

Date: 3/12/2012

To: The Honorable David Vaudt, Auditor of State
Senator Thomas Courtney, Chair, Senate Government Oversight Committee
Representative Chris Hagenow, Chair, House Government Oversight Committee
From: David D. Jamison, Governor's Designee for Private Activity Bond Cap Allocation
Re: Report on allocations and reallocations of 2011 Private Activity Bond Cap

Pursuant to Chapter 7C.12 subsection 2c, the governor's designee shall report any reallocation of the amount of the state private activity bonding authority (commonly referred to as "cap") to the legislative Government Oversight Committee as well as to the Auditor of State. This report is a summary of its uses in 2011 and the amount of cap that will be carried forward for 2012.

In 2011, Iowa received \$289,403,725 in cap from the Internal Revenue Service. The process for allocating the federal cap is set forth in Iowa Code Chapter 7C. It specifies allocations for six general "private activity" purposes (or "pools"). They are as follows:

1. 30% for qualified housing bonds (single family and multifamily bonds). These are mortgage revenue bonds issued by the Iowa Finance Authority for the first time homebuyer program, FirstHome and bonds for affordable multifamily housing projects.
2. 12% to the Economic Development Authority (IEDA) for programs for job training. These are bonds issued by the community colleges for the Iowa Industrial New Jobs Training Program.
3. 16% for qualified student loan bonds. These bonds are issued by the Iowa Student Loan Liquidity Corporation (ISSLC) to fund student loans.
4. 21% to first time farmer loans. These bonds are issued by the Iowa Agricultural Development Authority (IADA) for loans to beginning farmers.
5. 18% for industrial revenue bonds. An eligible industry must be a manufacturer of a tangible product or a processor of agricultural goods. Bonds can be issued for up to \$10 million if the bonds and all capital expenditures for three years before and three years after the date the bonds are issued do not exceed \$20 million. Bonds for solid waste disposal are taken out of this pool. The definition of solid waste for the purposes of these bonds excludes sewage.
6. 3% for purposes of political subdivisions until June 30, and then it shall be available for any type of bond requiring Cap. These are bonds issued by a political subdivision to be used by the political subdivision for a particular project or purpose. Rarely does a political subdivision require bond cap for a project. This pool is generally used for bonds for multifamily housing projects issued by the Iowa Finance Authority on a conduit basis.

The Iowa Finance Authority manages the allocations of Cap for industrial, solid waste and multifamily projects. Allocations are awarded on a first come, first served basis. In 2011,

\$4,580,000 was allocated to industrial projects. There were no allocations for multifamily or solid waste projects in 2010.

| 2011 State Volume Cap Allocations for Industries | | | | |
|---|---------------------|------------------|---|--------------------|
| Applicant | Amount | Community | Description | Date Closed |
| 2010 Allocation | \$52,092,671 | | | |
| Stellar Industries | \$3,500,000 | Garner & Kanawha | Renovation of Kanawha facility construct new facility in Garner | 11/10/2011 |
| CAS Industries | \$1,080,000 | Huxley | purchase equipment for manufacturing facility | 12/15/2011 |
| Industry Closed | \$4,580,000 | | | |

State law allows IFA, IEDA, ISSLC and IADA to return any Cap they do not anticipate using in that calendar year. This returned Cap becomes available for any eligible purpose. If, at the end of the calendar year there is Cap remaining, it can be carried forward for up to three years for certain purposes.

In 2011, Cap was returned from IADA and IEDA to be reallocated. ISLLC is refunding much of its older bond issues into more favorable structures. A request from ISLLC for additional cap was granted. Additional 2011 Cap was carried forward for the purposes of single family housing, multifamily housing, and water and sewer bonds.

Due to the slower economy and the problems in the housing market, there was not a lot of demand for industrial bonds or housing bonds. We anticipate demand increasing as the economy improves.

The following table shows the final allocations, uses and reallocations of the 2011 State of Iowa Private Activity Bond Cap.

| 2011 State of Iowa Private Activity Bond Cap | | | | | | | |
|---|-------------|----------------------|--------------------------------|----------------|----------------------|----------------------|----------------------|
| | % | 2011 Allocation | Carry forward from prior years | Transferred | Total | Used | Unused |
| IFA/Single Family (First Time Home Buyers) | 30% | \$86,821,118 | \$423,613,083 | (\$10,000,000) | \$500,434,201 | \$127,028,358 | \$373,405,843 |
| IEDA/Community Colleges New Job Training Certificates | 12% | \$34,728,447 | \$0 | \$0 | \$34,728,447 | \$12,492,010 | \$22,236,437 |
| IA Student Loan Liquidity Corp (Student Loans) | 16% | \$46,304,596 | \$187,527,200 | \$30,000,000 | \$263,831,796 | \$175,246,000 | \$88,585,796 |
| IA Ag Development Authority (Beginning Farmer) | 21% | \$60,774,782 | \$0 | (\$20,000,000) | \$40,774,782 | \$16,027,050 | \$24,747,732 |
| Small Issue Industrial Development Bonds | 18% | \$52,092,670 | \$0 | \$0 | \$52,092,670 | \$4,580,000 | \$47,512,670 |
| Political Subdivision (conduit Multifamily) | 3% | \$8,682,112 | \$0 | \$0 | \$8,682,112 | \$0 | \$8,682,112 |
| | 100% | \$289,403,725 | | | \$900,544,008 | \$335,373,418 | \$565,170,590 |
| Carry forward to 2012 | | | | | | | |
| Single Family Housing | | \$380,584,794 | | | | | |
| Student Loans | | \$138,585,796 | | | | | |
| Multifamily Housing | | \$9,000,000 | | | | | |
| Drinking Water | | \$23,000,000 | | | | | |
| Sewage Treatment | | \$14,000,000 | | | | | |
| Total Carryforward for 2012 | | \$565,170,590 | | | | | |