

MEMORANDUM

TO: Santa Clara Valley Transportation Authority
Board of Directors

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

DATE: November 2, 2009

SUBJECT: Weekly Legislative Update: Week of October 26, 2009

FEDERAL

High-Speed Rail: President Barack Obama billed the \$8 billion in federal economic stimulus funds for high-speed rail as the “first step” toward a nationwide system of European-style bullet trains linking the nation’s largest cities. But now his administration must take the second step—figuring out how and where to spend the money among more than \$50 billion worth of proposals submitted from across the country. It is a tricky endeavor. If Federal Railroad Administration (FRA) officials pick too many projects, they risk spreading the money too thin, leaving little tangible evidence to point to when it comes time to ask Congress for the next round of federal investment. On the other hand, if they choose only one or two larger projects, they could alienate needed political allies in the House and Senate who hail from states that are overlooked.

While the FRA has yet to miss any congressionally mandated deadlines, its grant program is not moving at the speed that President Obama had originally envisioned. In April, while he was outlining his high-speed rail plan, the President said a first batch of stimulus grants would be awarded this summer for smaller planning and shovel-ready projects. But that deadline came and went with no announcements, something the FRA, which has long served mostly as a regulatory agency monitoring safety issues, noted afterward was a result of the unexpected high level of interest in the grant program. The agency received 45 applications from 24 states for a total of \$50 billion in long-term, high-speed rail corridor projects. California’s application alone is in excess of \$4 billion. Another 214 requests from 24 states for a total of \$7 billion were submitted for the smaller, shovel-ready work, mostly for projects along intercity passenger rail corridors. FRA officials have told lawmakers not to expect any federal funds to be awarded until early 2010.

The FRA has no shortage of possible projects to choose from, each with their own opportunities and challenges, and all with varying sizes and price tags. A highly circulated agency map, titled “Vision for High-Speed Rail in America,” includes 10 federally designated high-speed rail corridors, mostly located near the nation’s two coasts. But the economic stimulus money is open

to any passenger rail system, regardless of whether it is high-speed, and several states located outside of the designated corridors have applied for federal funding.

For obvious reasons, many lawmakers would like to see high-speed rail find a home in their own districts, but most have attempted to walk a fine line between supporting a larger, national plan and focusing attention on their own state's efforts. Florida Congressman John Mica, the top ranking Republican on the House Transportation and Infrastructure Committee, was quick to stress to FRA officials that lawmakers were keeping the big picture in mind. But later in the same hearing, Congresswoman Corrine Brown, a Florida Democrat who chairs the panel's rail subcommittee, pointed to FRA's map and noted the absence of a corridor connecting Jacksonville and Orlando.

Other proposals have their own influential backers, as well. Senate Environment and Public Works Committee Chairwoman Barbara Boxer (D-CA), and Senate Commerce, Science and Transportation Committee Ranking Minority Member Kay Bailey Hutchison (R-TX) hail from states considered to be strong contenders for federal funds. Both have articulated the benefits of their states' respective proposals during recent congressional hearings this year. And then there is the Midwestern proposal, which would connect Chicago, Detroit, Milwaukee, St. Louis, and several Ohio cities that have all been among the hardest hit by the ongoing economic recession. That region has been a frequent destination of President Obama and his Cabinet for public events touting the administration's economic recovery efforts. The Midwest line would be based out of Illinois, a state that as recently as last year was represented in Congress by the President, Transportation Secretary Ray LaHood and White House Chief of Staff Rahm Emanuel.

Some plans, such as those in California, Texas and Florida, are calling for the creation of new high-speed-only lines from scratch. These plans would allow trains to reach top speeds of 150 miles per hour (mph) or higher, approaching the speeds of the European and Asian systems that many in Congress have lauded. But building new lines and securing the necessary rights-of-way to do so is more difficult and expensive than making improvements to existing rail lines that carry both freight and passenger trains. Some argue that incremental improvements to heavily congested corridors, such as the initial work on the proposed Midwestern system, would provide a higher rate of return on the investment. But because much of the system would still be shared by freight trains, the passenger rail service would likely max out at around 110 mph.

Publicly, FRA officials have refrained from taking a side in the debate. Ultimately, the decision will not be as simple as how fast the trains move. The FRA and many in the transit community have echoed President Obama in saying that it would be pointless to move people from one city to another if they have few options for navigating the streets of their destination once they arrive. The "last mile" issue would appear to level the playing field between those incremental proposals that link cities with robust public transit systems and those that have the ability to build new high-speed rail lines, but lack existing comprehensive local transit infrastructure.

Climate Change: Senate Environment and Public Works Committee Chairwoman Barbara Boxer unveiled her latest draft of climate change legislation, which would more than double the level of funding for public transit and other low-carbon transportation alternatives that the House approved this summer. Specifically, Boxer's so-called "chairman's mark" sets aside an average

of nearly 2.8 percent of emission allowances under a cap-and-trade system over the first four years for “clean” transportation projects. Of this amount, 50 percent is designated for public transit formula grants, while the remainder would go for clean transportation planning and performance grants. By contrast, the House bill merely provides states with the option of using up to 1 percent of their allowances for such work.

The boost in transportation allocations was the result of a strong push from the environmental community, transportation advocates and a group of like-minded lawmakers backing legislation dubbed “Clean-Tea,” which requires 10 percent of any cap-and-trade revenues to go toward low-carbon transportation. While Boxer’s mark falls short of that level, it was still being hailed as a triumph within the group. The Clean-Tea legislation was introduced earlier this year by Sen. Thomas Carper (D-DE), a member of the Environment and Public Works Committee. Since then, Carper has steadily picked up increasing support from his fellow committee Democrats. Sens. Frank Lautenberg of New Jersey, Ben Cardin of Maryland, Arlen Specter of Pennsylvania, and Jeff Merkley of Oregon have all signed on as co-authors of the bill.

The transportation sector accounts for roughly 28 percent of the greenhouse gas emissions in the United States, and congressional Democrats and the White House have vowed to recast the nation’s surface transportation network to curb fuel consumption and limit emissions. But with the next multi-year surface transportation authorization bill stalled as lawmakers look for ways to pay for the needed infrastructure investment, many of those advocating for transportation reform have shifted their near-term attention to the climate change debate in hopes of making a dent in transportation emissions.

Health Care: Landmark health care reform legislation crafted by House Democratic leaders underscores the challenges that lawmakers in Congress continue to face as they race to finish work on President Obama’s top domestic priority by the end of the year. After months of negotiations, House Speaker Nancy Pelosi (D-CA) unveiled a bill that by 2019 would provide insurance to 36 million Americans who would not otherwise have it. The President praised the measure as a “critical milestone” in his effort to revamp the nation’s health care system.

But significant differences exist between the bill, which is steaming toward a vote in the House, and proposals in the Senate. One of the biggest unresolved questions is how to pay for the billions in subsidies that would help low- and moderate-income families buy health insurance. The House measure would impose a 5.4 percent income surtax on individuals who earn more than \$500,000 a year and on married couples whose annual joint tax return exceeds \$1 million. In contrast, legislation approved by the Senate Finance Committee calls for a tax on insurance premiums that cost more than \$8,000 for an individual and \$21,000 for a family.

If legislation passes in the House and Senate, such broad discrepancies would be worked out by a conference committee—a crucial and potentially lengthy part of the process. Congress has less than nine weeks left to meet the President’s goal of finishing a health care reform bill by the end of the year.

The new bill offered by Pelosi represents a merger of proposals that were developed by three separate House committees months ago. It requires Americans to buy health insurance by 2013

or pay a fine, creates a government-run program similar to Medicare to compete with private insurers, and lets 15 million additional people enroll in Medicaid by easing eligibility requirements. But in an effort to make the legislation more palatable to moderates in her party, Pelosi altered some of the fine print. For example, the proposed government-run “public option” would negotiate for how much to pay doctors and hospitals, rather than relying on government-set rates as Medicare does.

The non-partisan Congressional Budget Office estimates that the legislation would ensure that 96 percent of Americans have coverage by 2019 at a net cost of \$894 billion over 10 years. The analysis was less clear about its long-term effect on the federal deficit.

STATE

Water: Two influential water districts and several environmental groups said they support key elements of water legislation under negotiation in Sacramento. The pact between the Westlands Water District, the Metropolitan Water District of Southern California and key environmental groups comes after weeks of closed-door negotiations over new policies to mandate conservation, track groundwater levels and create agencies to oversee the troubled Sacramento-San Joaquin Delta. Senate President Pro Tem Darrell Steinberg (D-Sacramento) cited the agreement as major progress and noted that it opens the door for a vote on a larger water deal, which would include a multi-billion bond to pay for water storage projects.

REGIONAL

Bay Area Toll Authority (BATA) Oversight Committee: BATA announced the schedule for public meetings to consider toll hikes on the seven state-owned Bay Area toll bridges: the Antioch, Benicia-Martinez, Carquinez, Dumbarton, Richmond-San Rafael, San Francisco-Oakland Bay, and San Mateo-Hayward Bridges. The toll proposal does not affect the Golden Gate Bridge, which is owned and operated by an independent authority. The proposed toll increase is expected to raise \$160 million in annual revenues and is needed to refinance the estimated \$750 million cost of seismic retrofit projects on the Antioch and Dumbarton Bridges. The toll increase is also in response to: (a) a steady decline in toll-paying traffic on the state-owned bridges during each of the past five years; (b) growing operational expenses; and (c) rising debt due in part to the upheaval in the municipal bond markets over the past two years. The public hearings will be held on November 4 at 1:30 p.m. in Oakland; November 17 at 6:30 p.m. in San Mateo; and December 3 at 6:30 p.m. in Concord.

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.