

HOUSE BILL REPORT

SB 5197

As Reported by House Committee On:
Capital Budget

Title: An act relating to Private Activity Bonds.

Brief Description: Revising Private Activity Bond provisions.

Sponsors: By Senators Winsley and Prentice.

Brief History:

Committee Activity:

Capital Budget: 3/26/01, 3/28/01 [DPA].

Brief Summary of Bill
(As Amended by House Committee)

- The bill adopts the increase in the Private Activity Bond cap under the federal tax code and reallocates the bonds among different types of projects.

HOUSE COMMITTEE ON CAPITAL BUDGET

Majority Report: Do pass as amended. Signed by 18 members: Representatives Alexander, Republican Co-Chair; Murray, Democratic Co-Chair; Armstrong, Republican Vice Chair; Esser, Republican Vice Chair; McIntire, Democratic Vice Chair; Barlean, Bush, Casada, Hankins, Hunt, Lantz, O'Brien, Ogden, Poulsen, Reardon, Schoesler, Veloria and Woods.

Staff: Charlie Gavigan (786-7340).

Background:

Private Activity Bonds (PABs) are used to fund projects that contain more than 10 percent private participation. Because of this private involvement, PABs are generally taxable. However, if a project falls within one of the eligible categories established by federal tax law, and can demonstrate significant public benefit, the project may receive tax exempt status through an allocation of the state's bond cap. The Tax Reform Act of 1986 established a cap on the dollar amount of tax exempt private activity bonds that states could issue, equal to \$50 per state resident. This year Congress amended that

ceiling. Beginning in 2001, the cap is \$62.50 per capita; in 2002, \$75 per capita, and the cap will be indexed each year thereafter.

States are free to allocate the total cap among issuers who develop eligible projects as each state sees fit.

Federal law established a dollar lifetime ceiling of \$750 million for the category of Public Utility.— That amount will be reached within the next few years, allowing for a possible reallocation of the issuing authority allocated to that category.

The current allocation was established in 1987 and provides as follows:

Housing	25 percent
Student Loans	15 percent
Exempt facility	20 percent
Public Utility	10 percent
Small Issue	25 percent
Remainder and Redevelopment	5 percent

Summary of Amended Bill:

The allocation among the several categories of issuers is changed as follows:

	2001	2002 and thereafter	Alternative Allocation
Housing	27.5 percent	30.0 percent	32.0 percent
Small Issue	24.5 percent	24.0 percent	25.0 percent
Exempt Facility	19.5 percent	19.0 percent	20.0 percent
Student Loans	14.5 percent	14.0 percent	15.0 percent
Public Utility	10.0 percent	10.0 percent	0.0 percent
Remainder and Redevelopment	4.0 percent	3.0 percent	8.0 percent

The alternative allocation— occurs upon the earlier of (a) exhaustion of the public utility current lifetime ceiling (\$750 million) or congressional increase thereof, or (b) waiver of that authority due to alternative federal authority that does not use a state volume cap.

The revised federal caps are adopted; these are \$62.50 per capita in 2001, \$75 per capita in 2002, and are indexed thereafter.

Amended Bill Compared to Bill:

A technical clarification is made.

Appropriation: None.

Fiscal Note: Not Requested.

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

Testimony For: This increases the state's private bond cap which increases financing for facilities for housing, economic development and other purposes at no cost to the state. This is an agreed-to proposal that ends a recurring dispute.

Testimony Against: None.

Testified: Senator Winsley, prime sponsor; Bill Cole, Office of Community Development; Kim Herman, Washington State Housing Finance Commission; Scott Taylor, Washington Public Ports Association; and Bob Mitchell, Washington Association of Realtors.