

BILL ANALYSIS

Senate Research Center

H.B. 2798
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Finance
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Engrossed

DIGEST

Currently, tax-exempt debt is restricted in the private purposes for which it can be issued and the amount of private activity, tax-exempt debt which can be issued in each state during each calendar year. This limitation is known as the "state ceiling" or "volume cap," and is calculated as \$50 per capita each year. It is at each state's discretion as to how to allocate the volume cap to best serve the interests of the state. In Texas, the allocation is determined by statute in Article 5190.9a, V.T.C.S., and the Private Activity Bond Allocation Program is administered by the Bond Review Board (BRB). H.B. 2798 increases the flexibility of BRB by changing the amounts of sub-ceilings for some of the categories that have a reservation, and creating a new subceiling for local issuers of student loan bonds.

PURPOSE

As proposed, H.B. 2798 establishes provisions regarding tax-exempt private activity bonds.

RULEMAKING AUTHORITY

This bill does not grant any additional rulemaking authority to a state officer, institution, or agency.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Section 1, Article 5190.9a, V.T.C.S., effective January 1, 1998, to redefine "local population," and to define "project" and "qualified student loan bond." Makes conforming changes.

SECTION 2. Amends Section 2, Article 5190.9a, V.T.C.S., effective January 1, 1998, to provide that, prior to September 1, 31.5, rather than 28, percent of the state ceiling is available exclusively for reservations by issuers of qualified mortgage bonds; 13, rather than 17.5, percent of the state ceiling is available exclusively for reservations by certain issuers of state-voted issues; 7.5, rather than five, percent of the state ceiling is available exclusively for reservations by issuers of qualified residential rental project issues; 11 percent of the state ceiling is available exclusively for reservations by certain issuers of qualified student loan bonds; and 29.5, rather than 42, percent of the state ceiling is available exclusively for reservations by all other issuers of bonds requiring an allocation. Sets forth the terms by which the incremental amount of state-voted ceiling requested in excess of a certain amount will be removed from the state ceiling available to other issuers and will be made available for those additional state-voted applications. Makes conforming changes.

SECTION 3. Amends Section 3(c), Article 5190.9a, V.T.C.S., effective January 1, 1998, to prohibit the Bond Review Board (board) from granting a reservation of a portion of the state ceiling to any issuer prior to January 2, rather than January 10. Sets forth the procedure for granting reservations if two or more issuers apply for a reservation of state ceiling for the upcoming program year in certain categories on or before October 20, rather than January 10. Deletes a provision relating to second category priorities. Requires second, rather than third category of priority to include those applications for a reservation not included in the first category, rather than the first and second categories. Provides that a priority under Subsection (c)(1) of an issuer composed of more than one jurisdiction is not affected by the issuer's loss of a sponsoring governmental unit and that unit's population base if the dollar amount of the application has not increased. Requires reservations to be granted in reverse calendar year order of the most recent closing of qualified mortgage bonds

applicable to each housing finance corporation (corporation). Sets forth the terms by which the most recent closing applicable to certain housing finance corporations is the most recent closing of qualified mortgage bonds by the corporation. Provides that in no event will a corporation or its sponsoring local government be allowed to achieve an advantage in the determination of its last closing date by certain methods. Sets forth the procedure for granting reservations if two or more higher education authorities apply for a reservation for the upcoming year in a certain category on or before October 20. Deletes a provision relating to priority of certain issuers composed of more than one jurisdiction. Makes conforming changes.

SECTION 4. Amends Section 3(a), Article 5190.9a, V.T.C.S., effective January 1, 1998, to prohibit an issuer, prior to September 1, from receiving reservations in excess of a certain amount for any one project. Deletes provisions relating to higher education authorities.

SECTION 5. Amends Sections 3(d) and (e), Article 5190.9a, V.T.C.S., to prohibit an application for a reservation from being submitted and a reservation from being granted after December 1 of the current program year. Makes a conforming change.

SECTION 6. Amends Section 4(a), Article 5190.9a, V.T.C.S., effective January 1, 1998, to authorize an application for a reservation for a particular program year to be filed by an issuer on or after October 10 of the preceding year, rather than January 2. Requires the application to be on a form which includes a statement by the issuer that bonds are not being issued based on the issuer's population, with certain exceptions.

SECTION 7. Amends Section 4(c), Article 5190.9a, V.T.C.S., to make conforming changes.

SECTION 8. Amends Section 6(c), Article 5190.9a, V.T.C.S., to make conforming changes.

SECTION 9. Amends Sections 7(a) and(c), Article 5190.9a, V.T.C.S., to require certain issuers to close on the bonds for which a reservation has been granted not later than the 120th, rather than the 90th, day after the reservation date. Requires an issuer of qualified mortgage revenue bonds to close on the bonds for which a reservation has been granted not later than the 180th day after the reservation date. Provides that if the issuer does not timely close on the bonds, the issuer's reservation is canceled and during the 150-day, rather than 120-day, period beginning on the reservation date of the canceled reservation, or during the 210-day period beginning on the reservation date of the canceled reservation for Section 2(b)(1) issuers, certain conditions apply.

SECTION 10. Effective date: upon passage, except as otherwise provided by this Act.

SECTION 11. Emergency clause.