

MEMORANDUM

TO: Santa Clara Valley Transportation Authority
Board of Directors

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

DATE: May 18, 2009

SUBJECT: Weekly Legislative Update: Week of May 11, 2009

FEDERAL

SAFETEA-LU Reauthorization: The outlook for federal surface transportation authorization legislation this year is up in the air. House leaders want to push ahead with a bill quickly, but the Senate's path is less certain. And President Barack Obama says he is strongly opposed to raising the gas tax, which will greatly limit the options for increasing funding for federal highway and transit programs.

House Transportation and Infrastructure Committee Chairman James Oberstar (D-MN) is aiming to hold a mark-up session during the first week of June, but floor time is not guaranteed because of a packed House calendar that includes health care reform and climate change legislation. The central problem facing Oberstar is a lack of money. In addition to objections from the White House, Oberstar has not been able to gain traction for a gas tax increase with House members from his own party. Other options are also fraught with political peril. A vehicle-miles-driven tax has been summarily dismissed as a longer-term project. Capturing revenues from a carbon tax or cap-and-trade system for transportation has been suggested, but Democrats are struggling with how to curb greenhouse gas emissions in general, let alone how to spend any revenues that might be generated. A tariff on imported oil faces political and international obstacles. Even increasing car registration fees could be viewed as a tax increase.

The Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU), the current federal surface transportation law, is set to expire on September 30. The last time federal highway and transit programs were up for reauthorization, it took a dozen short-term extensions to get it done—almost two years. This time, the Highway Trust Fund is practically out of money absent new revenues, and the problem will get more serious the longer lawmakers wait.

Federal Budget: President Obama completed the official release of his \$3.6 trillion budget for FY 2010, adding more details to his fiscal and policy vision for the next decade. For the most part, the new document tracks the 134-page outline that he submitted to Congress in February.

Needless to say, the President's budget remains a bold but contentious plan that proposes higher taxes for the wealthy, a hotly contested effort to combat global warming and the first steps toward guaranteed health care for all.

President Obama's Democratic allies controlling Congress have already made it clear that they will reject key elements of his plan. Apparently dead is a proposal to raise \$267 billion over the next decade to pay for the President's health care initiative by curbing the ability of wealthier individuals to reduce their tax bills through deductions for mortgage interest, charitable contributions, and state and local taxes. Furthermore, the congressional budget resolution that was approved last month did not include an extension of the President's signature \$400 tax credit for most workers—\$800 for couples—after it expires at the end of next year. And President Obama's cap-and-trade proposal to curb greenhouse gas emissions is reeling from opposition from Capitol Hill Democrats from coal-producing regions and states with concentrations of heavy industry.

Among the new initiatives in the President's budget update is a proposal to increase the Federal Deposit Insurance Corporation's borrowing authority from \$30 billion to \$100 billion in order to grant a two-year reprieve from higher deposit insurance premiums while the banking industry is struggling. Also new are several tax "loophole" closures and increased IRS tax compliance efforts to raise \$58 billion over the next decade to help finance the President's health care plan. Finally, President Obama's budget would renew most of the Bush Administration's tax cuts that were enacted in 2001 and 2003, and would permanently update the alternative minimum tax so that it would hit fewer middle- to upper-income taxpayers.

STATE

State Budget: Gov. Arnold Schwarzenegger unveiled his May Revision to the FY 2010 State Budget. Despite signing the spending plan for the upcoming fiscal year in late February, the Governor's May Revision estimates a \$15.4 billion deficit in the absence of any corrective action, assuming the passage of Propositions 1C, 1D and 1E on the May 19 special election ballot. Failure of these three measures would add \$5.8 billion to the deficit, bringing the total gap to \$21.2 billion. The Governor cited the worldwide financial market collapse, the loss of 730,000 jobs in California, and the decline of personal income for the first time since 1938 as the driving factors for the state's continued fiscal woes.

Assuming that Propositions 1C, 1D and 1E pass on May 19, Gov. Schwarzenegger's May Revision recommends the following major cuts:

- \$3 billion to public schools.
- \$1.1 billion to the University of California and California State University systems.
- \$2 billion to Medi-Cal and other human services programs.

In addition, the Governor is proposing to lay off 5,000 state workers, draw down \$2 billion from the state's budget reserve, merge or eliminate numerous state boards and commissions, sell surplus state properties, and borrow at least \$6 billion.

If the ballot measures fail, the Governor would also push to:

- Cut an additional \$2 billion from education.
- Reduce funding for state prisons.
- Borrow \$2 billion from local governments.

The Governor's May Revise has one impact on transportation. It calls for using \$336 million in "spillover" revenues that are projected to accrue in FY 2010 to pay for debt service on transportation bonds. The "spillover" occurs when revenues derived from the sales tax on gasoline are proportionately higher in relationship to revenues derived from all taxable sales, generally reflecting higher gas prices. Up until recent years, "spillover" revenues were primarily dedicated to the State Transit Assistance Program (STA). The Governor's May Revise continues the trend of the last few years of using "spillover" revenues to pay for General Fund obligations. Meanwhile, Proposition 42 appears to be unaffected at this time.

REGIONAL

Joint Policy Committee (JPC): At its May 15 meeting, the JPC received a revised set of policies designed to guide the implementation of SB 375 in the Bay Area. The policies include the following key elements: (a) setting targets for achieving greenhouse gas emissions reductions; (b) modeling the relationship between transportation and land use; (c) preparing a sustainable communities strategy pursuant to SB 375; (d) ensuring consistency with adjacent regions; and (e) conforming the sustainable communities strategy and the regional transportation plan (RTP) with the regional housing needs allocation. The policies were originally released in March and received considerable public comment. Recognizing the need for further vetting of the policies, especially with cities and counties, the JPC directed staff to continue to work with partner agencies to gain consensus. Staff plans to bring the policies back to the JPC for adoption in September.

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: Monday, May 18, 2009 3:47 PM
To: Board.Secretary
Cc: Burns, Michael
Subject: Message to Board

Board of Directors:

The attached message from Chair Dolly Sandoval is in response to emails from San Jose State students concerning the proposed increase in Eco Pass fares.

If you have any questions or need further information please contact:

Jim Lawson
408 321-5516
jim.lawson@vta.org

Subject: Re: AS-SJSU Eco Pass at risk
From: "Dolly Sandoval" <dolly@dollysandoval.com>
Date: Sat, May 16, 2009 7:36 pm
To: "wil fluewelling" <wil.fluewelling@gmail.com>

Thanks, Wil, for writing about the proposed ECO pass increase for SJSU students.

While I understand the financial hardship a six dollar increase in the annual fee may be, VTA has not raised the fee over the last 5 years - even when we were seeing record high gas prices just a year ago. As you can understand, VTA has been hit hard by this downturn in the economy and we don't want to deplete ridership because of fare hikes. Without the ECO pass program, students relying on transit would be paying roughly \$70 for a monthly pass - more than ten times the cost of the proposed fee annually.

At VTA, we would also like to see students continue to utilize mass transit options in this valley. If a student relying on the ECO pass decides to drive to SJSU rather than support the ECO pass program, their parking pass rate is \$152 for two days each school week or \$384 for the school year. In my view, the ECO pass is a much better deal - especially since you can ride transit - bus or rail- in an unlimited amount annually.

I appreciate that you've looked at a revenue source for offsetting the proposed increase with a suggestion to use the future toll lane revenue.

The toll lanes will not be up and running for at least 1.5 years, so substituting that revenue for the ECO pass six dollar annual increase is not

feasible.

The ECO pass is cost effective for students, keeps excess car emissions out of our air and allows for a relatively easy transition to get to and from school, work and play around this valley.

This may be more information than you wanted. And this may not be the answer you desire, but I remember when you could ride the bus from Sunnyvale to Eastridge mall for 25 cents. Even with the increase, the ECO pass is still a much better deal than what we had 35 years ago.

Again, thanks for writing and sharing your concern.

Dolly

Dolly Sandoval
Chair, Valley Transportation Authority,
Board of Directors

> Mrs. Sandoval/Assemblymember Fong,
> As a returning student the Eco Pass has been a very valuable tool in
> my commute to SJSU.
> Please refrain from increasing the cost to SJSU students and staff.
> In lieu of fare increases, explore the carpool/toll lane alternative
> (AB744).
> Thank you for your time,
> Wil Fluewelling
>
> On Thu, May 14, 2009 at 5:02 PM, Transportation Solutions
> <ts@as.sjsu.edu>wrote:
>
>> Dear William:
>>
>> At a time when more students are turning to public transportation to
>> reduce commute cost and improve our environment, VTA is hitting us
>> with a whopping 20% fare increase on our university's transit pass,
>> the AS Eco Pass.
>> That
>> means, it will cost the Associated Students \$185,000 more on top of
>> \$950,000 we currently pay VTA annually. This proposal comes
>> particularly at the worst time when our tuition is rising and funding
>> for education is continuing to get slashed.
>>
>> Currently, over 10,000 students and employees depend on the AS Eco
>> Pass for their daily commute to SJSU. This sharp fare increase could
>> jeopardize the continuation of the program which is a major part of

>> the University's parking and traffic relief.
>>
>> We understand that VTA, like other public transportation providers in
>> California, is struggling with their operating budget. But before VTA
>> asks us to dig deeper into our pockets again, we believe that VTA
>> should look for other potential funding to fill that gap.
>>
>> One of the sources is the revenues to be collected from the proposed
>> conversion of freeway carpool lanes into carpool toll lanes in Bay Area.
>> These toll lanes would allow solo drivers to drive on the existing
>> carpool lanes by paying a toll. There's a bill in the state
>> legislature (AB744) that would allow the creation of these toll
>> lanes. However, the current bill does not guarantee that the revenues
>> would help address VTA's long-term operating deficit.
>>
>> Please take action today by contacting your VTA representative and
>> state legislator stated below. Let them know that you do not support
>> the Eco Pass fare increase and that you support the revenues from
>> potential carpool toll lanes to first address the funding gap for
>> public transportation operation.
>>
>> VTA: Dolly Sandoval, (408) 777-3192,
>> State Assembly: Paul Fong, (916) 319-2022,
>> Assemblymember.Fong@assembly.ca.gov
>> Please also CC us at: ts@as.sjsu.edu
>>
>> To learn more about AB744 visit:
>>
>> http://www.leginfo.ca.gov/cgi-bin/postquery?bill_number=ab_744&sess=CUR&hous=e=B&author=torrico
>> http://www.leginfo.ca.gov/cgi-bin/postquery?bill_number=ab_744&sess=CUR&hous%0Ae=B&author=torrico
>>
>> For more information, contact SJSU Transportation Solutions Center by
>> email
>> at: ts@as.sjsu.edu
>>
>> Sincerely,
>>
>> William "Vosa" Cavu-Litman
>> President of Associated Students
>> San Jose State University