

## MEMORANDUM

**TO:** Santa Clara Valley Transportation Authority  
Board of Directors

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

**DATE:** January 16, 2012

**SUBJECT:** Weekly Legislative Summary: Week of January 9, 2012

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### **FEDERAL**

**Jobs:** Ever since the White House predicted that the American Recovery and Reinvestment Act of 2009 (ARRA) would drive unemployment below 8 percent, President Barack Obama has been frustrated by jobless numbers that reached 10 percent in October 2009 and have remained well above the 7.8 percent rate that he inherited from his predecessor, George W. Bush. Now that the December 2011 rate of 8.5 percent is the lowest since the President's first full month in office, the White House is encouraged by the trends. The latest numbers show that 3.2 million private-sector jobs have been created over 22 straight months of gains, including nearly 2 million last year alone. As President Obama begins to focus more on his re-election campaign, and as his potential Republican opponents seek to attack him on the economy, declining unemployment is sure to help him.

With less than a year to go before Election Day, the economy has now lost 1 million private-sector jobs since President Obama took office, but has recovered three-fourths of the 4.2 million jobs that were lost during the first 13 months of his term. If December's pace continues, this deficit will be erased by June, making it trickier for Republicans to wield the President's job-creation record against him.

Among the economic pitfalls facing President Obama as the campaign season advances are the potential for a recession in Europe, continuing risks of home foreclosures, only slow improvement in the manufacturing sector, and the possibility that holiday-season consumption will prove to be short-lived. It is also possible that policies being pushed by the President to help the economy could get tied up in Congress, particularly in the GOP-controlled House. In the near term, lawmakers will need to decide whether to continue the current payroll tax cut and expanded unemployment benefits, both of which are set to expire at the end of February.

**Health Care:** The Obama Administration filed written arguments with the U.S. Supreme Court defending the constitutionality of the Affordable Care Act, the health care reform legislation that was enacted in March 2010 with the backing of the President. The act, which President Obama considers to be one of his most significant domestic accomplishments during his first term in office, extends

health insurance coverage to more than 30 million Americans through various means, including a requirement that most people purchase insurance by 2014 or face a tax penalty. The President says the law is critical to improving medical care nationwide. However, it has attracted intense opposition from Republicans, including the party's presidential candidates, all of whom have vowed to repeal it if elected. The individual insurance requirement has been a particular lightning rod.

The cases involving the Affordable Care Act that the Supreme Court has agreed to hear will test the constitutional merits of the law. The main legal question is whether Congress exceeded its power to regulate interstate commerce in mandating that most Americans buy health insurance. Also in question is whether the entire law would be invalidated if it is determined that the insurance requirement is unconstitutional. The three appellate court rulings that have been rendered on these questions so far have been contradictory.

In its written brief to the high court, the Obama Administration contended that people without insurance incur billions of dollars in costs that are passed on to the insured, thereby creating a substantial burden on interstate commerce that is within Congress' purview to address. The administration also noted that the individual mandate goes hand-in-hand with the provisions that prohibit insurers from denying coverage to people with existing medical conditions or increasing their premiums. In its brief, the administration wrote that the insurance industry needs the larger pool of people from the individual mandate in order to be able to afford providing coverage to people regardless of their medical history; otherwise, premiums will rise, and healthy people will drop coverage.

**Debt Limit:** President Obama sent a letter to Congress formally requesting a \$1.2 trillion increase in the nation's debt limit. While the request will invariably trigger another round of congressional debate about the nation's \$15 trillion-plus debt, it is likely to go through because of how the Budget Control Act of 2011 was structured. This legislation, which was enacted last August just in time to avoid a federal government default, authorized an increase in the debt limit by as much as \$2.4 billion in several steps. Under the provisions of the act, Congress may pass a bill rejecting a requested increase within 15 days, but the President has the right to veto it and move forward with the increase anyway.

President Obama also asked Congress to allow for the use of "fast-track authority" for reorganizing the federal government. Under this authority, President Obama—and future presidents—would be able to submit specific reorganization proposals to Congress for up-or-down votes. As his first plan, President Obama wants to combine various offices that have overlapping responsibilities with regard to international trade and business development. According to the President, the goal is to "have one department where entrepreneurs can go from the day they come up with an idea and need a patent, to the day they start building a product and need financing for a warehouse, to the day they're ready to export and need help breaking into new markets overseas."

**White House:** On January 9, President Obama announced the resignation of White House Chief of Staff William Daley, who held the post for less than a year. He will be replaced by Jacob Lew, director of the Office of Management and Budget (OMB). Previously, Lew served as OMB director under President Bill Clinton and as a key policy adviser to Secretary of State Hillary Rodham Clinton. He will be President Obama's third chief of staff in four years.

The change represents a 180-degree turn from what the President needed a year ago, after Republicans took control of the House and made gains in the Senate. Then, he was under pressure to work with GOP congressional leaders and with the business community, so he capitalized on Daley's ties to both. Now, after a year filled with contentious negotiations on a number of significant issues, the President appears to have largely given up on trying to compromise with Republicans in the House and Senate. The change also serves to sever two parts of the White House that Daley and former Chief of Staff Rahm Emanuel had joined: policy and politics. Under the new model, Lew will run the policy shop, as well as dealings with federal agencies and Congress, leaving senior adviser David Plouffe and others to run the political side, just as the 2012 presidential campaign begins to heat up.

## **STATE**

***High-Speed Rail:*** On January 12, Roelof van Ark announced that he is resigning as chief executive officer of the California High-Speed Rail Authority, effective in two months. Van Ark, an engineering manager with considerable international high-speed rail experience, was hired in May 2010 and oversaw the development of the authority's updated business plan. He cited personal reasons for his resignation. At the same time, Tom Umberg, a former state legislator, said he is stepping down as chairman of the authority's Board of Directors, though he will remain a member of the Board. It is expected that he will be replaced by Dan Richard, who was appointed to the Board last year by Gov. Jerry Brown. Richard is a former member of the Board of Directors of the Bay Area Rapid Transit District (BART).

These changes come at a time when the High-Speed Rail Authority is asking the Legislature to appropriate \$2.7 billion in Proposition 1A bond money to match \$3.5 billion in federal funding that has been awarded to California to allow for construction to begin on a 130-mile segment of the high-speed rail system in the Central Valley.

In November 2011, the High-Speed Rail Authority released an updated business plan, which describes a phased approach to constructing a high-speed rail system running between San Francisco, San Jose, the Central Valley, Los Angeles, and Anaheim. It also provides updated cost estimates, ridership figures and funding expectations. Although the plan strived to address past criticisms about high-speed rail, the project continues to struggle in terms of perception. Recent polls show that public support for high-speed rail has eroded since the passage of Proposition 1A in 2008. Various members of the California Legislature are nervous about the 25-year price tag and are questioning whether it makes sense to build the Central Valley segment first. The Legislative Analyst's Office (LAO) remains skeptical about future funding. In Congress, House Republicans have asked the Government Accountability Office (GAO) to investigate the project. And a recent report by the authority's Peer Review Group said it could not, at this time, recommend legislative approval of bond funding for the project, pointing out that moving ahead with the project without "credible sources of adequate funding" represents "an immense financial risk" to the state.

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