

MEMORANDUM

TO: Santa Clara Valley Transportation Authority
Board of Directors

FROM: Kurt Evans, Government Affairs Manager
Santa Clara Valley Transportation Authority

DATE: May 4, 2009

SUBJECT: Weekly Legislative Update: Week of April 27, 2009

FEDERAL

First 100 Days: Since his inauguration roughly 100 days ago, President Barack Obama has thrown a remarkable number of balls into the air, committing trillions of dollars in spending and dramatically extending the reach of the federal government in the economy. He has launched rescue plans for automakers and banks, outlined timelines to withdraw U.S. troops from Iraq and send them to Afghanistan, and reversed former President George W. Bush's policies on everything from stem-cell research to the prison at Guantanamo Bay, Cuba. The next 100-day stretch of President Obama's time in the White House looms as a period no less critical in how his tenure ultimately will be judged.

If the first 100 days sets the tone, signals the priorities and provides early clues to the course of a presidency, the second 100 days often illustrates whether a president is going to succeed. From now until August 7, right about the time when Congress is scheduled to begin its summer recess, President Obama will need to implement programs, push proposals through the House and Senate, and demonstrate that his economic policies are starting to show results. During the next three months, the following can be expected:

- The future of the U.S. auto industry will become clearer. Last week, Chrysler hit a government-imposed deadline for restructuring that will determine whether the car company will be eligible for more federal aid. General Motors, which has until June 1 to show progress, recently announced plans to close 13 plants, eliminate thousands of dealerships and swap bank debt for stock. Perhaps the best thing for the auto industry would be an improvement in the overall economy, including a loosening of the credit markets to allow more people to buy cars and a revival of consumer optimism so they would feel safe in doing

so. At that point, pent-up demand for new cars could boost the automakers—if they can hold on until then.

- Efforts to shore up the economy will continue to dominate President Obama’s agenda as administration officials work to prevent home foreclosures, crack down on credit card companies, pass regulatory changes, and prop up the nation’s financial institutions. Managing the results of the Treasury Department’s “stress tests” on the nation’s 19 largest banks will be among the first difficult decisions for the President after the 100-day mark. Results of those government tests on the financial viability of the big lenders will determine whether the banks need more capital to carry them through the recession. If they do, the next question will be where to get it from. Banks already have been given more than \$200 billion in federal bailout money. If the tests show that they need much more, the President will have to decide whether to try to expand the Troubled Asset Relief Program (TARP), the six-month-old, \$700 billion bailout fund.
- There should be some indication as to whether President Obama has a shot at achieving what has eluded many of his predecessors—signing legislation aimed at reining in health care costs and providing coverage to the roughly 46 million Americans who do not have it. There are some encouraging signs. For example, hearings have begun in Congress. Senate Finance Committee Chairman Max Baucus (D-MT) says he plans to have a bill ready for a vote by June, and the House is planning to follow fast. Moreover, Republicans and business groups are working with Democrats and labor unions. But there are signs of discord as well. Lawmakers already have rejected the President’s proposal to raise \$318 billion to cover the uninsured by limiting tax deductions for the rich. And many Republicans oppose his call for a federal government plan to compete with private insurers. However, despite the problems of the past and the pitfalls ahead, reform advocates believe economic pressures make this the right time for health care changes to finally get through Congress.
- Most of the 21,000 additional U.S. troops and trainers that President Obama has promised for Afghanistan will arrive there as officials prepare for presidential and provincial council elections set for August. The troops and trainers are part of a strategy that the President unveiled in February that calls for bigger local police forces, increased development aid and outreach to some former Taliban fighters to try to turn around a deteriorating security situation. Even as Iraq has become more stable, the situation in Afghanistan has worsened. In addition, what is happening in Afghanistan affects neighboring Pakistan, the nuclear-armed Islamic state that faces its own political and security perils. How the President’s policies in the wars that he inherited in Iraq and Afghanistan play out during the next few months will help shape his foreign-policy credentials and determine his global agenda.

Budget Resolution: President Obama’s Democratic allies in Congress gave him a gift to cap his 100th day in office, passing a \$3.4 trillion budget resolution that will serve as an outline for follow-up tax and appropriations legislation for FY 2010. The votes in the House and Senate provided a symbolic victory for the President’s ambitious agenda to enact health care reform, invest in education and clean energy, and cut the growing budget deficit to manageable levels. Most importantly, the budget resolution gives congressional Democrats the ability to push his health care initiative through the Senate under rules that prevent filibusters. Under typical

Senate rules, 60 votes are needed to advance a bill. But passage of the budget resolution would enable Democrats to enact the health care plan with just a simple majority vote and only 20 hours of debate. The fast-track process limits the Republicans' ability to get concessions and gives Democrats far more control over the specifics of the health care legislation.

But President Obama's signature "Making Work Pay" tax cut of \$400 for most workers and \$800 for couples would expire at the end of 2010 as currently scheduled. The temporary tax cut was part of the economic stimulus plan that was enacted in February, and the President wanted to make it permanent. On the other hand, the budget resolution extends for three years a temporary fix that prevents the alternative minimum tax from hitting more than 20 million middle-class taxpayers. And while the resolution anticipates the expiration of former President Bush's tax cuts on income and investments at the end of next year, it ignores President Obama's call for raising taxes to help pay for his health care initiative by reducing the benefits that wealthier people can take on itemized deductions such as charitable gifts and mortgage interest. It also avoids taking a stand on the President's cap-and-trade plan, which was proposed by the White House to raise more than \$600 billion to pay for tax cuts and clean energy programs. Finally, the resolution anticipates cutting the deficit from levels as high as \$1.8 trillion this year to about \$500 billion by 2014, about 3 percent of the size of the economy.

In the case of transportation, the budget resolution increases the base spending assumption for the upcoming federal surface transportation authorization, rejecting a Senate proposal to dramatically trim the figure. Under the resolution, the surface transportation authorization currently being drafted by the House Transportation and Infrastructure Committees would have a \$324 billion spending baseline over the bill's six-year life. This figure averages out to a \$54 billion annual investment, higher than the \$47.73 billion average in the Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU).

In addition, the budget resolution creates "reserve funds" to allow for an increase over the \$324 billion baseline. The resolution includes separate tests applied to any new spending above the baseline that were in the original House and Senate versions. It stipulates that any House surface transportation authorization bill must maintain the solvency of the Highway Trust Fund over the bill's life—FY 2010-15. The text defines solvency as a positive cash balance. It also allows transfers of other federal funds into the Highway Trust Fund, as long as those transfers are offset. The budget resolution has a separate section for the Senate's reserve fund, specifying that it be deficit-neutral. It allows for new Senate spending for surface transportation above the \$324 billion authorization baseline only through boosting revenues to the Highway Trust Fund, and requires that any added spending not increase the federal deficit.

The budget resolution retains two additional deficit-neutral reserve funds for Senate legislation. One is for legislation to "provide for a robust federal investment in America's infrastructure, which may include projects for public housing, energy, water, or other infrastructure projects." This could take the form of a national infrastructure bank, as has been proposed by President Obama and several key lawmakers. The other fund would allow for added spending for a multimodal transportation measure as long as it includes performance measures and mandatory cost-benefit analyses, and allows flexibility for states and localities.

STATE

Low-Carbon Fuel Standard: California became the first state in the nation to mandate carbon-based reductions in transportation fuels in an attempt to cut the state's overall greenhouse gas emissions. The California Air Resources Board (CARB) approved a phased-in reduction starting in 2011, with a goal of shrinking carbon impacts by 10 percent by 2020. Fuel producers could comply in different ways, such as providing a cleaner fuel portfolio, blending low-carbon ethanol with gasoline, or purchasing credits from other clean-energy producers.

California's low-carbon fuel standard could lead to a national measure under President Obama, as well as shape how the transportation sector evolves. But some warned that CARB was moving too quickly and that its action would lead to higher costs for consumers in a recessionary economy. In addition, backers of corn-based ethanol criticized the regulation because it counts as part of the carbon intensity the indirect effects of manufacturing the fuel. With corn-based ethanol, that means counting the impact of creating new crop land when existing land is converted to growing corn for fuel instead of food.

Taxes and Fees: Several months after the Legislature approved more than \$12 billion in tax increases to help bridge a \$41 billion budget deficit, Democratic lawmakers have proposed more tax and fee measures that they claim would curb devastating cuts to state programs. Many of the ideas are not new, reappearing in the legislative pipeline each year with little success because they lack enough support from Republicans to clear the two-thirds majority required for approval. But with the recent forecast of state finances by the Legislative Analyst's Office showing that California will face an additional \$8 billion shortfall in FY 2010, some lawmakers believe new revenue ideas have to be considered.

Here is a sampling of the latest tax proposals by Democratic lawmakers:

- AB 87 (Davis)/SB 531 (DeSaulnier): Imposes a fee for shoppers who use plastic bags.
- AB 89 (Torlakson)/SB 600 (Padilla): Increases the cigarette tax.
- AB 390 (Ammiano): Puts in place a \$50-an-ounce tax on marijuana, which would be legalized for recreational use.
- AB 462 (Price): Imposes a 1 percent income tax for individuals who earn more than \$1 million a year to fund public schools and universities.
- AB 656 (Torrico): Establishes an oil severance tax to help fund the state's community colleges and universities.
- AB 1019 (Beall)/SB 558 (DeSaulnier): Increases the excise tax on alcoholic beverages.
- AB 1082 (Torrico): Imposes a tax on pornography.
- AB 1342 (Evans): Allows cities and counties to raise income taxes and vehicle license fees.
- SB 96 (Ducheny): Increases the income tax rate on the state's wealthiest residents while lowering the rate for some middle-class taxpayers.

NOTE: Also contributing to this report were Susan Lent with Akin Gump Strauss Hauer & Feld; Mark Watts with California Strategies; and Scott Haywood, VTA's Policy and Community Relations Manager.

From: Board.Secretary
Sent: Thursday, May 07, 2009 1:48 PM
To: Board.Secretary
Subject: Councilmember Herrera Memo - Capitol Light Rail Extension

To VTA Board of Directors and DTEV PAB Members:

Attached is a memo from Councilmember Rose Herrera regarding the Capitol Light Rail Extension.

Deborah Harrington
Board Secretary
Santa Clara Valley Transportation Authority
408.321.5773

TO: VTA Staff

FROM: Councilmember Rose Herrera

SUBJECT: Capitol Light Rail Extension

DATE: 05-07-09

Approved:

Date:

RECOMMENDATION:

1. Request that VTA staff provide a plan to implement the Capitol Light Rail extension in phases, beginning with pedestrian safety, landscaping and sidewalk improvements along Capitol Expressway before the June Board meeting.
2. Provide the Board of Directors with cost estimates associated with each phase before the June Board meeting.
3. Return to the June Board Meeting with a proposal to include the first phase of this project in the final list of Measure A funded projects for FY2010-2011.
4. Request that VTA staff provide information regarding current efforts to seek federal funds, including opportunities for Small Start funding, for the remaining phases of the project.

BACKGROUND:

The Valley Transportation Authority is striving to expand our regional transportation system to provide a mixture of new investments while maintaining a commitment to programs designed to protect and preserve the region's existing transportation infrastructure. Relieving traffic congestion, creating a sustainable transportation system and improving public safety are all critical goals of our system. The Capitol Light Rail extension to Eastridge and pedestrian safety improvements along Capitol Expressway meets those goals. It will serve as an important link between East San Jose and the rest of Santa Clara County by providing much needed public transportation for communities that rely heavily on our transit systems.

In 2000, VTA's preferred investment strategy listed light rail as the overwhelming preference of transit options to the Eastridge area. Capitol Light Rail was included in the 2000 Measure A projects, and remains a City of San Jose priority project. The VTA Board just renewed its commitment to this project in August 2008. Over the last nine years, the VTA Board of Directors has shown its support repeatedly for this project with investments surpassing \$40 million. Despite these actions, the current budget proposal lists this project as 'de-obligated' from Measure A funds for FY2010-2011 in favor of 'federalizing' the project. There is no

compelling reason why this project should be de-obligated from Measure A funds or why we would delay our commitment to the most transit dependent residents.

I understand the budget constraints facing all the Measure A projects. I strongly believe the voters who approved Measure A, future riders, and the residents of this region deserve a commitment from the Board in the short term. I am submitting this memo because I support the phased approach that moves forward immediately with landscaping, sidewalk and pedestrian safety improvements as VTA works to gain federal environmental clearance for the project and position later phases of this project for federal funding. The Board deserves to review a realistic funding plan.

For the purposes of long-term regional planning and budgeting, the Capitol Light Rail extension cannot lose momentum or its place in the funding queue. When staff provides the information requested in this memo, it will provide the compelling data that will aid us in moving this project forward.

c: Downtown East Valley Policy Advisory Board
Valley Transportation Authority Board of Directors