

SENATE STAFF ANALYSIS AND ECONOMIC IMPACT STATEMENT

(This document is based only on the provisions contained in the legislation as of the latest date listed below.)

BILL: CS/SB 1252

SPONSOR: Commerce and Economic Opportunities Committee and Senator Kurth

SUBJECT: Bond Financing

DATE: April 22, 1999 REVISED: _____

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	<u>Joseph</u>	<u>Maclure</u>	<u>CM</u>	<u>Favorable/CS</u>
2.	_____	_____	_____	_____
3.	_____	_____	_____	_____
4.	_____	_____	_____	_____
5.	_____	_____	_____	_____

I. Summary:

This committee substitute establishes a new bond allocation region consisting of Brevard and Volusia Counties. The two counties in the new region are subject to the same bond conversion criteria as provided by law. There appears to be no significant fiscal impact to the state in implementing the provisions of this committee substitute.

This committee substitute amends sections 159.804 and 159.8075, Florida Statutes.

II. Present Situation:

The federal government controls the amount of private activity bonds that are permitted to be issued in each state. Part VI of ch. 159, F. S., establishes statewide procedures for allocating Florida's share of private activity bonds. Such allocation is statutorily referred to as the allocation of state volume limitation (s. 159.804, F.S.). The Division of Bond Finance of the State Board of Administration is responsible for annually determining the amount of the private activity bonds permitted for statewide allocation under the 1986 Internal Revenue Code, as amended.

Under state procedures, a certain allocation of the state volume limitation is established for the manufacturing facility pool. Fifty percent of the state volume limitation remaining after the manufacturing facility pool allocation must be divided among 16 regions based on population of the counties comprising the regions. The regions are listed in s. 159.804(2)(b), F.S., and consist of both single and multiple counties. The state volume allocation must be used by all agencies contained within these regions. Among the agencies eligible to compete for the right to issue private activity bonds are county housing authorities. The housing authorities use the private activity bond allocation to generate mortgage loans for first-time home buyers.

Region 6 currently consists of Brevard, Lake, Osceola, Seminole, and Volusia Counties. According to the allocation formula, \$34 million in bonds are permitted to be issued by the counties in this region. However, the Brevard County Housing Authority has not received bond

allocations for three years (1997-1999) and the Volusia County Housing Authority has received only one single-family allocation within the last five years. As such, the Brevard and Volusia County Housing Authorities are unable to adequately meet or plan their housing goals for each year. According to the Brevard County Housing Authority, the odds of the county receiving a share of the bond availability in the future will not improve unless something is done to change the current arrangement.

The Brevard County Housing Authority reports the reasons for the unfavorable odds include that: (1) the populations of Lake, Osceola, and Seminole Counties are growing faster than Brevard and Volusia Counties; and (2) Lake, Osceola, and Seminole Counties need multi-family housing projects as opposed to the single-family projects needed in Brevard and Volusia Counties. Multi-family projects get more draws than single-family projects in a lottery method of determining which counties within a region will receive a bond allocation. Since Brevard County Housing Authority has met its multi-family housing needs, chances are that the county loses in the lottery draw as indicated in the last three years. Volusia County Housing Authority is in a similar situation.

Brevard and Volusia County Housing Authorities maintain that the current method of allocation prevents them from being able to reasonably plan their annual housing programs. These counties believe splitting the current Region 6 into two regions (where the new region consists of Brevard and Volusia Counties) resolves their problems.

Section 159.8075, F.S., related to qualified mortgage credit certificates, allows a housing finance authority to convert all or a portion of its private activity bond allocation to the issuance of mortgage credit certificates. Housing finance authorities located in regions 1, 2, 3, 4, 5, 6, 7, 8, or 9 may convert an amount not greater than its share based on the ratio of its region's initial allocation and its part of the population of its region.

III. Effect of Proposed Changes:

This committee substitute amends s. 159.804, F.S., to provide for the creation of a new Region 17 consisting of Brevard and Volusia Counties. Since the state volume limitations are based on a population formula, the two counties will compete for the approximately \$19 million in bond allocations under the provisions of this committee substitute. Under this committee substitute, Region 6 has three counties: Lake, Osceola, and Seminole Counties. According to the Division of Bond Finance, housing authorities in these three counties will compete for \$15 million. Pursuant to ch. 97-167, L.O.F., the "Florida Housing Finance Agency" was renamed the "Florida Housing Finance Corporation." There has not been a conforming reviser's bill reflecting the renaming. This committee substitute reflects the name change.

This committee substitute amends s. 159.8075, F.S., to include the new region 17, extending an existing restriction on how Brevard and Volusia Counties may elect to convert private activity bond allocations to the issuance of mortgage credit certificates. This is conforming language and does not constitute any new restrictions for these counties.

IV. Constitutional Issues:

A. Municipality/County Mandates Restrictions:

None.

B. Public Records/Open Meetings Issues:

None.

C. Trust Funds Restrictions:

None.

V. Economic Impact and Fiscal Note:

A. Tax/Fee Issues:

None.

B. Private Sector Impact:

None.

C. Government Sector Impact:

The Division of Bond Finance of the State Board of Administration is currently established to allocate private activity bonds among 16 regions. Consequently, start-up expenditures, if any, are insignificant. The current division staff is able to absorb the administrative duties of having one more region. Moreover, the division comments it will continue to issue allocations to the same number of counties under the provisions of this committee substitute.

VI. Technical Deficiencies:

None.

VII. Related Issues:

None.

VIII. Amendments:

None.