

SENATE BILL REPORT

SB 5197

As Passed Senate, March 10, 2001

Title: An act relating to private activity bonds.

Brief Description: Revising private activity bond provisions.

Sponsors: Senators Winsley and Prentice.

Brief History:

Committee Activity: Labor, Commerce & Financial Institutions: 1/22/01, 1/25/01 [DP].
Passed Senate: 3/10/01, 47-0.

SENATE COMMITTEE ON LABOR, COMMERCE & FINANCIAL INSTITUTIONS

Majority Report: Do pass.

Signed by Senators Prentice, Chair; Gardner, Vice Chair; Fairley, Franklin, Hochstatter, Honeyford, Patterson, Rasmussen, Regala, West and Winsley.

Staff: Dave Cheal (786-7576)

Background: The Tax Reform Act of 1986 defines private activity bonds (PABs) as those 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 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 2003 \$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%
Student Loans	15%
Exempt facility	20%
Public Utility	10%
Small Issue	25%
Remainder and	

Redevelopment 5%

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

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

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 reallocations of the federal authorizations of \$62.50 per capita in 2001, and \$75 per capita in 2003 are adopted. Future authorizations are indexed as allowed by federal law.

Appropriation: None.

Fiscal Note: Not requested.

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

Testimony For: The various issuers of private activity bonds authorized by the Internal Revenue Code have agreed on a new allocation of state bond cap, which is embodied in this bill. The new allocation directs more issuing authority to housing programs earlier in the annual allocation process, and acknowledges the imminent expiration of the PUD category.

Testimony Against: None.

Testified: Kim Herman, WSHFC (pro); Kurt Creager, Vancouver Housing Authority, Assn. of WA Housing Authorities (pro); Scott Taylor, WPPA (pro); Bill Cole, WA St Office of Comm Dev; Casey Cochrane, Tacoma Chamber (pro); Susan Suess, Pierce Co. EDB (pro).

House Amendment(s): The \$75 per capita authorization date is changed to 2002, which coincides with federal authorizing legislation.