Los Angeles County
Metropolitan Transportation
Authority
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Los Angeles, CA

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EXECUTIVE MANAGEMENT COMMITTEE
JANUARY 17, 2019

Motion by:

Butts, Hahn, Solis, Kuehl and Dupont-Walker

State Legislative Program Goals

Policy Objective: **California Green Bond Program**

Secure state legislative authorization for a tax credit bond program leveraging Metro's Measures R and M revenues in order to leverage and accelerate key regional and sub-regional transportation priority projects.

Proposed Policy Initiative:

Pursue reintroduction of Metro sponsored state legislation, SB 867 (Padilla 2011) to authorize a new tax credit bond program--**Build California Green Bonds**. The exact amount of the tax credit bond program would be determined in consultation with the state legislative sponsor or sponsors. In order to have a meaningful impact on the project acceleration process the amount of the tax credit bond program should be in the range of $5.0 billion to $10.0 billion, with an annual project allocation ranging from $1.0 billion to $2.0 billion.

Background:

Last month the CEO unveiled a laundry list of potential financial and policy tools to address the ambitious aspirational goals of the Board adopted **28 X 28 Initiative and Vision**. In his presentation the CEO asked the Board for ideas and input in January as we consider adopting a 28X28 Financial Plan in the upcoming February Board cycle.
Rather than threatening Metro's healthy Bond credit rating by lifting Metro's historically self-imposed debt-ceiling cap, we believe the moment is ripe to pursue this alternative innovative approach described above.

In 2011 Metro sponsored a bill authored by then State Senator Alex Padilla (SB 867) (See Below) authorizing a "**Build California Bonds**" program in order to generate new revenue to support accelerating the Measure R projects. The proposed legislation did generate a significant amount of interest, but unfortunately did not pass. If SB 876 was passed and implemented approximately $1.5 billion of new revenues could have been generated to support Metro sponsored and sub regional projects.

The enactment of a Build California Bonds program could provide a new and viable source of funds to support and in fact accelerate both Measure R and M capital projects.
A legislative staff paper on the proposed legislation contained the following statements that apply just as much now as they did in 2011:

"The purpose of this bill is to add a state component to Metro's debt financing strategy. According to the author, if a local transportation agency desires to accelerate the construction of projects, the cost of accelerating financing, however, would be a substantial cost to the agency. By creating a state tax credit bond, the cost to the local agency is reduced. This, the author argues, will accelerate construction of transportation projects, and provide the economic benefits forecasted by the LAEDC. While the author emphasizes the advantage of this bill for developing transit projects in Los Angeles County, the tax credit bonds may be used to assist in the financing of highway projects as well in all eligible counties.

The sponsor of this bill is the Los Angeles County Metropolitan Transportation Authority (Metro). Metro has adopted a transportation financing strategy for constructing twelve mass transportation projects throughout Los Angeles County in ten years rather than the usual thirty years when relying upon the conventional grant funding approach.

This strategy referred to as the 30/10 Initiative relies upon using the revenue from the local, voter-approved Measure R transportation sales tax as collateral for long-term bonds and federal loans. Metro believes this will allow it to achieve its ambitious construction timeline and will also result in substantial construction cost savings. Successful implementation of the 30/10 Initiative is expected to deliver immediate economic benefits. According to the Los Angeles Economic Development Corporation (LAEDC), the $12.6 billion 30/10 Initiative, which anticipates $10.8 billion in direct construction expenditures, will generate $23.3 billion of regional economic output, 137,000 jobs, $8.7 billion of direct income to project workers, and federal, state and local taxes of $962 million during the ten years of the program.

State assumes new transportation funding responsibility. This bill involves the state in a new funding scheme for financing transportation investments, the use of state income tax credits in lieu of interest payments for local transportation debt. The tax credit is nonrefundable. (A nonrefundable tax credit prohibits the taxpayer from seeking a cash refund in the event there is no tax obligation from which to deduct the credit.) This bill allows unused tax credits to be rolled over for up to ten years. At a minimum, it appears that the tax credit is at least five percent but may be higher. This bill provides that the total tax credits for any fiscal year cannot exceed $250 million. The total amount of bonds issued that would be entitled to tax credits is $5 billion. No more than $1 billion of bonds can be issued per fiscal year.**"**

SUBJECT: STATE LEGISLATIVE PROGRAM GOALS
RECOMMENDATION

APPROVE Motion by Butts, Hahn, Solis, Kuehl and Dupont-Walker that the Board Instruct the CEO to include this innovative legislative approach as a priority in the State Legislative Program and Goals contained in Attachment B of the Board Report and specifically relating to Goals 13, and 14.

WE FURTHER MOVE that the Board directs the CEO to secure a primary legislative author and coauthors to sponsor specific legislation authorizing a new **“Build California Green Bond”** program.

WE FURTHER MOVE that the Board directs the CEO to consult with the LAEDC and consider the updating of the 2011 LAEDC Report Metro used in its advocacy efforts in supporting this legislative initiative and report back to the Executive Management Committee in this regard.