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SENATE BILL 5197

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State of Washington

57th Legislature

2001 Regular Session

By Senators Winsley and Prentice

Read first time 01/15/2001. Referred to Committee on Labor, Commerce & Financial Institutions.

1 AN ACT Relating to private activity bonds; and amending RCW  
2 39.86.100 and 39.86.120.

3 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

4 **Sec. 1.** RCW 39.86.100 and 1987 c 297 s 1 are each amended to read  
5 as follows:

6 The federal tax reform act of 1986 imposes an annual ceiling on the  
7 aggregate amount of federally tax-exempt private activity bonds,  
8 including bonds for housing, student loans, exempt facilities, small  
9 issue industrial, redevelopment, and certain public utility projects,  
10 that may be issued during any calendar year by or on behalf of states  
11 and their political subdivisions. ((The tax reform act of 1986  
12 establishes a private activity bond ceiling for each state of seventy-  
13 five dollars per capita for 1987 and of fifty dollars per capita for  
14 1988 and each year thereafter.)) In 2001, the ceiling will be  
15 increased to sixty-two dollars and fifty cents per capita and in 2003  
16 the ceiling will be increased to seventy-five dollars per capita, to be  
17 indexed annually, for 2003 and every year thereafter. However, a study  
18 by the department of community development indicates that the dollar  
19 amount of the state ceiling is considerably less than the anticipated

1 dollar amount for which issuers would need an allocation from the state  
 2 ceiling. The tax reform act of 1986 provides a formula for allocating  
 3 the annual ceiling among various issuers of private activity bonds  
 4 within a state, but permits each state to enact a different allocation  
 5 method that is appropriate to that state's needs. The purpose of this  
 6 chapter is to provide a flexible and efficient method of allocating the  
 7 annual state ceiling in Washington in a manner that recognizes the need  
 8 of the state and its political subdivisions to finance activities or  
 9 projects that satisfy a substantial public purpose.

10 **Sec. 2.** RCW 39.86.120 and 1990 c 50 s 1 are each amended to read  
 11 as follows:

12 (1) Except as provided in subsections (2) and (4) of this section,  
 13 the initial allocation of the state ceiling shall be for each year as  
 14 follows:

	<del>((1989 and</del>		<del>1990 and</del>	
	<del>THEREAFTER</del>		<del>THEREAFTER</del>	
	<del>(If the small</del>		<del>(If the small</del>	
	<del>issue category</del>		<del>issue category</del>	
	<del>is permitted</del>		<del>is not permitted</del>	
<del>BOND USE</del>	<del>under federal</del>		<del>under federal</del>	
<del>CATEGORY</del>	<del>1987</del>	<del>1988</del>	<del>law)</del>	<del>law)</del>
<del>Housing</del>	<del>5%</del>	<del>25%</del>	<del>25%</del>	<del>35%</del>
<del>Student Loans</del>	<del>10%</del>	<del>15%</del>	<del>15%</del>	<del>15%</del>
<del>Exempt Facility</del>	<del>40%</del>	<del>20%</del>	<del>20%</del>	<del>35%</del>
<del>Public Utility</del>	<del>10%</del>	<del>10%</del>	<del>10%</del>	<del>10%</del>
<del>Small Issue</del>	<del>30%</del>	<del>25%</del>	<del>25%</del>	<del>0%</del>
<del>Remainder and</del>				
<del>redevelopment</del>	<del>5%</del>	<del>5%</del>	<del>5%</del>	<del>5%)</del>

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<u>BOND USE</u>		<u>2002 and</u>	<u>ALTERNATIVE</u>
<u>CATEGORY</u>	<u>2001</u>	<u>THEREAFTER</u>	<u>ALLOCATION</u>
<u>Housing</u>	<u>27.5%</u>	<u>30.0%</u>	<u>32.0%</u>
<u>Small Issue</u>	<u>24.5%</u>	<u>24.0%</u>	<u>25.0%</u>
<u>Exempt Facility</u>	<u>19.5%</u>	<u>19.0%</u>	<u>20.0%</u>
<u>Student Loans</u>	<u>14.5%</u>	<u>14.0%</u>	<u>15.0%</u>

1	<u>Public Utility</u>	<u>10.0%</u>	<u>10.0%</u>	<u>0.0%</u>
2	<u>Remainder and</u>			
3	<u>redevelopment</u>	<u>4.0%</u>	<u>3.0%</u>	<u>8.0%</u>

4 (2) Initial allocations may be modified by the agency only to  
5 reflect an issuer's carryforward amount. Any reduction of the initial  
6 allocation shall be added to the remainder and be available for  
7 allocation or reallocation.

8 (3) The remainder shall be allocated by the agency among one or  
9 more issuers from any bond use category with regard to the criteria  
10 specified in RCW 39.86.130.

11 (4) Should any bond use category no longer be subject to the state  
12 ceiling due to federal or state provisions of law, the agency shall  
13 divide the amount of that initial allocation among the remaining  
14 categories as necessary or appropriate with regard to the criteria  
15 specified in RCW 39.86.130. Upon the earlier of: (a) Exhaustion of  
16 the seven hundred fifty million dollar authority under I.R.C. 1317(25),  
17 or any new federal legislation increasing the amount of authority, or  
18 creating additional authority; or (b) waiver of the authority described  
19 under (a) of this subsection due to alternative federal authority that  
20 does not use a state volume cap, then the alternative allocation  
21 schedule in subsection (1) of this section will be used.

22 (5)(a) Prior to September 1 of each calendar year, any available  
23 portion of an initial allocation may be allocated or reallocated only  
24 to an issuer within the same bond use category, except that the  
25 remainder category, or portions thereof, may be allocated at any time  
26 to any bond use category.

27 (b) Beginning September 1 of each calendar year, the agency may  
28 allocate or reallocate any available portion of the state ceiling to  
29 any bond use category with regard to the criteria specified in RCW  
30 39.86.130.

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