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States Will Have Greater New Capacity to Issue PABs in 2015.

WASHINGTON — States on the whole will see a slight increase in their new capacity to issue private-activity bonds in 2015.

The 50 states, the District of Columbia and Puerto Rico will have a total of about \$35.23 billion of new capacity in 2015, up 0.97% from roughly \$34.89 billion in 2014. The increase is based on the latest population figures released last week by the U.S. Census Bureau and a revised PAB cap formula published by the Internal Revenue Service in October.

Private-activity bonds are issued by public entities to provide low-cost financing for the projects of nonprofit organizations or companies that serve a public purpose. Most types of PABs – including certain types of exempt-facility bonds, mortgage-revenue bonds, industrial development bonds, student-loan bonds and first-time farmer bonds – are subject to state volume caps.

States receive annual PAB volume caps and also can carry over any unused cap for up to three years. Volume caps for 2015 are the greater of \$100 per capita or \$301.52 million, according to the IRS. For 2014, the per capita rate was the same, and the minimum amount was \$296.83 million. States use the minimum cap rather than the per capita amount when they have small populations.

Between July 1, 2013 and July 1, 2014, the population of the 50 states and D.C. increased by 0.75% to 318.86 million in 2014, according to the latest Census Bureau estimates. The U.S. population as of July 1, 2013 was 316.50 million, up from the estimate released last year of 316.13 million. The 2014 state volume caps are based on the 2013 population estimates that were released last December.

Nearly all states will see increases in their new capacity to issue PABs in 2015, but none will see an increase of more than 2%. Texas, the nation's second most populous state, will see the greatest increase in new volume cap, with a 1.92% gain. Florida, which overtook New York to become the third most populous state in 2014, will see a 1.74% rise in new cap, the second greatest increase.

California, the most populous state, will have its new capacity increase by 1.23% to \$3.88 billion in 2015.

Nineteen states and D.C. used the minimum amount in 2014 and will use it again in 2015. These jurisdictions will see a 1.58% increase in new cap. Mississippi, whose population falls in between the 2014 and 2015 minimum caps, will use the minimum amount in 2015 but did not do so in 2014.

Illinois and Puerto Rico both saw population declines and will have a smaller amount of new capacity to issue PABs in 2015 than in 2014. Illinois' cap will decrease 0.01% to \$1.29 billion, while Puerto Rico's cap will fall by 1.84% to \$354.84 million. Five other states also saw population declines in 2014, according to the Census Bureau, but they will not see declines in new cap, in most cases because they use the minimum amount.

States rarely issue the maximum amount of PABs that they can issue under their caps in any year. In

2013, states only used about 10% of their total capacity, according to a survey by the Council of Development Finance Agencies.

The PAB volume cap figures for 2015 do not include American Samoa, Guam, the Northern Mariana Islands and the U.S. Virgin Islands because they are not included in the Census Bureau's population estimates.

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