting programs, Secretary Riley emphasized the need to rebuild America's education system and to recruit and retain qualified teachers. After the address, Secretary Riley visited with local Members of Congress, including Reps. Steve Kuykendall, Juanita Millender-McDonald, and Grace Napolitano, as well as California's Secretary of Education and Child Development Gary Hart, Superintendent of Public Instruction Delaine Eastin, and others.

The following day, Secretary Riley toured a Sacramento middle school with Governor Davis, lunched with members of the California legislature, and met with education, labor, and business leaders. The meeting included the California-DC Alliance Steering Committee, the Education Coalition, California Business for Education Excellence and representatives from business, labor, and higher education to discuss California's progress on developing standards, accountability, school modernization and construction, teacher recruitment, and class size reduction. Secretary Riley promoted making teaching a first-class profession, urging a change in public perception about the value of teaching, both to encourage young people to choose teaching as a profession and to encourage mid-career transitions from the military, classified school employees, and other positions into teaching.

BIOSAFETY PROTOCOL DERAILED

Efforts to create a global treaty to regulate trade in genetically modified products were derailed Wednesday when the United States, Canada, Australia, Chile, Argentina and Uruguay clashed with 120 other countries over details of the potential Biosafety Protocol. A particular sticking point was whether the requirement for advance approval by an importing nation of genetically modified materials should apply to agricultural commodities meant for eating or processing, as opposed to planting.

Twenty-five to forty-five percent of major crops grown in the United States are genetically modified, and US negotiators feared the proposal could block or stall more than \$50 billion in annual

farm exports. The delegates at the meeting agreed to suspend the talks and resume them no later than May 2000.

CITRUS FREEZE UPDATE

The Clinton Administration announced Wednesday that California citrus workers in seven counties who lost their jobs due to this winter's freeze will be eligible for housing assistance and emergency medical aid. The Department of Labor will provide \$3 million for supportive services and the Federal Emergency Management Agency announced that workers displaced by the freeze will have up to six months to apply for long-term mortgage and rental assistance, which can be provided for up to 18 months. For more background on a broad range of freeze aid, see *Bulletin*, Vol. 6, [Nos. 1 \(1/21/99\)](#), [2 \(1/28/99\)](#), & [5 \(2/11/99\)](#).

COMMUNITY COLLEGES, COUNTIES, CITIES PRESS CASE AGAINST MANDATORY SOCIAL SECURITY COVERAGE

Among the myriad California organizations formally expressing their opposition recently to proposals requiring all state and local employees to come under the Social Security system are the California Community Colleges, the California State Association of Counties (CSAC), and the League of California Cities.

While in Washington for a meeting of a national group this week, representatives of the California Community Colleges met with members of Congress and staff regarding the burden on the state's two-year institutions of mandating Social Security coverage. More than 45,000 faculty and many administrators are not currently covered by Social Security, and the system estimates that mandating coverage would cost \$1,600 per new faculty hire or would result in a 70% reduction in benefits for new employees to hold costs constant. (While in Washington, college trustees, staff and others affiliated also focused on federal budget issues as well as the heavy tax reporting burden associated with Hope Scholarships and Lifetime Learning tax credits.)

In other activity on the issue, CSAC President Jerry Eaves and League President Carolyn Ratto wrote a joint letter to California members recently urging opposition to mandatory Social Security coverage for new hires. The letter cited a CalPERS estimate that the 10 year cost to California cities, counties, and special districts would exceed \$5.4 billion.

WINE LABELING

For 10 years, it has been mandatory to include on wine bottles health and safety warnings. But now officials at the Bureau of Alcohol, Tobacco and Firearms (BATF) have decided that winemakers may add another label to the bottle to encourage consumers to learn more about the possible benefits of drinking wine. John De Luca, president of the Wine Institute representing 450 California wine growers and makers was reported as commenting that the label is "a milestone, another sign that wine is no longer considered a gateway drug or a sin that warrants higher taxes, trade limitations or advertising restrictions."

Senator Strom Thurmond (SC) denounced the decision and introduced legislation Monday, February 22, which outlaws health messages on wine labels and would slap a 300 percent excise tax hike on the beverage. His bill also moves regulation of alcoholic beverages from the BATF to the Department of Health and Human Services, using funds for health programs. Wine industry representatives, such as Mr. De Luca, Carolyn Martini, president of the Louis Martini Winery in the Napa Valley, and Tom Shelton, president of the Napa Valley Vintners Association have expressed displeasure with Thurmond's

label/tax legislation, with De Luca calling the excise tax increases “draconian” and Shelton describing the measure as “concerning”.

California wines account for roughly three out of every four bottles sold in the U.S. and 90% of U.S. exports. For more information, refer to the Wine Institute’s website at <http://www.wineinstitute.org/newstuff/communications/thelabel.htm> .