

From: Board.Secretary
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To: Board.Secretary
Cc: Burns, Michael
Subject: Weekly Legislative Report

To VTA Board of Directors:

Here is the Legislative Update for the week of December 1, 2008.

Deborah Harrington
Board Secretary
Santa Clara Valley Transportation Authority
408.321.5773

MEMORANDUM

TO: Santa Clara Valley Transportation Authority
Board of Directors
FROM: Kurt Evans, Government Affairs Manager
Santa Clara Valley Transportation Authority
DATE: December 8, 2008
SUBJECT: Weekly Legislative Update: Week of December 1, 2008

FEDERAL

Economic Stimulus Legislation: President-elect Barack Obama said he plans to propose a two-year economic recovery plan that he hopes to sign into law shortly after being sworn into office on January 20. In his weekly radio and Web address, Obama pointed out that his goal is to create 2.5 million new jobs over the next two years.

While offering few specifics, Obama commented that his plan would provide funding for infrastructure projects, such as road and school repairs, and renewable energy programs “that can free us from our dependence on foreign oil and keep our economy competitive in the years ahead.” He stated, “These aren’t just steps to pull ourselves out of this immediate crisis; these are the long-term investments in our economic future that have been ignored for far too long. And they represent an early down payment on the type of reform my administration will bring to Washington—a government that spends wisely, focuses on what works and puts the public interest ahead of the same special interests that have come to dominate our politics.”

The President-elect’s campaign proposals provide a possible roadmap for what could be in his plan. Those include:

A refundable tax credit for companies that add jobs in the United States.

\$25 billion for infrastructure projects that can be started immediately.

\$60 billion over 10 years for longer-term infrastructure

projects.

\$25 billion in aid for state governments to prevent cuts in services and tax increases.

\$150 billion over 10 years for “clean energy” programs.

A new mortgage tax credit for taxpayers who do not itemize, which would mostly benefit those earning less than \$50,000 a year.

Meanwhile, Democratic leaders in Congress made clear their intention to quickly move a recovery bill in January. House Speaker Nancy Pelosi (D-CA) commented that in addition to funding for infrastructure projects, states governments and low-income food programs,

Democrats want to include a revenue component that would likely be a tax cut for the middle class, an idea promoted by Obama.

Democrats have been pushing to enact an economic recovery or stimulus plan for months, but their efforts have been blocked by congressional Republicans and the Bush Administration, who argue that most of the proposals would not help the economy in the short-term and represent a laundry list of spending proposals that Democrats have long wanted to enact. Republicans have also pointed to the swelling deficit as a reason not to add even more red ink to the federal government’s books. However, with expanded majorities in both chambers of Congress and with Obama in the White House, Democrats will be in a position to quickly enact their recovery plan next year. And with the economy continuing to falter, it may be difficult for Republicans to remain unified against this additional federal government spending.

Economy: President George W. Bush expressed regret that the global financial crisis has cost jobs and resulted in shrinking retirement accounts, and said he will support more federal government intervention if needed to ease the recession. “I’m sorry it’s happening, of course,” the President said in a wide-ranging interview with ABC’s World News. “Obviously I don’t like the idea of people losing jobs, or being worried about their 401(k)s. On the other hand, the American people got to know that we will safeguard the system. I mean, we’re in. And if we need to be in more, we will.”

President Bush said he felt responsible for the economic downturn because it is occurring on his watch, but he added: “I think when the history of this period is written, people will realize a lot of the decisions that were made on Wall Street took place over a decade or so” before he became President.

Last week, the Bush Administration and the Federal Reserve pledged \$800 billion to break through blockades on credit cards, auto loans, mortgages, and other borrowing. The latest moves raised U.S. commitments to contain the financial crisis to nearly \$7 trillion—although no one thinks the federal government will spend that much. The figures include loans that are expected to be repaid, loan authorities to back mortgages, purchases of stock in banks, guarantees to support loans among banks, and pledges backing other transactions. “This economy will recover,” President Bush commented. “And when it recovers, many of the assets backed by the government now will be redeemed, and we will—could conceivably—make money off of some of the holdings.”

Obama's Economic Team: President-elect Obama got high marks for choosing crafty economic policymakers to lead the nation through the worst financial crisis since the Great Depression. He named New York Federal Reserve President Tim Geithner as treasury secretary and Lawrence Summers as director of the National Economic Council. Both Geithner and Summers were lauded by Republicans and Democrats alike as pragmatists who understand how to use the levers of government in the financial sector—something that both sides agree has become increasingly necessary as the recession worsens.

In addition, Obama selected Peter Orszag, who currently heads the Congressional Budget Office, to run the White House's Office of Management and Budget (OMB). The President-elect said 2

Orszag's job will be to conduct a thorough review of federal spending programs, "eliminating those programs we don't need and insisting that those we do need operate in a more cost-effective way." Orszag, an expert on health care and Social Security, served in the Clinton White House and later co-founded the Brookings Institution's Hamilton Project to focus on economic research and policy.

Rounding out the President-elect's economic team is Paul Volcker, who will head a new Economic Recovery Advisory Board that is being set up to determine how to confront the nation's financial crisis. Obama said the new board will provide advice "as we work to jump-start economic growth, create jobs, raise wages, address our housing crisis, and stabilize our financial markets."

Obama's National Security Team: Announcing a "new dawn of American leadership," President-elect Obama presented his top national security team, picking former presidential rival Hillary Rodham Clinton as secretary of state and asking Robert Gates to stay on as defense secretary. Obama also named Eric Holder as attorney general and Arizona Gov. Janet Napolitano as secretary of homeland security. In addition, he selected Susan Rice as U.N. ambassador and retired Marine Gen. James L. Jones as national security adviser.

Obama's national security team will be taking the lead on a crushing set of global challenges, including wars in Iraq and Afghanistan, and the repercussions from the recent terrorist attacks in Mumbai, India. According to the President-elect, the team will be charged with reinvigorating diplomacy, using power pragmatically and renewing America's standing in the world as a force of positive change. "The time has come for a new beginning, a new dawn of American leadership to overcome the challenges of the 21st century," Obama commented. "We will strengthen our capacity to defeat our enemies and support our friends. We will renew old alliances, and forge new and enduring partnerships."

Clinton is an independent-minded policymaker whose world view has been shaped by eight years as a globe-trotting first lady and eight years as a senator with time on the Armed Services Committee. She combines a focus on "soft" issues such as maternal health care and child education with rhetoric more "hawkish" than Obama's on containing Iran's nuclear program and protecting Israel. As secretary of state, she will deal with the withdrawal of U.S. troops from Iraq, efforts to turn around the war in Afghanistan, nuclear programs in such nations as North Korea and Iran, the challenge from a resurgent Russia, and growing concerns

about global climate change.

Gates, who was named by President Bush to replace embattled Defense Secretary Donald Rumsfeld in 2006, has agreed to remain in his position at the Pentagon for an undetermined period of time. The President-elect has cast Gates' re-appointment as fulfilling his pledge to put a Republican in his cabinet. "When it comes to keeping our nation and our people safe, we are not Republicans or Democrats," Obama commented. "We are Americans. There's no monopoly of power or wisdom in either party."

The President-elect praised Holder for his "toughness and independence" in a position that Democrats have criticized as too politicized under the Bush Administration. "Let me be clear.

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The attorney general serves the American people," Obama said. "And I have every expectation that Eric will protect our people, uphold the public trust, and adhere to our Constitution." Holder inherits a 10,000-employee department that its own inspector general says suffers from low morale and a politicized administration more than a year after the embattled Alberto Gonzales resigned as attorney general. Gonzales left amid probes into the department's firing of nine U.S. attorneys. Holder also will face critical policy questions, including how to handle the remaining foreign terror suspects held at Guantanamo Bay, Cuba, and whether to issue new legal guidelines for interrogating and wiretapping such suspects. The Bush Administration's aggressive stances on these issues, along with its decision to create a prison at Guantanamo Bay to hold suspects indefinitely without charging them, have drawn criticism from around the world. As homeland security secretary, Napolitano inherits what Obama calls a "sprawling" department in need of reform. The Department of Homeland Security is responsible for securing the nation's borders, ports and airports against terrorists; responding to natural and man-made disasters; guarding against weapons of mass destruction; and negotiating agreements with foreign governments on trade and travel. Napolitano will confront a number of challenges at the nearly 6-year-old, 180,000-employee department. These challenges include whether to continue building costly fences and electronic surveillance systems along the southern border with Mexico; whether the Federal Emergency Management Agency (FEMA) would be more effective as a stand-alone agency; and how to protect America's ports without slowing commerce.

Rice's task will be to help mend the rocky diplomatic marriage between the United States and the United Nations. The Bush Administration and the United Nations clashed repeatedly over the Iraq war. Obama signaled his intent to help improve relations by restoring the U.N. ambassador to Cabinet rank, the status that it had during the Clinton years. In introducing Rice, the President-elect called her "a close and trusted adviser" who "knows the global challenges we face demand global institutions that work." During the Clinton Administration, Rice worked for the National Security Council and the State Department, primarily on issues related to Africa. She advised Obama during the campaign on foreign policy matters and accompanied him on a trip that he took to the Middle East and Europe over the summer.

STATE

State Budget: Gov. Arnold Schwarzenegger greeted a new legislative class by calling a special session to deal with this fiscal year's \$11.2 billion budget shortfall and the state's economic slowdown. However, the fresh start of a new two-year legislative session did little to bridge the ongoing divide between Republicans and Democrats over tax increases or cutting protections for Democratic priorities. Republican leaders continue to oppose new taxes, while Democrats reacted coldly to proposed rollbacks in environmental and labor regulations that the Governor said should be part of any budget package that he signs.

After the lame-duck Legislature failed to act last month, Gov. Schwarzenegger said the new group of lawmakers would have to find an additional \$1.5 billion to \$2 billion in tax hikes or spending cuts beyond those he originally proposed, assuming their plan would not take effect until February. He further warned that lawmakers must resolve their differences immediately or else risk the state running out of cash early next year. "I compare the situation that we are in

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right now to finding an accident victim on the side of the road that is bleeding to death," the Governor commented. "We wouldn't spend hours debating over which ambulance we should use, or which hospital we would use, or which treatment the patient needs." He noted that without legislative action, the state could begin laying off state employees.

New President Pro Tem Darrell Steinberg (D-Sacramento) promised "a needed shot of adrenaline" in his first floor speech as Senate leader. He announced plans to appoint all 40 senators to the Budget and Fiscal Review Committee. Steinberg said he supports having the state budget in print 24 hours before a floor vote. During the failed budget vote last months, some lawmakers complained that they had only seen the plan hours before. And after lawmakers set a new tardiness record this year for passing a \$103.4 billion General Fund budget in late September, Steinberg commented that the Legislature should plan to approve its next spending plan by May 15, a full month before the state's constitutional deadline.

Both Steinberg and Assembly Speaker Karen Bass (D-Los Angeles) said they have strong objections to a number of Governor Schwarzenegger's economic stimulus proposals, such as removing limits on eight-hour workdays and allowing construction projects to avoid full environmental scrutiny. The Governor has insisted that he would veto a budget package without these changes.

Meanwhile, Assembly Republican Leader Mike Villines (D-Clovis) acknowledged that the state needs new revenues to make up its current budget gap, but he disputed that taxes should be used. He said the state should cut government waste and find ways to get more money from public assets.

Renewable Energy: Gov. Schwarzenegger signed an executive order calling on utilities to provide one-third of their power from renewable resources by 2020. California law currently requires utilities to produce 20 percent of their power from renewable resources by 2010. Only about 12 percent of California's electricity last year came from wind, solar, geothermal, biomass, small

hydroelectric, and other renewable resources. According to the Governor's Office, legislation is being drafted to: (a) put the tougher standard into state law; (b) consider penalties for noncompliance; and (c) bolster the cost competitiveness of renewable energy. The push toward renewable energy is part of a much larger strategy to reduce greenhouse gas emissions and to lessen the state's dependence on imported fossil fuels.

REGIONAL

Peninsula Corridor Joint Powers Board (JPB): At its December 4 meeting, the JPB approved a resolution of appreciation for outgoing Board Member Forrest Williams for his many contributions during his tenure. In addition, the JPB took the following courses of action: (a) authorized a \$493,820 contract with Paper Solutions, Inc., for typesetting, printing and delivery of monthly passes and ticket media; (b) awarded a \$2.1 million contract to Granite Construction, Inc., for the South Terminal Site Preparation Project; (c) awarded a \$2.5 million contract to Safetran Systems Corporation for the purchase and delivery of signal equipment; (d) awarded a \$7.9 million contract to Granite Construction for the San Mateo County Grade Crossing

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Improvements Project; and (e) authorized additional contract authority for existing on-call general engineering consultant services for a total not to exceed \$25 million.

There was also considerable discussion regarding high-speed rail and its impact on Caltrain, including the electrification project. The Caltrain Corridor between Tamien and San Francisco could be one of the first legs of the high-speed rail system that gets built, as the JPB owns the right-of-way. However, there is also strong interest in Southern California to begin construction on the Los Angeles-to-Orange County leg of the system. Caltrain staff will continue to work with High-Speed Rail Authority staff to deliver the project as early as possible.

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.