



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 6, Bulletin 8 -- March 11, 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.

ENCRYPTION BILL MARKED UP IN JUDICIARY PANEL

The House Judiciary Subcommittee on Courts and Intellectual Property reported out H.R. 850, the Security and Freedom Through Encryption bill on Thursday, March 11. The subcommittee approved the bill by voice vote without amendment.

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. It clarifies 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. See, [Bulletin, Vol. 6, No. 6 \(2/25/99\)](#).

The full Committee hopes to mark up the legislation before the Easter recess. The bill has been jointly referred to the International Relations Committee. Additionally, sequential referrals to the Commerce, Armed Services, and Intelligence Committees are expected. The encryption bill introduced in the 105th Congress ran into strong opposition in these committees. California's information technology companies strongly support the bill because of the serious potential of undermining U.S. competitiveness vis-a-vis foreign manufacturers of encryption devices and software.

SEMICONDUCTOR DEPRECIATION BILL INTRODUCED

Reps. Bob Matsui (Sacramento) and Nancy Johnson (CT) introduced their semiconductor tax depreciation bill on Thursday, March 11. The bill would bring the tax depreciation life on semiconductor manufacturing equipment more in line with its actual useful life by reducing the tax depreciation period from the current five years to three years.

At introduction, the bill had already been co-sponsored by a bipartisan group of California members, including Reps. Mary Bono, Tom Campbell, Gary Condit, Chris Cox, Duke Cunningham, Anna Eshoo, Wally Herger, Steve Kuykendall, Jerry Lewis, Zoe Lofgren, Grace Napolitano, Ellen Tauscher, and Mike Thompson. In addition to the Dear Colleague being circulated by Reps. Matsui and Johnson, Rep. Campbell sent a letter

CONTENTS:

Encryption Bill Marked Up in Judiciary Panel	1
Semiconductor Depreciation Bill . . .	1
Bipartisan Delegation Letter on Class Size Reduction	2
Education Flexibility Measures . . .	2
Y2K Hearings Continue While Compromise Is Sought	3
Cunningham/Tauscher Letter on Fusion Science Funding	3
Two Medicaid Letters to HHS	4
California County Officials Visit . .	4
Delegation Members Address Cities	5
MTBE - Update	5
Citrus Freeze - Additional News . .	5
Housing Subsidies: Low-Income Housing Waiting Lists Grow . . .	5
Feinstein Asks Davis to Support Maglev Bid	6
Four So. Cal. Counties Show Largest Population Gains	6

urging his California colleagues to co-sponsor the bill. Members wishing to co-sponsor should contact either Frances Grab in Rep. Matsui's office at x5-7163, or Todd Funk in Rep. Johnson's office at x5-4476.

The bill is strongly supported by California's semiconductor industry, which employs 70,000 persons in high-wage jobs in California, as well as the semiconductor equipment manufacturing industry, which employs another 30,000 Californians.

CUNNINGHAM AND FARR CIRCULATING BIPARTISAN DELEGATION LETTER ON CLASS SIZE REDUCTION TO EDUCATION SECRETARY RILEY

In a collaborative effort begun by Governor Gray Davis, Rep. Duke Cunningham (San Diego), and other education-focused Californians during the recent Congressional delegation meeting in Washington, the bipartisan Congressional delegation is circulating a letter seeking flexibility for the state in the use of education funds.

California is now in its third year of a class size reduction program for children in grades K-3. The effort has been largely successful, with statewide average class size at 19 pupils, down from 28.8 before the initiative. The Federal Class Size Reduction (CSR) program provides funds to states, and Governor Davis is seeking to use the federal CSR program funds to reduce class sizes in middle-school grades, in addition to continuing class size reduction in the early grades. He has requested a waiver to permit school districts this flexibility if their early grade class size average is under 20, rather than under 18 as a provision in last falls Labor-HHS-Education Appropriations bill now requires.

A bipartisan delegation letter to Education Secretary Richard Riley is being circulated that supports Governor Davis' request. The letter states, "On a bipartisan basis, we support this waiver which provides our local school districts the flexibility they need to reduce class size where the needs are greatest to help improve literacy, math and science, and other academic achievement."

Members wishing to sign on to the letter may call Frank Purcell (with Rep. Cunningham) at 5-5452, or Sherry Greenberg (with Rep. Farr) at 5-2861.

EDUCATION FLEXIBILITY MEASURES PASS HOUSE AND SENATE

The Education Flexibility Partnership Act of 1999 (called "Ed-Flex") expands to all 50 states a program that began in 1994 as a pilot effort in six states and was expanded in 1996 to 12 states. The program entails waivers from enforcement of seven federal education program regulations (including parts of Title I, technical grants, teacher training, anti-drug programs, immigrant education, and vocational education) as long as the schools show justification for the waiver and continued accountability. The ed-flex bill affects a portion of rules governing the \$15 billion in education spending for kindergarten through high school. Current laws already prohibit states from waiving rules regarding a school's safety, assurance of student civil rights, instruction of special education students and maintenance. These rules are the most expensive and time-consuming to follow.

The House today passed, 330-90, its version of the Ed-Flex bill (HR800). The House rejected (196-228) an amendment offered by Rep. George Miller (Martinez), which would have required those states seeking waivers to measure overall student achievement and compile statistics by race, ethnicity and socioeconomic group. The House also rejected, 195-223, an amendment by Rep. Robert Scott (VA) which would have prevented school districts where low-income students account for more than 25 percent of enrollment from obtaining waivers for the use of Title I funds geared toward disadvantaged students.

The Senate passed its version of the bill, S280, Thursday by a vote of 98-1. An amendment presented by Senator Lott was adopted 78-21 which gives states and localities the option of using \$1.2 billion funded in the 105th Congress omnibus appropriations bill for hiring new teachers for special education. The amendment also allows funds originally earmarked for after-school and summer school programs to also be used for special education.

Several other amendments were defeated on largely party-line votes. An amendment by Sen. Patty Murray (WA) and Sen. Edward Kennedy (MA) would have authorized \$11.4 billion for the remaining six years of Clinton's plan to hire 100,000 new teachers and reduce class size. Sen. Barbara Boxer had an amendment (defeated 44-55) authorizing \$600 million a year for five years for after-school programs to serve more than one million K-12 children. Sen. Dianne Feinstein co-authored an amendment (defeated 44-55) that sought to end social promotion with \$2.5 billion in grants over five years to areas that would prohibit the practice. Other failed amendments included prohibiting governments from using the flexibility to waive portions of Title I (Wellstone, 40-59) and a dropout prevention program (Bingaman, 44-55).

Y2K HEARINGS CONTINUE WHILE COMPROMISE IS SOUGHT

While both the House and Senate held hearings this week on the need to limit liability in litigation arising out of the Year 2000 computer problem, the Senate Judiciary Committee postponed its mark-up of S. 461, while it continued negotiations to resolve opposition to the bill. See [Bulletin, Vol. 6, No. 7 \(3/4/99\)](#).

On March 9, the House Government Reform Committee's Subcommittee on Government Management, Information and Technology (chaired by Rep. Steve Horn (Long Beach)), and the Science Committee's Technology Subcommittee held a joint hearing addressing the issue. Among other witnesses, the Subcommittees heard from Tom Donohue, President and CEO of the U.S. Chamber of Commerce. Mr. Donohue pointed out the Chamber represents business interests on both sides of the Y2K problem -- those likely to be plaintiffs, as well as defendants in any litigation. Nevertheless, the Chamber supports expeditious passage of H.R. 775, the Y2K liability limitation bill, as an effective way to encourage businesses to remediate Y2K problems, rather than spend tremendous resources litigating them. In fact, Mr. Donohue testified, the Giga Information Group, a technology-consulting firm, has estimated that Y2K litigation may cost \$2 to \$3 for every dollar spent fixing the problem.

In the Senate, the Special Committee on the Year 2000 Technology Problem, met on Thursday, March 11, to consider the liability issue. Among other witnesses, the Committee heard from George Scalise, President of the Semiconductor Industry Association (SIA). Mr. Scalise pointed out that there are a myriad number of issues to consider when evaluating the semiconductor industries Y2K readiness, because of the thousands of different kinds of semiconductors, and the fact that in many cases the date processing software is either owned by the customer, or is manufactured to the customer's specifications. Nevertheless, the industry is cooperating fully with its customers to provide information so that the manufacturer of the finished electronic product can determine how the elements of the system function together as an integral unit and whether the product is Y2K ready.

John McGuckin, Exec. Vice President on Union Bank of California, testified on behalf of the American Bankers Association (ABA) and stated that the banking industry is on track to resolve any Y2K problems before January 1, 2000. Nevertheless, the ABA supports passage of legislation, such as H.R. 775, to allow businesses to remediate any Y2K problem before litigation is filed.

Copies of the testimony of all witnesses can be obtained from the two committees' websites at: <http://www.house.gov/science> or <http://www.senate.gov/~Y2K>.

CUNNINGHAM AND TAUSCHER CIRCULATE LETTER ON FUSION SCIENCE FUNDING

Reps. Duke Cunningham (San Diego) and Ellen Tauscher (Pleasanton) have begun circulating a letter asking that the fusion energy sciences program be funded at \$250 million or more in FY 2000. The letter, addressed to Chairman Ron Packard (Oceanside) and ranking Democrat Pete Visclosky (IN) of the Energy and Water Development Appropriations Subcommittee, is similar to a letter which last year was signed by a bipartisan majority of California Members of Congress.

California is a perennial winner of fusion funding, with as much of one-third of federal fusion spending. Combined military and civilian energy fusion funding of \$270 million per year supports roughly 1,400 direct jobs in the state at companies such as General Atomics and SAIC, universities (including U.C.

campuses at Berkeley, Davis, Irvine, Los Angeles, San Diego and Santa Barbara), and national laboratories at Livermore, Berkeley, and Sandia-Livermore.

The letter notes that, "fusion energy science funding fell 40 percent between FY 1995 to FY 1997, from approximately \$370 million to \$225 million. Since that time, the budget has remained essentially level, except for the inflation that continues to erode the program's effective buying power." It also notes that, "Despite these declines, fusion research has made significant progress towards the eventual realization of this essential energy source of the future."

The authors point out that the fusion energy research community has developed a "roadmap", including definitive milestones, for "reaching the goal of practical fusion in a reasonable time and cost while at the same time maximizing the scientific and technological benefit to the nation." This plan also "leverages for energy purposes the substantial investment in inertial fusion made by DOE's defense programs and the substantial investment made by other nations in magnetic fusion." The letter urges no less than \$250 million for fusion energy science research in FY 2000, plus an additional \$10 million for decommissioning of the Tokamak Fusion Test Reactor facility.

Offices wishing to sign the letter should contact Frank Purcell with Rep. Cunningham at 5-5452 or Sherri Preische with Rep. Holt at 5-5801.

TWO MEDICAID LETTERS TO HHS BEING CIRCULATED

Rep. Sam Farr (Carmel) is circulating two letters regarding Medicaid-related issues discussed by Governor Gray Davis and the bipartisan California Congressional delegation during their recent meeting in the U.S. Capitol. Both letters are addressed to Secretary of Health and Human Services (HHS) Donna Shalala.

One letter focuses on the Federal Medical Assistance Percentage (FMAP) used for allocation of federal matching dollars under Medicaid. The letter argues that data being used by HHS is inaccurate, overstating California's per capita income, thereby inappropriately reducing the amount reimbursed to the state for Medicaid payments. The lower a state's per capita income, the larger the share of a state's Medicaid spending is paid by the federal government. The letter to Secretary Shalala notes that state Department of Finance data, based on tax return and drivers license data, shows that the federal government should actually pay 53.36% of Medicaid costs in California, rather than the 51.67% now paid. The resulting difference, according to the letter, shortchanges California to the tune of \$210 million.

A second letter supports the request for a section 1115 Medicaid waiver for the state's Family Planning, Access, Care and Treatment (PACT) program. The state is requesting a waiver similar to that given last October to Oregon, which now will have its family planning services reimbursed at an enhanced 90:10 matching rate, on the grounds that provision of these services saves larger health care costs which would be incurred at a later time. The state estimates the waiver would result in a \$122 million federal share of the total \$136 million spent on the program.

Offices wishing to sign either or both letters should contact Sherry Greenberg at 5-2861.

CALIFORNIA COUNTIES VISIT WASHINGTON

More than Over 100 California county officials, including leaders of the California State Association of Counties (CSAC), visited Washington last week in conjunction with a national meeting. CSAC officials met with key members of the California congressional delegation to discuss the association's federal legislative priorities for 1999, which include prevention of mandatory Social Security coverage for state and local employees, the Local Law Enforcement Block Grant, Title XX (Social Services Block Grant), and disaster relief. The CSAC contingent met with Sens. Dianne Feinstein and Barbara Boxer, California Delegation co-chairs Rep. Jerry Lewis (Redlands) and Rep. Sam Farr (Carmel), as well as several other members of the delegation and their staffs. CSAC leaders also met with Governor Gray Davis' Washington D.C. staff and both groups offered to work closely on issues of mutual interest.

This year's CSAC Caucus featured comments by representatives from the offices of House Democratic Leader Richard Gephardt and Rep. Buck McKeon (Santa Clarita), as well as staff of the House Subcommittee on Social Security. The three speakers discussed several issues of interest to California county officials, including Social Security reform. CSAC's Washington representatives, Waterman & Associates, conducted an issues briefing for California county officials on March 1, focusing on priority issues for the year, as well as some tips on lobbying members of Congress. For more information see http://www.csac.counties.org/legislation/federal_priorities.html.

CONGRESSIONAL DELEGATION MEMBERS ADDRESS CITIES VISITORS

The League of California Cities held meetings Monday and Tuesday in Washington, including sessions with the California Congressional Delegation and both California Senators. At a Tuesday breakfast, city representatives heard from California Delegation chairs Jerry Lewis and Sam Farr, as well as from Reps. Chris Cox, Bob Matsui, Buck McKeon, and Lynn Woolsey.

Among the priority federal issues for the League is opposing mandatory social security coverage of newly hired public employees, an effort conducted in concert with CSAC (see above), the state, and California's education community. The League is also concerned about FEMA reform and due process in changes to disaster insurance requirements, and opposes "takings" legislation. TEA-21 implementation is also important to the cities group, as are implementation of the Internet Tax Freedom Act of 1998, and increasing private activity bond volume caps.

MTBE - UPDATE

On Tuesday, the Metropolitan Water District joined a variety of other groups in calling for a ban on the smog-fighting gasoline additive MTBE because of its potential threat to drinking water supplies. Under state legislation enacted last year, Gov. Gray Davis has until March 27 to determine whether MTBE poses a significant threat that should be phased out or banned immediately. See, [Bulletin, Vol. 6, No. 4 \(2/4/99\)](#).

CITRUS FREEZE - ADDITIONAL NEWS

Ongoing response aid to those impacted by last December's freeze continued at the State level Tuesday when the Senate Energy, Utilities and Communications Committee approved a resolution by Assemblywoman Sarah Reyes (Fresno), asking the state Public Utilities Commission to approve a payment deferral plan for the electric bills of growers. The measure would allow citrus growers in Monterey, Tulare and other affected counties who lost half or more of their crop in the freeze to defer up to 50 percent of their electricity costs from citrus production. Payments could be deferred up to 12 months and would have to be repaid in the following 12 months.

Representatives of Pacific Gas and Electric and Southern California Edison told the panel considering the bill that they supported the measure by Reyes, which next goes to the full Senate. The Public Utilities Commission is expected to consider the issue on April 1. PUC officials had asked the Legislature formally to request that it adopt a payment deferral plan, just as lawmakers did before the PUC took a similar step after the 1990-91 freeze.

HOUSING SUBSIDIES: LOW-INCOME HOUSING WAITING LISTS GROW

The U.S. Department of Housing and Urban Development released a report Monday addressing the status of both federal subsidies for private market housing, and public housing. Between 1990 and 1998, the housing need in Los Angeles was so great that federal officials considered the list full and wouldn't allow additional people to sign up for the vouchers. The list was reopened in 1998 with 8,000 applicants. The *Los Angeles Times* quoted a HUD source as saying that by the beginning of 1999, the number of applicants in Los Angeles waiting for a Section 8 rent assistance voucher had climbed to 153,000. In the city and county combined, 342,000 Los Angeles families are awaiting section 8 assistance. The number in San Francisco is

38,000. Nationally, the wait for a voucher averages about 28 months, up from 26 months in 1996. The report states that the Los Angeles list currently entails a 10-year wait for these federal subsidies.

With respect to public housing, Los Angeles city residents are better off than others around the country. Nationwide, the average wait is 33 months, up from 22 months in 1996, for the largest public housing authority. In the city of Los Angeles, the wait is about a year; however, it jumps to three years for public housing applicants in Los Angeles County. The report estimates 47,000 families are on the waiting list in L.A. County, and 14,000 in San Francisco. In Oakland, the wait has now risen to six years. Public housing waiting times have increased by 17 percent in San Francisco and 24 percent in Los Angeles County

Rents nationwide increased 6.3 percent from 1995 to 1997. Incomes for the lowest 20 percent of households increased 6.0 percent.

The report also noted that private landlords are "opting-out" of HUD-assisted subsidy contracts, threatening to worsen the low-income housing situation. In 1998, almost 13,000 housing units were lost through opt-outs, as owners quit the project-based Section 8 program in search of higher market-rate rents.

The Administration is seeking a \$2.5 billion increase in the HUD budget, to \$28 billion. The report, "Waiting in Vain: Update on America's Rental Housing Crisis", is available on the HUD website, at <http://www.hud.gov/houscris.html>.

FEINSTEIN ASKS DAVIS TO SUPPORT MAGLEV BID

Senator Dianne Feinstein wrote last week urging Governor Gray Davis to endorse a bid by the Southern California Association of Governments (SCAG) for a Maglev Technology Development grant from the Federal Railroad Administration. The TEA-21 transportation legislation passed last June created a competitive program to award \$1 billion next year to a state-sponsored magnetic levitation train (maglev) project. The FRA received 11 applications for planning grants, and it will reportedly award five such grants next month. State endorsement of an application is a pre-requisite for FRA consideration. Assuming available funding, the FRA would then select one of those five projects for the \$1 billion construction award in July 2000.

The SCAG project proposes a maglev route from LAX to Union Station, Ontario Airport and terminating in Riverside, at March Air Force Base. Feinstein's letter states that, "Such a maglev system is thought to be safe, low maintenance, and environmentally friendly." She adds that, "Maglev technology in the Los Angeles region may also bring the added benefit of addressing the challenge of increasing air travel ... by expanding access to regional airports, not by competing with air travel for intercity travel."

Maglev transportation was among the items in the California delegation's TEA-21 priority list last year, and was supported by Senator Barbara Boxer and California's House Transportation Committee members.

FOUR OF THE NATION'S SEVEN COUNTIES WITH LARGEST POPULATION GAINS ARE IN SOUTHERN CALIFORNIA, CENSUS REPORTS

The Census Bureau was scheduled to release its estimates of population changes in the nation's counties on Friday, March 12. According to the Bureau, four California counties were among the seven with the largest numbers of new residents between 1997 and 1998. These included #1 Los Angeles County (with 97,027 more residents), #3 Orange County (58,140 more), #4 San Diego County (56,881 more) and #7 Riverside County (39,628 more). The complete county population growth report, including rankings for all counties, was due for posting on the Census Bureau website in the near future, at <http://www.census.gov/population/www/estimates/countypop.html>.