SENATE BILL REPORT
SB 6682

As of March 23, 2016

Title: An act relating to private activity bond allocation.

Brief Description: Concerning private activity bond allocation.

Sponsors: Senator Benton.

Brief History:
Committee Activity: Financial Institutions & Insurance:

SENATE COMMITTEE ON FINANCIAL INSTITUTIONS & INSURANCE

Staff: Shani Bauer (786-7468)

Background: The Bond Cap Allocation Program (BCAP) at the Department of Commerce (Commerce) authorizes the issuance of the state's bond cap. The BCAP reviews and approves bond issuances for projects to ensure compliance with federal and state law and to ensure that the state does not exceed its tax-exempt issuance ceiling.

Bond cap is the maximum amount of tax-exempt private activity municipal bonds that can be issued by state issuers for a given year. The federal Tax Reform Act of 1986 identifies the amount of bond cap allocated to each state, which is currently $90 per capita. The Tax Reform Act of 1986 defines private activity bonds as bonds used to fund projects or programs that include more than 10 percent private participation or where more than 5 percent of the proceeds are used for loans to private business or individuals.

The categories of tax-exempt bonds and their respective allocations of the bond cap in Washington are:

Housing	32.0%
Small Issue - also known as Industrial Development Bonds (IDBs)	25.0%
Exempt Facility	20.0%
Student Loans	15.0%
Redevelopment and Remainder	8.0%

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

The BCAP may reallocate unused bond cap allocations within any of the five categories to other categories after July 1 and before the end of the calendar year, and may reallocate unused allocations to one or more issuers as carry-forward to be used within three years.

The Washington State Housing Finance Commission (HFC) was created by the Legislature in 1983. The HFC is not a state agency; it does not receive or lend state funds, and its debt is not backed by the full faith and credit of the state. The HFC acts as a conduit for federal allocated bond cap. It issues both tax-exempt and taxable bonds to provide below-market rate financing to nonprofit and for-profit housing developers that set aside a certain percentage of their units for low-income individuals and families.

Prior to 2010, federal student loans originated through a commercial lender and were guaranteed by the federal government. These loans were often purchased by state and local governments through the use of private activity bonds to generate more capital for loans. In 2010, the federal government reverted to issuing student loans directly rather than through commercial lenders. Although private activity bonds are still sometimes used for state supplemental loans or refundings of pre-2010 loans, there is no longer a need to issue bonds to purchase federal loans from commercial lenders. As a result, the federal allocated bond cap for student loans is generally not being utilized.

Summary of Bill: The bond cap allocation for housing is increased to 42 percent and the bond cap for students loans is decreased to 5 percent.

In any calendar year for which no allocation for student loan bonds has been granted by February 1 of that year, the entire initial allocation for student loans may be reallocated to housing at that time.

Time periods are adjusted for Commerce to submit biennial reports summarizing the usage of bond allocation proceeds and policy concerns for future bond allocations.

Appropriation: None.

Fiscal Note: Not requested.

Committee/Commission/Task Force Created: No.

Effective Date: Ninety days after adjournment of session in which bill is passed.