SENATE STAFF ANALYSIS AND ECONOMIC IMPACT STATEMENT

(This document is based only on the provisions contained in the legislation as of the latest date listed below.)

BILL: SB 1744

SPONSOR: Senator Lee

SUBJECT: Bond Financing

DATE: March 17, 1999 REVISED:

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	Cooper	Yeatman	CA	Favorable
2.			FP	
3.				
4.				
5.				

I. Summary:

This bill authorizes a housing finance authority to issue refunding bonds to pay, retire, or refund bonds previously issued by another housing authority if the other housing authority consents.

This bill amends the following sections of the Florida Statutes: 159.612.

II. Present Situation:

Private Activity Bonds

The federal government allocates the amount of private activity bonds issued to each state. Part VI of chapter 159, F.S., establishes statewide procedures for distributing Florida’s share of private activity bonds. The Division of Bond Finance of the State Board of Administration is responsible for annually determining the amount of the private activity bonds permitted for statewide allocation under the 1986 Internal Revenue Code, as amended.

Under state procedures, a certain allocation of the state volume limitation is established for the manufacturing facility pool. Fifty percent of the state volume limitation remaining after the manufacturing facility pool allocation must be divided among 16 regions based on population of the counties comprising the regions. The regions are listed in s. 159.804, F.S., and consist of both single and multiple counties. The state volume allocation must be used by all agencies contained within these regions. Among the agencies eligible to compete for the right to issue private activity bonds are county housing finance authorities. The housing finance authorities use the private activity bond allocation to generate affordable housing mortgage loans for first-time home buyers.

A lottery method is used to determine which counties within a region will receive a private activity bond allocation. Consequently, some counties’ housing finance authorities lose in the draw and receive no private activity bond allocations, effectively suspending their affordable housing mortgage loan programs.

Housing Finance Authorities

Part IV of chapter 159, F.S., is known as the "Florida Finance Authority Law." A housing finance authority constitutes a "public body corporate and politic" and must exercise its power to borrow as prescribed in chapter 159, F.S. Such power includes the power to borrow, and to own real property which benefits very-low-income families and low-income families.

Also, in this part, the Legislature declares that the state is experiencing a shortage of affordable housing and a shortage of capital for investment in such housing. Moreover, the Legislature encourages investment by private enterprise and the stimulation of construction and rehabilitation of housing through low-cost loans to purchase affordable housing pursuant to this part.

Section 159.612, F.S., permits a housing finance authority to issue revenue bonds. A housing finance authority may also issue refunding bonds for paying, retiring, or refunding bonds previously issued by it. However, there are no provisions allowing a housing finance authority to refund another authority's bonds.

Refunding Bonds

When a housing finance authority does not receive any annual private activity bond allocation, it often depends upon the ability to refund previously issued bonds with surplus funds to provide a subsequent single family mortgage loan program.

With regard to how the surplus occurs, most of these mortgage loan programs are structured so that the bonds mature over a period of 30 years and the mortgage loans have a 30-year duration, according to a Manatee County Housing Finance Authority representative. In theory, when all the mortgages have been paid in full, all of the bonds have been paid in full. Depending upon mortgage interest rates, the personal desires of homeowners and other economic conditions, mortgage loans often get paid off in advance of their 30 year maturity date. This results in an accumulation of more funds than are needed to pay off all of the bonds. As such, the housing finance authority may refund these bonds and use the surplus funds to structure a part of a subsequent single family mortgage loan program.

Some housing finance authorities have private activity bond allocations or do not need to refund previously existing bond issues with surplus funds to provide for their mortgage loan programs in subsequent years. However, there are some housing finance authorities that have not received a private activity bond allocation to continue running their affordable housing mortgage loan programs.

Current law does not provide a method for housing finance authority, not only to refund its own previously issued bonds, but previously issued bonds issued by other housing finance authorities.

III. Effect of Proposed Changes:

Section 1 provides that a housing finance authority may issue refunding bonds for the purpose of paying, retiring, or refunding any bonds previously issued by another housing finance authority if the other housing finance authority consents to the issuance of such refunding bonds.

Section 2 provides the bill will take effect July 1, 1999.

IV. Constitutional Issues:

A. Municipality/County Mandates Restrictions:

None.

B. Public Records/Open Meetings Issues:

None.

C. Trust Funds Restrictions:

None.

V. Economic Impact and Fiscal Note:

A. Tax/Fee Issues:

None.

B. Private Sector Impact:

Mortgage companies may experience an increase in mortgages.

C. Government Sector Impact:

None.

VI. Technical Deficiencies:

None.

VII. Related Issues:

None.

VIII. Amendments:

None.