

# HOUSE RESEARCH

## Bill Summary

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**Version:** As introduced

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**Subject:** Allocation of federal cap on private activity tax-exempt bonds

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### Overview

This bill modifies the bond allocation law to allow entitlement issuers expanded authority to carryover bond allocations as allowed under federal law, retroactive to the 2011 allocations. These changes were requested by the state agency group that advises Minnesota Management and Budget on bond allocations.

**Background.** Under federal tax law, the ability of state and local governments to issue private activity tax-exempt bonds (i.e., bonds that are used to finance activities such as housing, student loans, and private business facilities, not traditional government facilities such as roads, government buildings, and so forth) are subject to an annual dollar limit for all issuers in the state. The state bond allocation law provides a procedure for allocating this limit among state agency and local governments that have authority to issue private activity tax-exempt bonds.

Under this law, a portion of Minnesota's limit is allocated on an "entitlement" basis, that is, designated issuers (such as the Minnesota Housing Finance Agency, the Office of Higher Education, and some large local governments – e.g., the cities of Minneapolis and St. Paul, and Dakota County) automatically receive issuance authority. (Other issuers can apply for authority from general "pools" of issuance authority.) The law has required these issuers to use this entitlement authority by issuing the bonds within one year or forfeit it back to the general pools. Mechanically, this is done by subtracting the carryover amounts from their next year's allocation. Federal law allows a longer carryover period of three years. This bill effectively extends the carryover authority of entitlement issuers to match that under federal law.

**Section**

- 1 Bond allocation; entitlement issuers.** Eliminates the provision that deducts unused carryovers of entitlement issuers' bond allocations from the next year's allocation to that issuer. This change is retroactive to the 2012 entitlement allocation.
- 2 Bond allocation; OHE bonds.** Eliminates the one-year limit on Office of Higher Education's carryover of its bond allocation for student loan bonds. This change is retroactive to the 2012 entitlement allocation.
- 3 Bond allocation; MHFA bonds.** Eliminates the one-year limit on Minnesota Housing Financing Agency's carryover of its bond allocation for housing bonds. This change is retroactive to the 2012 entitlement allocation.
- 4 Bond allocation; carryforward of 2011 allocations.** Provides carryforwards of bond allocations of entitlement issuers from 2011 are not to be deducted from the entitlement issuers' allocations in 2013.