

**STORAGE NAME:** h0605.ca

**DATE:** March 3, 1999

**HOUSE OF REPRESENTATIVES  
COMMITTEE ON  
COMMUNITY AFFAIRS  
ANALYSIS**

**BILL #:** HB 605

**RELATING TO:** Bonds

**SPONSOR(S):** Representative Flanagan

**COMPANION BILL(S):** SB 1744(i)

**ORIGINATING COMMITTEE(S)/COMMITTEE(S) OF REFERENCE:**

- (1) COMMUNITY AFFAIRS
- (2) FINANCIAL SERVICES
- (3) FINANCE & TAXATION
- (4)
- (5)

---

I. SUMMARY:

This bill allows a housing finance authority that did not receive a private activity bond allocation to, otherwise, provide for an affordable housing mortgage loan program. To accomplish this, the bill grants a housing finance authority permission to refund bonds previously issued by another housing finance authority with the other such authority's consent.

This bill does not appear to have any direct fiscal impact to the state or local government. However, the bill appears to promote fiscal efficiency within the affordable housing industry as well as assist the state in meeting its increasing affordable housing needs.

II. SUBSTANTIVE ANALYSIS:

A. PRESENT SITUATION:

**PRIVATE ACTIVITY BONDS**

The federal government controls the amount of private activity bonds that are permitted to be issued in each state. Part VI of chapter 159, Florida Statutes, establishes statewide procedures for allocating Florida's share of private activity bonds. Such allocation is statutorily referred to as the allocation of state volume limitation. 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 permitted by the federal government 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, Florida Statutes, 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 ending their affordable housing mortgage loan programs.

**HOUSING FINANCE AUTHORITIES**

Part IV of chapter 159, Florida Statutes, relates directly to housing finance authorities. A housing finance authority constitutes a "public body corporate and politic" and must exercise its power to borrow as prescribed in chapter 159, Florida Statutes. Such power includes the power to borrow 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, Florida Statutes, of this part, 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.

**B. EFFECT OF PROPOSED CHANGES:**

The bill provides that a housing finance authority may also 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.

**C. APPLICATION OF PRINCIPLES:**

1. Less Government:

a. Does the bill create, increase or reduce, either directly or indirectly:

(1) any authority to make rules or adjudicate disputes?

N/A

(2) any new responsibilities, obligations or work for other governmental or private organizations or individuals?

N/A

(3) any entitlement to a government service or benefit?

N/A

b. If an agency or program is eliminated or reduced:

(1) what responsibilities, costs and powers are passed on to another program, agency, level of government, or private entity?

N/A

(2) what is the cost of such responsibility at the new level/agency?

N/A

(3) how is the new agency accountable to the people governed?

N/A

2. Lower Taxes:

a. Does the bill increase anyone's taxes?

N/A

b. Does the bill require or authorize an increase in any fees?

N/A

c. Does the bill reduce total taxes, both rates and revenues?

N/A

d. Does the bill reduce total fees, both rates and revenues?

N/A

e. Does the bill authorize any fee or tax increase by any local government?

N/A

3. Personal Responsibility:

a. Does the bill reduce or eliminate an entitlement to government services or subsidy?

N/A

b. Do the beneficiaries of the legislation directly pay any portion of the cost of implementation and operation?

N/A

4. Individual Freedom:

a. Does the bill increase the allowable options of individuals or private organizations/associations to conduct their own affairs?

Provisions of the bill effectively provide more opportunities for certain families in Florida to purchase affordable housing.

b. Does the bill prohibit, or create new government interference with, any presently lawful activity?

N/A

5. Family Empowerment:

a. If the bill purports to provide services to families or children:

(1) Who evaluates the family's needs?

N/A

(2) Who makes the decisions?

N/A

(3) Are private alternatives permitted?

N/A

(4) Are families required to participate in a program?

N/A

(5) Are families penalized for not participating in a program?

N/A

b. Does the bill directly affect the legal rights and obligations between family members?

N/A

c. If the bill creates or changes a program providing services to families or children, in which of the following does the bill vest control of the program, either through direct participation or appointment authority:

(1) parents and guardians?

N/A

(2) service providers?

N/A

(3) government employees/agencies?

N/A

D. STATUTE(S) AFFECTED:

Chapter 159, Florida Statutes.

E. SECTION-BY-SECTION ANALYSIS:

**Section 1:** Amends s. 159.612, Florida Statutes,; provides clarifying language pertaining to issuing refunding bonds; and provides that a housing finance authority may also issue refunding bonds for the purpose of paying, retiring, or refunding any bonds previously issued by another housing finance authority if such other housing finance authority consents to the issuance of such refunding bonds.

**Section 2:** Provides that the bill is effective July 1, 1999.

III. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT:

A. FISCAL IMPACT ON STATE AGENCIES/STATE FUNDS:

1. Non-recurring Effects:

None.

2. Recurring Effects:

None.

3. Long Run Effects Other Than Normal Growth:

None.

4. Total Revenues and Expenditures:

None.

B. FISCAL IMPACT ON LOCAL GOVERNMENTS AS A WHOLE:

1. Non-recurring Effects:

None.

2. Recurring Effects:

None.

3. Long Run Effects Other Than Normal Growth:

None.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

1. Direct Private Sector Costs:

None.

2. Direct Private Sector Benefits:

Mortgage companies may experience an increase in mortgages.

3. Effects on Competition, Private Enterprise and Employment Markets:

None.

D. FISCAL COMMENTS:

None.

IV. CONSEQUENCES OF ARTICLE VII, SECTION 18 OF THE FLORIDA CONSTITUTION:

A. APPLICABILITY OF THE MANDATES PROVISION:

This bill does not require expenditures by counties and municipalities or to take an action requiring the expenditure of funds.

B. REDUCTION OF REVENUE RAISING AUTHORITY:

This bill does not reduce the revenue raising authority of counties and municipalities.

C. REDUCTION OF STATE TAX SHARED WITH COUNTIES AND MUNICIPALITIES:

This bill does not reduce the percentage of state tax shared with counties and municipalities.

V. COMMENTS:

The Division of Bond Finance of the State Board of Administration and the Florida Housing Finance Corporation indicate that they do not oppose the bill.

VI. AMENDMENTS OR COMMITTEE SUBSTITUTE CHANGES:

None.

**STORAGE NAME:** h0605.ca  
**DATE:** March 3, 1999  
**PAGE 7**

VII. SIGNATURES:

COMMITTEE ON COMMUNITY AFFAIRS:  
Prepared by:

Staff Director:

---

Nayola R. Frazier

---

Joan Highsmith-Smith