

MEMORANDUM

TO: Santa Clara Valley Transportation Authority
Board of Directors

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

DATE: October 26, 2009

SUBJECT: Weekly Legislative Update: Week of October 19, 2009

FEDERAL

Climate Change: Many were elated at the deal that was reached by more than 180 nations in December 1997. But within months, a television ad appeared decrying the so-called Kyoto Protocol for not including developing nations such as China and India. “It’s not global and it won’t work,” said the ad, which was sponsored by business groups, including the American Association of Automobile Manufacturers and the American Petroleum Institute. The ad captured the growing discontent in the United States over the Clinton Administration’s signing off on a package that did not force similar cuts by major developing countries. That political backlash is one of several reasons why any deal struck two months from now in Copenhagen will at best signal the start of a new global approach to tackling climate change, rather than its successful conclusion.

Kyoto’s legacy—including the decision to exclude major developing countries from the agreement, the failure of the United States to ratify it and the fact that many of its signatories have missed their emission targets—continues to dominate United Nations talks aimed at curbing the world’s greenhouse gas output. It has made the United States more cautious about defining specific reductions, made other industrialized nations skeptical of the U.S. commitment and made developing countries more insistent on getting money from rich nations to address their problems. These realities are making it harder for most of the key countries to reach an agreement by December, especially one that involves a massive shift of their economic trajectories for the sake of a long-term reward.

The most significant change since 1997 is that developing countries such as China, India and Brazil—which are not bound to specific climate targets under Kyoto and continue to say they will not embrace them as part of an international treaty—are much biggest carbon emitters than they used to be. In fact, China has surpassed the United States as the world’s largest emitter, according to the International Energy Agency.

The International Energy Agency says 97 percent of the rise in energy-related carbon dioxide emissions will come from developing nations by 2030. That makes many members of Congress, particularly centrist Democrats, hesitate at the idea of backing mandatory curbs on U.S. greenhouse gas emissions. But representatives from the major developing nations claim that America's near-term climate targets remain too modest. They contend that the stalemate in negotiations has not been caused by China and India, but rather that the "make-or-break" issue is emission cuts by the industrialized countries.

In some ways, this political climate has loosened the White House's constraints in recent months. Many major U.S. companies now back a federal cap on greenhouse gas emissions, and the combination of the House-passed climate change bill and legislation recently introduced by Sens. Barbara Boxer (D-CA) and John Kerry (MA) suggest that President Barack Obama could meet his much-publicized goal of reducing the nation's emissions to their 1990 levels by 2020.

Several environmental groups say U.S. negotiators have been too hesitant to use provisions in these bills, such as their emission reduction targets, and funding to help developing countries preserve their forests and cope with climate effects, to lay the groundwork for a global deal. But the White House readily admits that a final bill is not likely to be signed by the President before Copenhagen, and American negotiators are not willing to codify targets internationally that the United States has yet to adopt. Instead, they are exploring whether the world's major emitters could forge a pact that encompasses nationally binding goals and is subject—at least to some extent—to international review. What countries came to realize after Kyoto was that it was problematic to have international environmental negotiations establish domestic economic and energy policy without first forging a domestic consensus. What all major countries realize this time around is that they need to establish a domestic consensus on an agreed level of effort as a stronger basis for the commitments they would make internationally and as a catalyst for international cooperation.

Health Care: President Obama's effort to revamp the nation's \$2.6 trillion health care system won a critical vote by the Senate Finance Committee, setting the stage for the next series of arduous negotiations that Congress must take to finish a bill this year. The committee's measure would cost \$829 billion in the first 10 years and increase the portion of insured Americans from 83 percent to 94 percent without increasing the deficit. It now must be melded with a more expansive proposal that was approved in July by the Senate Health Committee. The new bill would then go to the full Senate for a vote later this year. Any Senate bill would have to be reconciled with legislation in the House, where Democratic leaders are working to merge bills from three committees.

The major sticking points still facing the Senate are as follows:

- **Competition for private insurance companies:** The Finance Committee's bill proposes a system of member-run health care cooperatives. The Health Committee is calling for a government-run plan.

- Health insurance mandates: Both bills require Americans to purchase health insurance, but fines for those who do not would kick in more quickly under the Health Committee's legislation.
- Cost of premiums: Older people would pay more and younger Americans less under the Finance Committee's measure.

Senate Majority Leader Harry Reid (D-NV) will need all 60 members of his caucus to prevent a GOP filibuster from blocking the legislation on the Senate floor. Complicating the task is an 11th-hour attack by the health insurance industry, which recently issued a study that said the Senate Finance Committee's legislation would increase the cost of family coverage by \$1,700 a year in 2013, when the bill would take full effect.

STATE

State Budget: California appears headed for another ugly budget deficit as revenues coming into the state's coffers were \$1.1 billion short for the first three months of the new fiscal year. According to Controller John Chiang, the budget gap has grown since July, when lawmakers finished work on the FY 2010 spending plan, and appears to be expanding at a quickening pace. Chiang said a month ago, total General Fund revenues were down by \$237 million. That grew by \$863 million over the past 30 days.

The Department of Finance has estimated that California will face a \$7.4 billion deficit at the start of FY 2011. The department called Chiang's new revenue figures a "cause for concern," but said the Schwarzenegger Administration wants to see October's numbers to determine whether the drop is a one-time problem or a continuing issue.

A significant decline in revenues could affect current negotiations over water, as legislative leaders debate how they would pay for what is shaping up to be an \$8 billion to \$10 billion package. Republican lawmakers want to pay the cost with a general obligation bond, which requires debt payments to come from the General Fund. Democrats, on the other hand, prefer a mix that could include a revenue bond paid for by fees from water users.

Local Government Funding: A coalition of local government and transportation organizations has submitted an initiative to the Attorney General's Office that seeks to block the state from borrowing or redirecting local government funds. The proposed initiative, the "Local Taxpayer, Public Safety, and Transportation Protection Act of 2010," would prohibit the state from taking, borrowing or redirecting Highway User Tax Account (HUTA), Public Transportation Account (PTA) and Proposition 42 revenues, as well as funding for public safety, emergency response and other local government services. The coalition, which is being led by the League of California Cities, the California Transit Association and the California Alliance for Jobs, has asked the Attorney General's Office to prepare a title and summary for two similar initiatives. If the group decides to go forward with gathering signatures to qualify a measure for the 2010 ballot, it would choose one of the two.

REGIONAL

Metropolitan Transportation Commission (MTC): On October 21, MTC held a workshop to discuss its transit sustainability study. The study is an element of Transportation 2035, the regional transportation plan (RTP) for the Bay Area. Commission staff believes now is the appropriate time to embark on a study of the Bay Area's public transit network, given that agencies are facing severe budget shortfalls and the long-term viability of transit in the region may be at risk.

While the scope of the study is still being defined, MTC staff plans to focus on the following areas: (a) cost containment; (b) service design and delivery; and (c) governance and decision-making. For cost containment, the focus will be on addressing inefficient and outdated work rules. Commission staff highlighted BART's recent work rule reforms, which are expected to save the agency 5 percent in annual operating costs. In the area of service design and delivery, the study will focus on corridors where multiple providers share the same market, and explore the possibility of streamlining and consolidating operations in these areas. The corridors that will be studied are: (a) Inner East Bay; (b) Peninsula; (c) Transbay bus service; (d) Marin/Sonoma Corridor; and (e) regional ADA paratransit service delivery. The governance and decision-making analysis will determine if there are agencies that could be consolidated to create efficiencies and better service. Also included will be an analysis of a regional fare structure and complementary pricing strategies to encourage public transit ridership while still supporting agency budgets.

MTC commissioners recognize that the study will require an enormous amount of effort and extensive outreach to be effective. The study has a budget of \$2.5 million and is expected to take two years to complete.

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