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DATE: March 9, 1999

**HOUSE OF REPRESENTATIVES
COMMITTEE ON
COMMUNITY AFFAIRS
ANALYSIS**

BILL #: CS/HB 401

RELATING TO: Bond Financing

SPONSOR(S): Committee on Community Affairs and Representative Ball

COMPANION BILL(S): SB 1252 (i)

ORIGINATING COMMITTEE(S)/COMMITTEE(S) OF REFERENCE:

- (1) COMMUNITY AFFAIRS YEAS 9 NAYS 0
 - (2) TRANSPORTATION & ECONOMIC DEVELOPMENT APPROPRIATIONS
 - (3)
 - (4)
 - (5)
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I. SUMMARY:

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 bill.

II. SUBSTANTIVE ANALYSIS:

A. PRESENT SITUATION:

The federal government controls the amount of private activity bonds that are permitted to be issued in each state. Part VI of Chapter 159, Florida Statutes, 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. 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 permitted by the federal government 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, Florida Statutes, 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 adequately to meet or plan its housing goals for each year. According to the Brevard 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 insist 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. However, a housing representative from Osceola County believes that the real problem may lie in the current system of allocation. As such, the allocation system may be due an evaluation to see if the system needs revamping.

Section 159.8075, Florida Statutes, provides that housing finance authorities may elect to convert all or a portion of their private activity bond allocations to the issuance of mortgage credit certificates. Housing finance authorities located in region 6 may elect to convert only in a certain amount which is based on population and other information.

B. EFFECT OF PROPOSED CHANGES:

The bill provides 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 bill. The former Region 6 now has three counties competing for the difference between \$34 million and \$19 million.

Brevard County represents that even though the provisions of this bill provides a smaller allocation, the counties in the new region have better chances of sharing in some of the allocations and can plan housing programs for each year's budget. From the Brevard County Housing Authority's perspective, it is better to share in something rather than nothing. Further, the \$19 million is enough for both Brevard and Volusia Counties to implement their housing issues. The Brevard County Housing Authority speculates that other counties in its similar situation may be discouraged to split a region because the final allocation for the new region may not be enough to fund their housing initiatives.

According to the Division of Bond Finance, under this bill, Lake, Osceola, and Seminole County Housing Authorities will compete for \$15 million.

As a technical matter, the bill renames the Florida Housing Finance Agency to the Florida Housing Finance Corporation which conforms to current law. Also, the bill applies an existing bond conversion allocation restriction to Brevard and Volusia Counties' housing finance authorities. This provision allows the Brevard and Volusia Counties consisting of the new region 17, to be treated the same as before the new region was established.

C. APPLICATION OF PRINCIPLES:

1. Less Government:

a. Does the bill create, increase or reduce, either directly or indirectly:

(1) any authority to make rules or adjudicate disputes?

No.

(2) any new responsibilities, obligations or work for other governmental or private organizations or individuals?

Yes. The Division of Bond Finance of the State Board of Administration will be responsible for overseeing an additional bond allocation region for the state.

(3) any entitlement to a government service or benefit?

No.

b. If an agency or program is eliminated or reduced:

(1) what responsibilities, costs and powers are passed on to another program, agency, level of government, or private entity?

Not applicable.

(2) what is the cost of such responsibility at the new level/agency?

Not applicable.

(3) how is the new agency accountable to the people governed?

Not applicable.

2. Lower Taxes:

a. Does the bill increase anyone's taxes?

No.

b. Does the bill require or authorize an increase in any fees?

No.

c. Does the bill reduce total taxes, both rates and revenues?

No.

d. Does the bill reduce total fees, both rates and revenues?

No.

e. Does the bill authorize any fee or tax increase by any local government?

No.

3. Personal Responsibility:

a. Does the bill reduce or eliminate an entitlement to government services or subsidy?

No.

b. Do the beneficiaries of the legislation directly pay any portion of the cost of implementation and operation?

No.

4. Individual Freedom:

a. Does the bill increase the allowable options of individuals or private organizations/associations to conduct their own affairs?

Yes. From the Brevard and Volusia County Housing Authorities perspective, more first-time homeowners are able to afford single-family homes.

b. Does the bill prohibit, or create new government interference with, any presently lawful activity?

No.

5. Family Empowerment:

a. If the bill purports to provide services to families or children:

(1) Who evaluates the family's needs?

Not applicable.

(2) Who makes the decisions?

Not applicable.

(3) Are private alternatives permitted?

Not applicable.

(4) Are families required to participate in a program?

Not applicable.

(5) Are families penalized for not participating in a program?

Not applicable.

b. Does the bill directly affect the legal rights and obligations between family members?

Not applicable.

c. If the bill creates or changes a program providing services to families or children, in which of the following does the bill vest control of the program, either through direct participation or appointment authority:

(1) parents and guardians?

Not applicable.

(2) service providers?

Not applicable.

(3) government employees/agencies?

Not applicable.

D. STATUTE(S) AFFECTED:

Section 159.804, Florida Statutes.

E. SECTION-BY-SECTION ANALYSIS:

Section 1: Amends s. 159.804, Florida Statutes, increases the number of county regions sharing in the allocation of the state volume limitation from 16 to 17; and provides that the new Region 17 consist of Brevard and Volusia Counties.

Section 2: Provides that the bill is effective upon becoming a law.

III. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT:

A. FISCAL IMPACT ON STATE AGENCIES/STATE FUNDS:

1. Non-recurring Effects:

Insignificant. 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 bill.

2. Recurring Effects:

Insignificant.

3. Long Run Effects Other Than Normal Growth:

None.

4. Total Revenues and Expenditures:

Insignificant.

B. FISCAL IMPACT ON LOCAL GOVERNMENTS AS A WHOLE:

1. Non-recurring Effects:

None.

2. Recurring Effects:

None.

3. Long Run Effects Other Than Normal Growth:

None.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

1. Direct Private Sector Costs:

None.

2. Direct Private Sector Benefits:

None.

3. Effects on Competition, Private Enterprise and Employment Markets:

None.

D. FISCAL COMMENTS:

None.

IV. CONSEQUENCES OF ARTICLE VII, SECTION 18 OF THE FLORIDA CONSTITUTION:

A. APPLICABILITY OF THE MANDATES PROVISION:

This bill does not require expenditures by counties and municipalities or to take an action requiring the expenditure of funds.

B. REDUCTION OF REVENUE RAISING AUTHORITY:

This bill does not reduce the revenue raising authority of counties and municipalities.

C. REDUCTION OF STATE TAX SHARED WITH COUNTIES AND MUNICIPALITIES:

This bill does not reduce the percentage of state tax shared with counties and municipalities.

V. COMMENTS:

The Osceola County Housing Finance Authority states that it has no problem with the bill.

VI. AMENDMENTS OR COMMITTEE SUBSTITUTE CHANGES:

As a result of this bill, the Division of Bond Finance of the State Board of Administration points out that s. 159.8075, Florida Statutes, needs amending to include the new region 17. The amendment places an existing restriction on how Brevard and Volusia Counties may elect to convert private activity bond allocations to the issuance of mortgage credit certificates.

Pursuant to ch. 97-167, Laws of Florida, the "Florida Housing Finance Agency" was renamed the "Florida Housing Finance Corporation." There has not been a conforming reviser's bill reflecting the renaming. An amendment to HB 401 is recommended to reflect the name change.

On March 9, 1999, the House Committee on Community Affairs adopted two amendments to HB 401. The Committee adopted a committee substitute to the bill. The committee substitute differs from the bill, as introduced, in the following ways:

1. Renames the Florida Housing Finance Agency to the Florida Housing Finance Corporation to conform to current law; and
2. Applies an existing bond conversion allocation restriction to Brevard and Volusia Counties' housing authorities. This allows Brevard and Volusia Counties, as composing the new region 17, to be treated the same as before the new region was established.

Additionally, as a courtesy, the bill's sponsor agrees to offer an amendment that directs Statutory Revision to change "Florida Housing Finance Agency" to "Florida Housing Finance Corporation" throughout the statutes where appropriate.

VII. SIGNATURES:

COMMITTEE ON COMMUNITY AFFAIRS:

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