



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 11 -- April 1, 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.

ALL 52 CALIFORNIANS SIGN SCAAP LETTER

For the third year in a row, all 52 members of the California Congressional Delegation have signed a letter to Chairman Hal Rogers of the Commerce, Justice, State Appropriations Subcommittee, calling for the full \$650 million authorized for the State Criminal Alien Assistance Program (SCAAP) in its FY2000 appropriations.

SCAAP funds are provided to state and local governments to partially reimburse the costs of incarcerating illegal criminal aliens. California reported that in 1997-98 it spent \$663 million annually to incarcerate illegal criminal aliens, which is roughly three times more than it has received in past annual reimbursements from the federal government. In addition, although the current SCAAP authorization level is only \$650 million, nationally state and county jurisdictions apply for about \$1.46 billion in SCAAP reimbursements annually. Last year, Congress appropriated \$585 million for the program.

ESHOO INTRODUCES Y2K LIABILITY BILL

Just before heading into the Spring recess, Rep. Anna Eshoo (Atherton) introduced H.R. 1319, the "Y2K Fairness and Litigation Act," which she hopes will become the vehicle for resolving the problem of frivolous litigation that may result because of the Year 2000 computer problem. Sens. Dianne Feinstein, Orrin Hatch (UT), and John McCain (AZ) also have bills on the issue, as do Reps. Tom Davis (VA) and David Dreier (Covina). See, *Bulletin*, Vol. 6, [Nos. 7 \(3/4/99\)](#) & [10 \(3/25/99\)](#).

Rep. Eshoo's bill is identical to legislation introduced on the Senate side by Sen. Chris Dodd (CT). It retains the 90-day cooling off period and proportional, rather than joint and several, liability. However, unlike the other bills, it does not put a cap on attorneys' fees and contains no provisions limiting the liability of officers and directors.

Although both the Senate Commerce and Judiciary Committees have reported out bills on Y2K liability, the House has not yet begun consideration of its bills.

DAVIS SEEKS MTBE PHASE OUT

On March 25, Governor Gray Davis announced that "there is, on balance, a significant risk to California's environment associated with the continued use of MTBE in gasoline." Pursuant to that finding, he therefore directed state regulatory agencies to immediately begin a phase out of MTBE from

CONTENTS:

52-Member California Delegation Sign SCAAP Letter	1
Eshoo Y2K Liability Bill	1
Davis Seeks MTBE Phase Out	1
Fishing Halted in North Coast	2
Senate Panel Examines Restricting Internet Wine Sale	3
California Economy: Forecast is Sunnier Than Predicted	3
Science and Technology Infrastructure Project	4

California gasoline, with 100% removal achieved no later than December 31, 2002. Governor Davis was obligated by law to make the decision by the end of last week.

Davis also announced that he would be asking the US Environmental Protection Agency for an immediate waiver from the oxygen mandate in the Clean Air Act, with the understanding that California will still fully meet the air quality emission standards of the Act. Davis' Executive Order (D-5-99) regarding this topic calls for the California Energy Commission (CEC), in consultation with the California Air Resources Board, to develop a timetable by July 1, 1999 for the removal of MTBE from gasoline at the earliest possible date, but not later than December 31, 2002. The Order also calls for the California Air Resources Board, the State Water Resources Control Board, and the Office of Environmental Health Hazard Assessment to study ethanol as a potential replacement to MTBE in gasoline and to present the findings to the Environmental Policy Council by December 31, 1999.

Governor Davis' announcement also calls for the California Environmental Protection Agency to work with Senator Feinstein and the California Congressional Delegation to gain passage of Feinstein's bill, S. 645, which would give U.S. Environmental Protection Agency the authority to permanently waive the Clean Air Act requirements for oxygen content in reformulated gasoline to states that meet federal air pollution standards without the use of an oxygenate. Rep. Brian Bilbray (Imperial Beach) has introduced MTBE-related legislation in the House. Additionally, the Order directs the State Water Resources Control Board to seek legislation to extend the sunset date of the Underground Storage Tank Cleanup Fund to December 31, 2010 and increase the reimbursable limits for MTBE groundwater cleanups from \$1 million to \$1.5 million.

The Governor's Order stated that the Air Resources Board and the California Energy Commission will "work with the petroleum industry to supply MTBE-free California-compliant gasoline year around to Lake Tahoe region at the earliest possible date." The region has been significantly impacted by MTBE contamination, and officials there criticized Davis' decision to phase out the fuel additive, saying they plan to move forward with an immediate ban of their own.

Oil refiners had lobbied the governor for a four-year phaseout, and executive director of the Western States Petroleum Association Douglas Henderson said in response to the decision that "[w]e applaud his recognition that an immediate ban on MTBE would have a devastating impact on California's consumers and economy." A report produced by the California Energy Commission had estimated gas prices would climb 30 cents per gallon if MTBE is banished without giving refineries enough time to find ample supplies of alternatives, such as ethanol. The Oxygenated Fuels Association released a statement after Davis' announcement stating that any substitute, such as ethanol, should be held up to "the rigid test" of not resulting in "environmental backsliding", gas lines or higher prices at the pumps. ARCO manager of external affairs Tom Markin has said that "[a]s a refiner, we think that it's a useful product. As a retailer, we want our customers to be happy." Chevron Corp. announced earlier this week that it could immediately cut the amount of MTBE it uses by at least half if federal law regarding its use were changed, and rid its gasoline of MTBE within two years of such federal approval. For more background on MTBE, see, *Bulletin*, Vol. 6, [Nos. 4 \(2/4/99\)](#) & [10 \(3/25/99\)](#).

FISHING HALTED IN NORTH COAST

The State Fish and Game Department is for the first time closing North Coast rivers to fishing. The Russian, Garcia, Gualala, Noyo, Navarro and approximately 30 other rivers will be closed from April 1 to May 22 in an effort to protect young steelhead salmon as they migrate to the Pacific Ocean. Steelhead are considered threatened and are under the protection of the Endangered Species Act. Fish and Game spokesman Steve Martarano stated that the commission that oversees the department decided on the ban last June at the recommendation of the National Marine Fisheries Service, the federal agency responsible for protecting steelhead. Fishermen have said the ban is needlessly prohibiting recreational

fishing at one of the best times of the year. Opponents to the decision have said that they should still be allowed to fish for other types of fish while releasing steelhead caught during the migration.

SENATE JUDICIARY CONSIDERING PROPOSAL TO RESTRICT INTERNET WINE SALES

Earlier this month, the Senate Judiciary Committee held a hearing on legislation that would toughen enforcement laws prohibiting the transportation of alcohol to minors. Federal law currently prohibits the importation or transportation of alcohol in violation of state law. S. 577, introduced by Chairman Orrin Hatch (UT), would allow state attorneys general to enforce that law in federal courts. Owners of small wineries in the California have said the bill would in effect prevent them from selling wine nationally.

The Committee heard from three California members: Reps. George Radanovich (Mariposa), Mike Thompson (St. Helena), and Juanita Millender-McDonald (Carson). Reps. Radanovich and Thompson testified against the bill, stating that it would have a seriously detrimental impact on the small wineries in California. Small wineries often cannot find wholesalers and distributors for their products and must rely on direct sales to reach their clientele. Any effort to crack down on the sale of wine over the Internet sales could shut them out of the market entirely. They were also concerned that states would use the new authority to erect barriers to interstate sales of wine and give in-state producers an unfair advantage over out-of-state producers.

Rep. Millender-McDonald, on the other hand, testified that the problem of minors buying alcohol directly over the Internet was increasing and federal efforts to stop the problem were necessary.

The Committee also heard from John DeLuca, President and CEO of the Wine Institute. In his testimony opposing the bill, Mr. DeLuca pointed out that federal jurisdiction already exists. The U.S. Bureau of Alcohol, Tobacco, and Firearms has issued a circular stating that it has jurisdiction over any holder of a federal permit found to be in violation of a state's laws. Mr. DeLuca also testified to the lengths that shippers, such as DHL, go to ensure that they get positive identification of the recipient of the shipment and verify his or her age.

The Committee has not yet scheduled a mark up on the bill.

Complete copies of the testimony may be obtained from the Judiciary Committee's website at: <http://www.senate.gov/~judiciary> .

CALIFORNIA ECONOMY FORECAST IS SUNNIER THAN PREDICTED

A recently released forecast by the UCLA Business Forecasting Project indicates that California's current economic growth is faster and stronger than previously expected. The study, released on March 30, predicts strong growth in the state's jobs, personal income, taxable sales and in-migration this year. Personal income growth was predicted at 4.7%, slightly below the 1998 level but an upward adjustment from the prior '99 forecast of 3.1%. The study's author, UCLA's Tom Lieser, was quoted as commenting that the state is "seeing a remarkably good combination of factors."

The Anderson School forecasters also expect state's unemployment rate will decline further this year, to 5.5% from 5.9% last year. The strength of the national economy has been cited as a factor in the state's relative economic robustness. Other reported factors include strong indicators in building permits and payroll taxes. Ted Gibson, Chief Economist for California's Department of Finance, was quoted as noted that payroll tax withholdings in the first quarter are 12% higher than last year, indicating strong income levels for taxpayers. He also mentioned a new report of employer records from the third quarter of last year, boosting payroll growth last year to about 475,000 jobs, exceeding previous estimates. The strong figures are expected to raise home values, as well as income and sales tax revenues to the state.

Lieser projected that job growth in the construction and service industries, will raise overall job growth by 3.4%, meaning that 1999 could be as good a year as 1998 for California. Continued strong growth was predicted for the entertainment and tourism industries.

The UCLA report forecasts that residential building permits will rise from 125,000 units in 1998, to 153,000 in 1999 and 178,000 in 2000.

SCIENCE AND TECHNOLOGY INFRASTRUCTURE PROJECT

The California Council on Science and Technology recently released preliminary results on their Science and Technology Infrastructure Project which is broken into five different groups. The project's goal is to understand how California's economy can sustain growth and continue to attract high-tech industries to the state.

Linda Cohen, professor of economics at University of California, Irvine, was the principal investigator for one phase of the project, which looked at California's science and technology resources, expenditures and indicators. The results from this portion of the study show that California's industries are responding to changes in federal funding policies. For example, preliminary data shows that since 1990, federal funding for research and development in California has dropped by 31%. However California's industries have responded to this potentially devastating situation with a 101% increase in their research and development funding since 1989. As a result, California conducts 20% of the nation's research and development, more than any other state in the union. Among the benefits has been the creation of 55,000 new jobs between 1995 and 1996 in the electronics and information technology industries.

Lynne Zucker, professor of sociology and policy studies at UCLA, and Michael Darby, professor of money and financial markets at UCLA, principal investigators for phase of the project focused on Basic Science Indicators for Colleges and Universities found that California has 78 of the top National Research Council rated university graduate programs. The next highest is Massachusetts with 29 top rated programs, followed by New York with 23. They also found that California has a far larger science and engineering base than any of the other major science states.

Michael Horvath, assistant professor of economics at Stanford University, headed the research team that analyzed California's sources of venture capital. His results showed that in 1997, one third of the country's venture capital went to California firms, 75% went to Northern California, of which nearly one-half went to Silicon Valley, and 18% to Southern California. Venture capital that is distributed to other states is not equally distributed like it is in California. Mr. Horvath found venture capital given to other states is primarily concentrated in one industrial sector.

Patrick H. Windham, a public policy consultant, was the principal investigator for the impact of Federal labs on the California economy of which he identified main programs, resources and budget trends for Lawrence Livermore National Laboratory, Lawrence Berkeley National Laboratory and the Jet Propulsion Laboratory. Some of the findings include: 48 of the 500 federal research and development labs are in California, the highest number in any one state. California receives 17.8% of national spending for federal laboratories and 44% of the US total for federally funded research and development centers. Even with the reductions in federal defense funding in the early 1990's, federal laboratories constitute 13.1% of total R&D in California.

Sandra Glass, an education and philanthropy consultant headed up the project that analyzed the support that private foundations give to science and technology in California. What she found was in 1995 the sciences received only about 5% of philanthropic funds in California. She also found U.S. foundation funding to California declined 6.3% in 1996 compared to 1989. One reason for this decline is that, over the past decade, more private foundations have required matching funds from other sources for any of their donations.

For further information about the California Council on Science and Technology, see their home page at <http://www.ccst.ucr.edu/> . The CCST Science & Technology Infrastructure Project (S&TIP) is a joint venture between commercial, governmental, and educational concerns designed to examine the current & future state of the economic, educational and natural resources of California. Details about the Science and Technology Infrastructure Project are available at <http://www.ccst.ucr.edu/ccstip/home/home.html> .