

Date: _____ March 5, 2008

Committee Meeting Date: _____ March 20, 2008

Board Meeting Date: _____ April 3, 2008

BOARD MEMORANDUM

INFORMATION ITEM

TO: Administration and Finance Committee
Santa Clara Valley Transportation Authority
Board of Directors

THROUGH: Michael T. Burns
General Manager

FROM: Kurt Evans
Government Affairs Manager

SUBJECT: Monthly Legislative History Matrix

FOR INFORMATION ONLY

BACKGROUND:

For your information, I am attaching our Monthly Legislative History Matrix, which describes key transportation-related bills that are being considered by the California State Legislature during the 2007-08 session. It indicates the status of these measures and any adopted VTA positions with regard to them.

DISCUSSION:

The state's budget crisis continued to dominate the landscape in Sacramento during February. The Legislature approved a package of bills that consisted of nearly \$1 billion worth of budget cuts and payment deferrals for the current fiscal year in an effort to help close California's gaping budget deficit. Gov. Arnold Schwarzenegger signed these measures into law. The largest chunk of cuts—roughly \$507 million—came from K-12 education. Other current-year reductions approved by the Legislature and Governor included delaying cost-of-living adjustments for some welfare payments and reducing spending for most state agencies. The deal also consisted of selling \$3.3 billion in deficit-reduction bonds that were authorized by the voters in 2004 and delaying planned early debt payments worth \$1.5 billion. Transportation was impacted in two ways:

1. *City and County Gas Tax Collections:* In January, the Governor proposed deferring five months of local gas tax disbursements (April through August) to cities and counties to provide a cash benefit of \$500 million to the General Fund in the current fiscal year. Both the Senate and Assembly concurred. The deferred payments will be made to cities and counties with their September disbursements. In the meantime, cities and counties are allowed to use their Proposition 1B funds to meet any cash flow needs until the deferred disbursements are made.

2. *Mass Transit Lawsuit*: Subsequent to the Governor's declaration of a fiscal emergency in January, a judgment was rendered in the California Transit Association's lawsuit challenging more than \$1.2 billion in Public Transportation Account diversions in the FY 2008 budget. The judge ruled that \$409 million of this amount, which was intended to reimburse the General Fund for transportation bond debt service paid in prior fiscal years, was illegal and should be returned to the Public Transportation Account. Included in the package of budget bills, however, was a measure to use this \$409 million not for public transit, but rather to reimburse the General Fund for home-to-school transportation costs.

According to the Department of Finance, the package of budget solutions converts the current-year shortfall of \$3.3 billion into a reserve of more than \$1 billion. In addition, it reduces the FY 2009 budget deficit roughly in half—to \$8 billion. A protracted budget battle is still expected over how to close the rest of the hole for next year. While the Governor and GOP lawmakers have maintained that they would oppose any tax increases, Democrats have argued that taxes have to be part of the conversation in solving the budget crisis.

Meanwhile, the defeat of Proposition 93 at the polls on February 5, which would have extended the terms in office for Senate President Pro Tem Don Perata (D-Oakland) and Assembly Speaker Fabian Núñez (D-Los Angeles), set off a scramble for who would assume the top leadership posts in both houses of the Legislature. Sen. Darrell Steinberg of Sacramento moved quickly during a closed-door meeting of Democratic senators to lock down the nomination, not allowing his only rival, Sen. Alex Padilla of Los Angeles, time to build on his bloc of support. While the Senate Democratic caucus did not take a formal vote, it reached a consensus that Steinberg will be formally ratified as Perata's successor in August. The campaign to replace Núñez was more contentious. Los Angeles Democrat Karen Bass ultimately secured the necessary votes after Núñez pitched in behind the scenes to help her win a feverish, 10-person battle. Bass is expected to work alongside Núñez in the coming months, then transition into the Assembly's top spot in December.

Finally, lawmakers were busy putting the finishing touches on their legislative packages for 2008. The deadline for introducing new bills was February 22.