

MEMORANDUM

TO: Santa Clara Valley Transportation Authority
Board of Directors

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

DATE: March 15, 2010

SUBJECT: Weekly Legislative Update: Week of March 8, 2010

FEDERAL

Unemployment Benefits: By a vote of 62-36, the Senate passed legislation to extend a host of soon-to-expire elements of the American Recovery and Reinvestment Act (ARRA), last year's economic stimulus package, including benefits for the jobless and money to help financially strapped states pay for health care for low-income individuals and families. The vote sends the legislation into talks with the House, which is wary of some of the Senate provisions that are intended to defray the measure's impact on the deficit since House members may want to use such "offsets" to help finance an overhaul of the nation's health care system.

The plight of the unemployed and the political power of an annual package of tax breaks powered the legislation through the Senate, even though it would add more than \$130 billion to the budget deficit over the next year and a half. It was the second piece of the Democrats' much-touted "jobs agenda" to pass the Senate this year. More elements are promised, such as help for small businesses suffering from a credit crunch, although concerns about the deficit are posing significant challenges to the success of the agenda.

The Senate bill provides unemployment benefits of up to 99 weeks in many states for people mired in joblessness as the economy slowly recovers from the worst recession in decades. Currently, the core benefit is 26 weeks. In addition, the legislation cleans up a host of unfinished congressional business from last year that languished as the Senate focused on health care. For example, it prevents doctors from absorbing a 21 percent cut in Medicare payments, extends through December a 65 percent subsidy for health insurance premiums for the unemployed under the COBRA Program, and provides the annual extension of \$26 billion worth of tax breaks for businesses and individuals that are popular with senators in both parties. The tax breaks include a property tax deduction for people who do not itemize, credits to help businesses finance research and development, and a sales tax deduction that mainly helps people in the nine states without income taxes.

Health Care: Some oppose abortion, some are worried about premiums, and some have zeroed in on taxes. But House Democrats do have this in common: They are all being heavily courted to support President Barack Obama’s health care legislation. Although much of the focus during the health care debate has been on the Senate, a push by the President for an up-or-down vote later this month has triggered a battle for votes in the House, where Democratic leaders are struggling to build a solid majority. In November, 39 House Democrats joined all but one Republican in voting against a similar proposal that President Obama supported. The final tally, 220-215, leaves little room for error.

There are a number of issues that could affect a final vote in the House. One is abortion. As many as a dozen Democrats may vote against the health care plan unless stronger abortion restrictions are included. Taxes are another thorny issue. A proposed 40 percent tax on high-cost health care plans—which is in the Senate bill, but not in the House measure—has faced stiff opposition from many Democrats. Democratic leaders also are trying to balance the demands of moderates, who are worried about the cost of the bill with those of more liberal members of the party, who are concerned that the legislation does not go far enough to expand access to health care insurance.

Because Democrats no longer have the numbers to stop GOP filibusters in the Senate, the emerging strategy calls for House Democrats, despite many misgivings, to go along with the health care bill that the Senate passed in December. President Obama would sign it into law, but senators would promise to make numerous changes demanded by House Democrats in subsequent legislation. The changes could be made under rules that require only simple majority votes in the Senate, thereby sidestepping potential Republican filibusters.

Democratic congressional leaders are considering several ways to reassure nervous House members, who felt burned last year when they voted for climate change legislation—a vote many now regret—and the Senate never did its part. Possibilities include a letter pledging compliance signed by 51 or more Senate Democrats, or a parliamentary move that essentially would suspend the House-passed bill until the follow-up Senate action takes place.

Even if the House does its part, Republican senators promise to use every tool that they can to kill the Senate’s follow-up actions with delaying tactics, such as introducing unending streams of amendments. However, Senate Democratic leaders believe they can grind down those efforts over time, leaving Republicans exhausted and perhaps vulnerable to renewed accusations of obstructionism.

STATE

Caltrans: According to a report issued by the non-partisan Legislative Analyst’s Office (LAO), Caltrans should eliminate 1,500 full-time positions because of inefficiencies and overstaffing. In the report, the LAO concluded that Caltrans’ Capital Outlay Support (COS) Program, which is responsible for environmental review, design and construction oversight for state highway projects, spends more money than other states and local transportation agencies for comparable work. The report says: “We reviewed Caltrans’ COS budget for recent years and found that the program’s budget lacks sufficient workload justification. In order to gauge the reasonableness of

the department's COS requests for staffing and funding, we evaluated the program using several different methods. The cumulative evidence from our review shows that the program is overstaffed and lacks strong management."

The LAO further points out that Gov. Arnold Schwarzenegger's furloughs have had little apparent impact on the COS Program. The report notes: "The department's inability to estimate the impact of the furlough program indicates overstaffing in the COS Program. Given that there is little concrete evidence that the program's output has declined due to furloughs, the program appears to be overstaffed by as much as 15 percent."

According to the LAO, eliminating 1,500 of 10,359 COS positions would save roughly \$200 million in state and federal special funds that could be used for project construction, although it would have no direct impact on the General Fund.

State Budget Reform: Targeting California's bitter budget fights, Democratic legislative leaders proposed a wide-ranging overhaul that would allow lawmakers to pass budgets by a simple-majority vote and would require them to forfeit pay if they are late in passing a spending plan. Senate President Pro Tem Darrell Steinberg (D-Sacramento) and Assembly Speaker John A. Perez (D-Los Angeles) hailed the package as a way to restore public confidence by making the budget process more efficient and by ensuring that new programs are not approved without a way of paying for them. But Senate Minority Leader Dennis Hollingsworth (R-Murrieta) said the GOP could not accept any package that would allow Democrats to pass a budget without any Republican votes. Steinberg and Perez intend to consolidate the reforms into at least one constitutional amendment that would require a two-thirds majority of the Assembly and Senate to qualify for the ballot, meaning at least a handful of GOP votes in each house would be needed.

The package, which was crafted by a bipartisan political reform group called California Forward, includes the following elements:

- Allowing a state budget to be passed by a simple majority of each legislative house. However, raising revenues still would require a two-thirds vote.
- Requiring lawmakers to forfeit pay and per diem if they fail to pass a budget by June 25.
- Requiring lawmakers to identify funding sources for legislation that would cost the state at least \$25 million per year.
- Requiring a two-thirds vote of the Legislature to approve fees that would replace an existing tax.
- Limiting the use of non-recurring revenues for one-time purposes.
- Requiring the Governor to base budgets on agency performance, not previous allocations, beginning in FY 2015.
- Requiring the Governor's initial budget submission each year to include multi-year projections of revenues and expenditures.
- Allowing the Governor to reduce spending in the Budget Act if the Legislature does not pass a bill to address a fiscal emergency within 45 days of such an emergency being called.
- Establishing performance standards for state programs and reviewing them at least once a decade.

- Allowing counties to place before their voters a local sales tax increase of up to 1 cent for 10 years if they adopt a “countywide strategic action plan.” Passage of the sales tax increase would require a majority vote. The revenues would be used for community priorities pursuant to the adopted strategic action plan, with half of the money going to local schools.
- Prohibiting state officials from borrowing, transferring or reallocating local property tax or redevelopment funds.
- Convening a bipartisan, bicameral legislative committee on state-local program and fiscal realignment to marry the fiscal reforms with the appropriate assignment of program responsibilities to the state and local governments.

In addition, Steinberg and Perez promised operational changes that do not require legislation, including the following:

- Institutionalizing oversight of the executive branch as one of the Legislature’s most important ongoing duties.
- Requiring committee chairs to prioritize a small list of issues and report them to the leadership.
- Re-invigorating the sunset review process to evaluate the effectiveness of boards and commissions.
- Reducing by one-third the number of bills that lawmakers may carry.

NOTE: Also contributing to this report were Steve Palmer with Van Scoyoc Associates; Mark Watts with Smith, Watts & Company; and Scott Haywood, VTA’s Policy and Community Relations Manager.

TO: VTA Board of Directors

FROM: Michael T. Burns
General Manager

Subject: Gas Tax Swap Veto

Governor Schwarzenegger has informed legislative leadership that he intends to veto the “gas tax swap” budget bills for various reasons. In terms of protecting transit funding this essentially puts transit agencies back to square one.

The information below is from the California Transit Association (CTA) giving an update on the situation and also provides a link to the letter the Governor sent to legislative leadership discussing his rationale for the veto.

We are following these developments closely and will keep the Board of Directors apprised. Should you have any questions please feel free to call me directly or Kurt Evans, Government Affairs Manager at 408.321.5556.

California Transit Association

Funding Update for March 16, 2010

Funding Update | March 16, 2010

Governor Schwarzenegger to Veto Gas Tax Swap

Last night Governor Schwarzenegger sent a letter to legislative leadership announcing that he plans to veto the "gas tax swap" budget bills. The governor's explanation for the veto includes that the budget package provides no tax relief for consumers at the pump. He also says the package raises taxes on commuter rail services. The governor discusses in his letter his desire for bills which will stimulate job creation, provide tax credits for homeowners and businesses, and provide for attracting clean technology businesses to California.

The reference to increased taxes on commuter rail services refers to an issue raised by private railroads, which currently are exempt from the excise tax on diesel. Their concern is the increased cost they would pay as a result of the increased sales tax rate on diesel proposed in the "gas tax swap" package. The railroads state that this would result in a \$10 million tax increase for them. Furthermore, it appears that this impact will primarily affect freight rail rather than commuter rail.

We have heard from legislative leaders that they are working to repackage the proposal and submit it in the next few weeks. We understand that they will seek to remedy the

governor's concerns while at the same time maintain funding for public transportation.

Please [click here](#) to see the letter from Governor Schwarzenegger. We will remain diligent in protecting the transit funding provided in the package, and we will keep you informed of any new developments.

Please contact Legislative and Regulatory Assistant Sabrina Means at sabrina@caltransit.org or call 916-446-4656 if you have any questions.

www.caltransit.org // p. 916.446.4656 // f. 916-446-4318

From: Weymouth, Sandra
Sent: Tuesday, March 16, 2010 9:32 AM
To: VTA Board of Directors
Cc: Burns, Michael
Subject: correspondence copied to the Board of Directors

Attached you will find correspondence to VTA Chairperson Sam Liccardo. The VTA Board of Directors is carbon copied.

Sandra Weymouth
Board Secretary



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BOARD SECRETARY

*Congress of the United States
House of Representatives
Washington, D.C. 20515*

*Anna G. Eshoo
Fourteenth District
California*

March 10, 2010

The Honorable Sam Liccardo, Chair
Office of the Board Secretary
Santa Clara Valley Transportation Authority
3331 North First Street, Building B - First Floor
San Jose, California 95134

Dear Sam,

It's wonderful to inform you of some very good news. VTA has been awarded \$12,251,784 to purchase twenty 40 foot buses through the *American Recovery and Reinvestment Act*. These critical Recovery Act funds, which I supported and voted for, are essential for job growth.

I know that VTA will use these much needed funds wisely to help create jobs in our region and improve our transportation system.

All my best,

Anna G. Eshoo
Member of Congress

cc: Board of Directors