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All But Two States and Puerto Rico Can Issue More PABs in 2016.

WASHINGTON - All but two U.S. states and the Commonwealth of Puerto Rico will be able to issue more private-activity bonds in 2016, based on government data.

The states — Illinois and Connecticut — and Puerto Rico had population losses and lower PAB volume caps for this year, based on recent data published by the U.S. Census Bureau the Internal Revenue Service's formula for PABs. California is, by far, the state with the largest PAB volume cap for 2016, followed by Texas and Florida.

But Colorado had the highest percentage increase in its cap for the year. The Rocky Mountain State, Texas and Florida were among nine states with PAB caps that rose more than 1%.

Private-activity bonds generally are issued by state and local governments or authorities to provide low-cost financing for the projects of nonprofit organizations or companies that serve a public purpose.

Most PABs must be issued under state volume caps, which are based on a formula established annually by the IRS. These include exempt facility qualified PABs bonds such as those issued to finance mass commuting facilities, water and sewer projects, and single-family and multifamily housing projects. They also include qualified small issue industrial development, student loan, and redevelopment bonds. States can carry over any unused cap for up to three years.

Some PABs are not subject to volume caps. These include qualified PABs for docks and wharves, environmental enhancements of hydro-electric generating facilities, and governmentally-owned solid waste facilities. Also included in this category are qualified 501(c)(3) bonds and veterans' mortgage revenue bonds.

The formula for the PAB cap for 2016, published by the IRS in October, is \$100 per capita or \$302.88 million, whichever is higher. While the per capita amount did not change this year from last, the minimum increased to \$302.88 million from \$301.52 million for states with lower population figures.

The total PAB volume cap for the 50 states, the District of Columbia and Puerto Rico this year is nearly \$32.49 billion, \$245.07 million or 0.76% higher than the cap for last year.

The increase is due to population gains, as well as a higher minimum amount of cap allowed by the Internal Revenue Service.

But Illinois, Connecticut and Puerto Rico lost population in 2015, according to the latest figures published by the Census Bureau late last month. The population estimates have a reference date of July 1.

Puerto Rico had the biggest population and PAB cap drop. Its population fell by 60,706 to 3.47

million in 2015 from 3.53 million the year before. Its PAB cap fell 1.72% to \$347.42 million for 2016 from \$353.49 million for last year. Illinois' population slipped 22,194 to 12.86 million in 2015 from 12.88 million the previous year. As a result, its cap fell 0.17% to \$1.286 billion this year from \$1.288 billion in 2015.

Connecticut's population edged down by 3,876 to 3.591 million from 3.595 million. Its PAB cap fell 0.11% to \$359.09 million this year from \$359.48 million.

California has the largest PAB volume cap, at \$3.91 billion, after a 0.91% increase in its \$3.88 billion cap for 2015.

Colorado had the highest gain in its cap — a 1.89% increase to \$545.66 million for this year from \$535.56 for 2015. The increase was due to a population gain of 100,986 to 5.46 million.

The eight other states with increases in PAB volume caps above 1% are: Florida, up 1.84% to \$2.03 billion; Texas, up 1.82% to \$2.75 billion; Washington State, up 1.52% to \$717.04 million; Arizona, up 1.48% to \$682.81 million; Oregon, up 1.45% to \$402.90 million; South Carolina, up 1.39% to \$489.61 million; Georgia, up 1.17% to \$1.02 billion; and North Carolina, up 1.03% to \$1.00 billion.

Twenty-one states have the minimum cap of \$302.88 million for 2016.

The PAB volume cap figures do not include American Samoa, Guam, the Northern Mariana Islands and the U.S. Virgin Islands because they were not included in the recently released population estimates from the Census Bureau.

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