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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.

CALIFORNIA INSTITUTE HOLDS SPRING MEETING

On Wednesday, April 7, the California Institute conducted its annual Spring Meeting, this year held at The Boeing Company's C-17 facility in Long Beach. Following a lunch for Institute Advisory Board members hosted by Boeing, Rep. Jerry Lewis addressed the group. He discussed the important role the Institute has played in helping to change the state's past pattern of division and partisanship. He and Rep. Lucille Roybal-Allard, in their roles as deans of the Republican and Democrat Delegations, were successful in the last Congressional session of getting several delegation letters signed by all 52 members of the House, and Rep. Lewis thanked the Institute for its help in this regard.

He also discussed the adjustments he made when moving from Chair of the VA-HUD-Independent Agencies Appropriations Subcommittee to Chair of the Defense Subcommittee with a budget more than triple the size. Among the items he discussed were research and development needs of the future, terrorism as a threat, and laying a foundation with China and India through economic and political relations. During the question and answer segment of the program, several audience members were interested in hearing Rep. Lewis' input regarding the Kosovo situation.

The meeting continued as an open forum, where a broad variety of issues of interest to Californians were discussed, including housing needs, national disaster insurance, Y2K liability, and K-12 education. Tim Randsell also presented a summary of activities of the Institute over the last year, and members of the audience were enthusiastic about the work of the organization as well as the increasing bipartisanship among the Congressional delegation members. Participants in the discussion included former Rep. Carlos Moorhead, staff to various California Members of Congress and Senator Boxer, as well as the California Institute's Board of Directors, Advisory Board, and Economic Advisory Council.

In the third section of the meeting, a number of prominent California economists discussed the economic health of the state. Each is part of the Institute's Economic Advisory Council. Steve Levy, Director of the Center for Continuing Study of the California Economy, discussed his work on growth management and land use, including sustainable development and the pressure on infrastructure, housing,

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and resources. Levy is the author of a study of California growth which examines the tension between growth needs of communities and the desire to improve quality of life and make the state more and more attractive to workers and entrepreneurs. Principles proposed for improving California's land use decision making include 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. Of particular importance are education needs. <http://www.ccsce.com/>

Tom Lieser, Director of the UCLA Business Forecasting Project, reported that there has been no slowdown in the state's economy, as some had expected, citing foreign trade, and the boom in housing construction and other housing related industries as factors influencing and encouraging this steady rise. He noted that high tech, entertainment and aerospace are important sectors of the economy. He also noted that the negative impact on the state of the Asian economy's downturn has been less than had been expected. <http://www.anderson.ucla.edu/research/forecast/index.htm>

Michael Dardia from the Public Policy Institute of California discussed recent PPIC findings about the influence of education on wage disparity in California, focusing differences from the late 1960s to the present day between earnings of males with no high school diploma, with a diploma, and with a bachelor's degree. In 1969, a native Californian with a bachelor's degree earned almost 50% more than a similar worker who had only a high school diploma. By 1989, the return to a bachelor's degree for natives increased to over 60% and in 1997 it was just under 70%. Similarly, the return to holding a high school diploma versus having 11 or 12 years of schooling but no diploma increased from nine percent in 1969 to over 20% in 1989 and to over 35% in 1997. The study finds that immigration and rising returns to skill account for most of the widening income gap. <http://www.ppic.org>

Charlene Simmons, Assistant Director of the California Research Bureau, discussed the status and activities of California's 12 Foreign Trade Offices. She noted that exports of goods produced in California totaled \$109 billion in 1997, up from \$34 billion in 1987, and noted that Japan was the top export market for California, receiving \$17.5 billion in 1997. Electrical equipment, at \$30 billion, and computers, and industrial equipment, at \$28.5 billion, are the top California export industries. <http://www.library.ca.gov/html/statseg2a.cfm>

The Institute wishes to again express its heartfelt thanks to The Boeing Company and its staff in Long Beach for hosting the tour, luncheon and meeting.

LETTER CIRCULATING TO CONDUCT X-34 FLIGHT TESTS IN CALIFORNIA

Californians are circulating a letter to NASA Administrator Dan Goldin supporting plans to conduct flight testing in California for the X-34 experimental aircraft, which is designed to demonstrate Reusable Launch Vehicle technologies.

The Air Force raised concerns about the testing environment in New Mexico, where test flights were originally expected, and has sought instead to conduct the flights at the Dryden Flight Research Center at Edwards Air Force Base, where the program is currently based. California members are supporting the California site, while the New Mexico congressional delegation is working to move the flights to New Mexico. The plane was originally budgeted for just two flights, but NASA has moved that number up to 25.

In their letter, the Californians note "the long history of experimental aircraft testing and hypersonics research at Edwards and NASA-Dryden is the optimal environment for the X-34." In an earlier letter to Goldin, Acting Air Force Secretary F. Whitten Peters referred to the myriad operations already underway at the New Mexico site and ongoing environmental review processes there in his concluding that, "Given all of this and the threat of additional litigation, it is just not a good time to add the X-34 into the mix" in New Mexico.

Offices of California Senators and Members wishing to sign the letter should contact Greg Campbell in Rep. Buck McKeon's office at x5-1956.

REP. CAPPS SPEAKS TO INSTITUTE'S ADVISORY BOARD MEMBERS

On Thursday, Representative Lois Capps (Santa Barbara) joined California Institute Advisory Board Members at a breakfast hosted by PG&E at its offices in Washington. Mrs. Capps fielded various questions from the attendees, including inquiries about her recent appointment to the Commerce Committee. Rep. Capps said that her experience as a nurse helped her receive the nomination to the committee, which has jurisdiction over many health care issues. She was also asked about nuclear waste disposal problems, and current legislation to allow funds to be better allocated for nuclear waste disposal. Regarding K-12 education, Rep. Capps suggested increasing control by local school districts; reducing class sizes in additional grades (expanding the current 20 pupil per class limit in grades K-3 to include higher grades); and creating partnerships between local schools and corporations, creating more mentoring programs.

HOUSE JUDICIARY TAKES UP Y2K LIABILITY ISSUE

The House Judiciary Committee held a hearing on H.R. 775, the Year 2000 Readiness and Responsibility Act, on Tuesday, April 13. The bill would limit the liability of information technology companies involved in Year 2000 computer problems by, among other things, establishing a 90 day cooling off period before litigation could be filed. *See, Bulletin, Vol. 6, [Nos. 7 \(3/4/99\)](#), [10 \(3/25/99\)](#) & [11 \(4/1/99\)](#).*

Reps. David Dreier (Covina) and Cal Dooley (Visalia), who are co-sponsors of H.R. 775, testified in support of the bill, stressing its bipartisan nature, and the need for the legislation in order to prevent costly and frivolous litigation over the issue. The Committee also heard from two panels of witnesses, including Marc Pearl, Sr. Vice President and General Counsel of the Information Technology Association of America. Mr. Pearl strongly supported quick passage of the bill, stating the fear of -- and preparation for -- litigation is already driving too many decisions in the information technology industry. He stated that the bill is a sound follow-up to the Y2K disclosure legislation passed last year, and will work to keep companies focused on communicating and fixing system problems, rather than litigating over them.

Eleanor Acheson, Assistant Attorney General at the Department of Justice Office of Policy Development submitted testimony for the record. She stated that the Administration has serious concerns that H.R. 775 makes significant changes in both federal and state procedural and substantive law. However, according to her statement, the Administration is committed to working with the Committee to formulate "mutually agreeable principles that would form the basis for a needed, targeted, responsible, and balanced approach to Y2K litigation reform."

SENATE SUBCOMMITTEE EXAMINES EXPORT LICENSES

The International Trade and Finance Subcommittee of the Senate Banking Committee held a hearing on Wednesday, April 14 on "*Export Licensing -- Bottleneck or Rubber Stamp*". Sen. Mike Enzi (WY), the Chairman of the Subcommittee, is examining various export control issues prior to introducing legislation to reauthorize the Export Administration Act. In his opening remarks, Sen. Enzi stated that, among other issues, he has concerns about the utility of wholesale end use checks, as required by the 1998 National Defense Reauthorization Act. He hoped the hearing would at least highlight some of the problems and difficulties in producing a system that must balance both business interests and national security.

For the Administration, the Subcommittee heard from Roger Majak, Asst. Secretary for Export Administration at the Department of Commerce and Dave Tarbell, Deputy Under Sec. of Defense for Technology Security Policy and Director of Technology Security for the Defense Threat Reduction Agency. Mr. Majak argued that the export licensing process works in a timely and efficient manner and that 96 percent of all applications are processed and resolved within the 90-day target specified by regulations. Mr. Tarbell stressed that the Department of Defense considers it essential that an interagency review process, such as the current one, remains in force and that DOD continues to be a full participant in that process.

The Subcommittee also heard from James Jarrett, President of Intel-China, where he is responsible for developing and implementing Intel's strategy in that country. Mr. Jarrett strongly supported enacting an export license exemption for mass marketed dual-use products, such as its Pentium microprocessors. He related how Intel first began to have problems with Commerce's licensing requirements in 1998 when the performance of Pentium processors began to exceed the 500 MTOPS (million theoretical operations per second) level then set by Commerce. Intel, which ships 2 million microprocessors every week, had to file numerous applications for civilian end-use exports to countries such as China and the Soviet Union. Only one of those applications was granted before the government raised the MTOPS level to 1,200, thereby allowing license-free exports. Mr. Jarrett testified that Intel's recently introduced Pentium III is now beginning to overtake the current 1,200 MTOPS level and again, many Intel applications for these microprocessors have had to be filed since January and remain pending as they wind their way up the interagency review ladder.

Rather than try and stay ahead of the rapidly accelerating MTOPS levels for PCs, Mr. Jarrett argued that a license exemption for commodity information products would be a significant improvement. He offered that eligibility for the exemption could be based on the following indices: high volume; general purpose application; wide availability; and commodity-like characteristics (e.g., no particular installation or maintenance required). Mr. Jarrett stated that this concept is also supported by the American Electronics Association, the Semiconductor Industry Association, and the Computer Coalition for Responsible Exports.

BRIEFING TUESDAY ON MEDICAL CONFIDENTIALITY AND RESEARCH

Experts from the health care field, consumers groups and the medical research community will brief California Congressional delegation members and staff next Tuesday regarding medical confidentiality issues and their relationship to medical research. The Congressional briefing will take place on Tuesday, April 20 from 10:30 to 12:30 in 2220 Rayburn House Office Building. Among the federal legislative areas to be discussed will be authorization, federal pre-emption, and research uses of data. Participants in the briefing will include the California Health Care Foundation, which is sponsoring the briefing, as well as Genentech, Consumers Union, and others. For more information or to RSVP, contact the California Institute at 202-546-3700.

DEPARTMENT OF ENERGY HOSTING MEDICAL TECHNOLOGY EXPOSITION

The U. S. Department of Energy will host a Medical Technologies Exposition on Tuesday, April 20, 1999, from 9:00 a.m. - 5:00 p.m. The forum will take place at Energy's Headquarters, 1000 Independence Avenue, SW, Washington, D.C. (Forrestal Building Southwest complex, enter on west side of L'Enfant Plaza Promenade).

The Exposition will highlight the advanced medical technologies developed by the Department of Energy and its National Laboratories, including Lawrence Berkeley and Lawrence Livermore Labs in California. Lawrence Berkeley's exhibits will include: New Nuclear Medicine Approaches for Disease

Research; New Molecular Probes for Medical Imaging; Improved Detection of Breast Cancer Using PET; Model for Monitoring Gene Therapy; and Information Technology of Dynamic 3D Biomedical Imaging. Lawrence Livermore's exhibits are: PEREGRINE, Radiation Therapy for the 21st Century; Stroke Treatment With Laser Acoustics; Periodontal Disease Detection With Ultrasound; Blood Chemistry Sensor for Glucose; Small Portable Devices for Pathogen Diagnostics; Digital Mammography System; X-ray Catheter for Unclogging Arteries; and Enhanced Vision Carpal Tunnel Surgery and Improvements in Ergonomics.

There will be a reception following the Exposition from 5:00 - 7:00 p.m. at DOE's Headquarters. All are invited to attend. Contact Sharon Betson at DOE with questions regarding the event at (301) 903-3213.

BILBRAY'S OTAY WILDERNESS ACT APPROVED BY HOUSE

The Otay Wilderness Act of 1999 (HR 15), introduced by Rep. Brian Bilbray (Imperial Beach) was unanimously approved by the House of Representatives on Tuesday. This bipartisan effort calls for the federal protection of Otay Mountain, which sits along the U.S.-Mexico border in southern San Diego County, by designating 18,500 acres as wilderness. Both the Departments of Justice and Interior supported the passage of this legislation because it is a core reserve of riparian woodlands, the only known stand of Tecate Cypress in the United States. The area also includes 15-20 other sensitive vegetative species. Another reason why the bill received widespread support was the proximity of the Otay Mountain area to the border. This area has historically experienced extensive damage due to the illegal immigrant and drug smuggling activity in the region. To alleviate this problem, Senator Dianne Feinstein helped facilitate access by the Border Patrol to Otay Mountain, which resulted in reductions in illegal activity in this region.

DAVIS SENDS MTBE LETTER

Governor Gray Davis concluded on March 26 that the use of the oxygenate methyl tertiary-butyl ether (MTBE) in California gas poses a significant risk to California's environment, and directed that MTBE be phased out. See, [*Bulletin, Vol. 6, No. 11 \(4/1/99\)*](#). Following-up on that action, he sent a letter on April 12 to Carol Browner, Administrator of the US Environmental Protection Agency asking that EPA "take prompt action to waive federal requirements that all gasoline sold in the Sacramento region and most of Southern California contain a minimum oxygen content pursuant to the provisions of the 1990 amendments to the Clean Air Act."

The letter states several reasons why federal EPA action is necessary for a rapid phase out of MTBE. Currently, approximately 70% of all gasoline in California is subject to the federal reformulated gasoline (RFG) program and must contain at least 2.0 percent oxygen year-round. The letter summarizes the research to date on hazards of MTBE, and water sources that have been contaminated. Davis stresses the fact that many California refineries have the ability to produce gas that meets emission reductions without using MTBE or any other oxygenate. Under current EPA requirements, once MTBE is phased out, gas sold in geographic areas subject to the federal RFG program would need to be oxygenated with ethanol, which would make the phase-out period of MTBE longer and result in higher fuel costs. The letter also discusses the needs of refineries in their planning and retooling processes in eliminating the current reliance on MTBE, and how critical it will be for their planning to know whether or not after phasing out MTBE they will still be subject to RFG requirements. If they will no longer be subject to RFG requirements, they can have more flexibility and less costly processes.

Davis calls on Browner to use her "broad authority to protect both the air and water environment by allowing California's reformulated gasoline rules, which provide all of the emissions benefits of the

federal RFG, to be applied in lieu of the counterproductive federal minimum oxygen content requirement.”

Davis also sent a separate letter to each member of the California delegation stating his support for federal legislation introduced in the House (H.R. 11) and in the Senate (S. 266 and S. 645) that would enable California to phase out the use of MTBE from reformulated gasoline.

In other MTBE news, on Wednesday, Rep. Richard Pombo introduced H.R. 1398 which would immediately ban the use of MTBE as a fuel additive. For further background on MTBE legislation, *see*, *Bulletin*, [Vol. 6, Nos. 4 \(2/4/99\)](#), [10 \(3/25/99\)](#), & [11 \(4/1/99\)](#).

DAVIS LETTER COMPLETES SCAG BID FOR FEDERAL MAGLEV FUNDS

On April 8, Governor Gray Davis wrote to U.S. Transportation Secretary Rodney Slater endorsing the state's sole bid for federal TEA-21 planning funds devoted to magnetic levitation train technology implementation. The bid was submitted by the Southern California Association of Governments (SCAG).

TEA-21 proposes a competitive program to award \$1 billion to a state-sponsored magnetic levitation train (maglev) project. The Federal Rail Administration received 11 applications for small planning grants, and is expected to award five such grants this month.

If funds are available, 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. Maglev transportation was among the items in the California delegation's TEA-21 priority list last year.

For more information, see [Bulletin, Vol. 6, No 8 \(3/11/99\)](#).

OLDER AMERICANS ACT REAUTHORIZATION DISCUSSIONS

The House Committee on Education and the Workforce's Subcommittee on Postsecondary Education, Training, and Life-Long Learning conducted their fifth hearing today on the reauthorization of the Older Americans Act (OAA), which expires at the end of FY 1999. Witnesses at the hearing were Ms. Jeanette Takamura, Assistant Secretary of Aging, U.S. Department of Health and Human Services, and Mr. Raymond Uhalde, Deputy Assistant Secretary of Employment and Training Administration, U.S. Department of Labor. The purpose of the hearing was to hear from the Administration on their proposal, transmitted to Congress on March 31, for the reauthorization of the OAA through 2004.

Ms. Takamura described the Administration's proposal as setting "the stage for the more strategic, effective and efficient delivery of home and community-based services and program for present and future older Americans and their caregivers." It continues essential services and programs for older persons and their families, and the targeting of programs and services to those in greatest social and economic need, with particular attention to low-income minority elders. It allows states the option of instituting cost sharing of certain services, with the exception of critical access, protective and nutrition services. It also provides for consolidation, integration and funding flexibility within the seven titles of the Act. The three major changes in the Administration's proposal would: 1) establish a National Family Caregiver Support Program to provide vital services and support for families who care for vulnerable and at-risk older individuals, funded at \$125 million in the President's FY 2000 Budget to assist approximately 250,000 families each year; 2) grant new authority for states to modernize service delivery in response to demographic, technological and environmental changes, as well as to meet the needs of diverse segments of the older population; and 3) expand the purpose of the current Outreach, Counseling and Assistance program to provide older and mid-life individuals with information, counseling and assistance related to life course planning.

Mr. Uhalde discussed the principles underlying the changes the Administration is considering as lying in four areas: strengthening linkages to the Workforce Investment Act's One-Stop delivery system; promoting flexibility; improving performance; and ensuring more equitable allocation of resources. He specifically discussed the Senior Community Service Employment Program (SCSEP), and of particular interest to Californians, he discussed the current statutory formula used for allocating SCSEP funds to States, which includes a 100 percent hold harmless provision based on 1978 allocations. The Administration believes that the hold harmless should be reduced incrementally to allow the gradual movement of resources to where the eligible population resides. The administration has proposed a hold harmless of 95 percent of each State's proportionate share of funds from the preceding year to be applied to the formula for distributing funds, moving incrementally toward a distribution of funds that reflects the geographic shifts of the eligible population for SCSEP over the last twenty years.

Three of the previous hearings held by the Subcommittee on this topic were field hearings, held last week in Alhambra (Ranking Member Matthew Martinez's district), Santa Clarita (Chairman Buck McKeon's district), and North Platte, Nebraska (Rep. Bill Barrett's district). The two field hearings in Los Angeles County were held on April 6th. Subcommittee Chair McKeon, Ranking Member Martinez, and Rep. Barrett (NE) heard testimony from witnesses including Los Angeles Councilman Michael Feuer, Santa Clarita Mayor Jo Anne Darcy, Los Angeles County Area Agency on Aging Administrators Robert Ryans and Laura Medina, and OAA service providers.

Ryans testified that the OAA interstate allocation formula should be made more equitable by eliminating a hold harmless provision which assures that each state annually will receive at least its FY 1987 allotment. This hold harmless hurts California because its share of the nation's age 60+ population has grown since 1987. The interstate allocation formula resulted in California receiving only 9.3% of total funding of all Title III supportive services and nutrition funds in FY 1997, even though the State has 10.2% of all persons age 60 or older. Ryans stated that due to the hold harmless, California received a total of \$45 million less in OAA supportive services and nutrition funds from FY 1991 through 1998. Witnesses also testified to the importance of OAA-funded meals and the need for community-based long-term care services, such as those included in the President's proposed National Family Caregiver Support Program. Several witnesses also testified against requiring clients to share the costs of OAA services.

This year several OAA reauthorization bills have been introduced in addition to HR 782, including H.R. 773 (DeFazio), H.R. 1341 (Martinez), S. 10 (Daschle), and S. 707 (Grassley).

PPIC WELFARE TRANSITION BRIEFING

On Tuesday the Public Policy Institute of California gave a briefing to California Delegation staff members on a recent study they conducted on job prospects for welfare recipients. They found that many welfare recipients lack the basic skills needed to succeed in the labor markets, and that job prospects are not promising.

Sharp reductions in caseloads have led many to pronounce welfare reform a success, but can it last is the question. The report estimates that 40 percent of California's welfare recipients face an uphill battle finding work, and those who do find work may not earn enough to pull themselves out of poverty. This number is twice what the state can exempt from time limits under welfare legislation passed in 1996, raising concerns about the long-term success of reform efforts in California.

The study, authored by demographer Hans Johnson and research associate Sonya Tafoya, reveals that many people receiving assistance in California lack basic skills -- such as the ability to read a bus schedule or complete an employment application. Analyzing data from the National Adult Literacy Survey -- designed to measure people's ability to deal with practical analytical problems encountered in daily life -- Johnson and Tafoya found that almost 80 percent of welfare recipients have either low or very low basic skills, compared to 34 percent of full-time workers in the state. And California faces a

greater challenge than most other states: the basic skills of welfare recipients here are lower than those in the rest of the nation, and the skills gap between workers and welfare recipients is greater than in the rest of the nation.

“Our results suggest that we ought to be very concerned about those who are unable to make the transition from welfare to work, even in boom times,” said Johnson. “Given their low level of skills, the job market prognosis for a substantial proportion of these welfare recipients is not good.”

The report also looked at whether lack of education is the problem. In the past, researchers and policymakers have used years of education as a proxy for skills and employability because they had little data on the basic skills of welfare recipients. However, the study found that welfare recipients with the *same* levels of education as other adults tend to have substantially lower basic skills. Indeed, less than half of the difference in basic skills scores between welfare recipients and other adults can be attributed to lower educational attainment.

To assess the potential employment outcomes of welfare recipients, the authors compared them to a group of adults with similar basic skills and demographic characteristics who were not receiving assistance. They found that a majority (58 percent) of these welfare “counterparts” were working, but 23 percent were employed only part-time or semi-permanently. And, almost 40 percent were not employed at all.

In addition, when the counterparts did find work, their earnings were meager. Those who found work earned an annual income of \$12,400. Those with very low basic skills averaged less than \$10,000 per year; 70 percent did not earn enough to lift a family of three out of poverty.

“We are not simply concerned with welfare recipients getting jobs, but also with the quality of work they find,” said Johnson. “The jobs held by people with basic skills similar to the skills of welfare recipients are characterized by low wages, intermittent employment, and less than full-time hours. If our goal is to move people off welfare and out of poverty, these results indicate that we face a real challenge. But ultimately, we may have to accept that a large number of current welfare recipients will continue to need some form of income support after time limits have been reached.” The authors point out that the low skills of welfare recipients will not be easy to change, and the costs of meaningful training programs will be high.

A forthcoming PPIC report will assess the extent to which a healthy economy has contributed to declining welfare caseloads in the state. For additional information about PPIC please visit their web site at <http://www.ppic.org> or call 415-291-4400.