

## 0959 California Debt Limit Allocation Committee

The California Debt Limit Allocation Committee's ("Committee") mission is to allocate tax-exempt private activity bond authority for the State of California. Private activity bonds may only be used by the private sector for projects and programs that provide a public benefit. The major public benefit in California is the creation of affordable housing.

The federal government limits the amount of tax-exempt private activity bond authority that can be issued in a state on an annual basis. One limit of bond authority, which applies to all programs, except the Qualified Public Educational Facility Bond Program, is calculated by multiplying the state population by \$100. California has the largest population, and thus has the largest debt (or tax-exempt bond) limit, which totaled over \$3.83 billion in 2015. In addition, the limit for the Qualified Public Educational Facility Bond Program is calculated by multiplying the state population by \$10. This tax-exempt private activity bond authority of \$383 million for 2015 is exclusive of the \$3.83 billion in tax-exempt private activity bonds for 2015.

The Committee's allocation of tax-exempt bond authority results in the issuance of bonds by cities, counties, joint powers authorities, and state agencies. The bonds are purchased and used by the private sector and are not an obligation of the state or of the federal government.

The Committee administers ten programs that are funded through the allocation and issuance of tax-exempt private activity bonds. Those programs are: (1) the Qualified Residential Rental Project Program, (2) the Single-Family Housing Program, (3) the Home Improvement and Rehabilitation Bond Program, (4) the Extra Credit Home Purchase Program, (5) the Industrial Development Bond Project Program, (6) the Exempt Facility Program, (7) the Student Loan Program, (8) the Beginning Farmer Program, (9) the Qualified Public Educational Facility Program, and (10) the Qualified Energy Conservation Bond Program.

The Committee is also responsible for the reallocation of Qualified Energy Conservation Bond (QECB) authority originally provided to qualified localities, but later waived back to the State. This bond program, made available through the American Recovery and Reinvestment Act of 2009, provides tax incentives and lower borrowing costs for local governments and private entities to promote job creation and economic recovery in areas particularly affected by employment decline and to facilitate renewable energy conservation programs and projects throughout the State.

The Committee is comprised of the State Treasurer as Chairperson, the Governor, or upon his designation, the Director of Finance, and the State Controller. The Committee is funded on a fee-supported basis.

### 3-YR EXPENDITURES AND POSITIONS

	Positions			Expenditures		
	2014-15	2015-16	2016-17	2014-15*	2015-16*	2016-17*
0810 California Debt Limit Allocation Committee	8.7	8.3	8.3	\$1,356	\$1,493	\$1,429
<b>TOTALS, POSITIONS AND EXPENDITURES (All Programs)</b>	<b>8.7</b>	<b>8.3</b>	<b>8.3</b>	<b>\$1,356</b>	<b>\$1,493</b>	<b>\$1,429</b>
<b>FUNDING</b>				<b>2014-15*</b>	<b>2015-16*</b>	<b>2016-17*</b>
0169 California Debt Limit Allocation Committee Fund				\$1,356	\$1,493	\$1,429
<b>TOTALS, EXPENDITURES, ALL FUNDS</b>				<b>\$1,356</b>	<b>\$1,493</b>	<b>\$1,429</b>

### LEGAL CITATIONS AND AUTHORITY

#### DEPARTMENT AUTHORITY

Government Code Section 8869.80 et seq.

### DETAILED BUDGET ADJUSTMENTS

	2015-16*			2016-17*		
	General Fund	Other Funds	Positions	General Fund	Other Funds	Positions
<b>Workload Budget Adjustments</b>						
<b>Other Workload Budget Adjustments</b>						
• Expenditure By Category Redistribution	\$-	\$66	-	\$-	\$66	-
• Salary Adjustments	-	15	-	-	15	-
• Benefit Adjustments	-	8	-	-	10	-
• Retirement Rate Adjustments	-	5	-	-	5	-
• Miscellaneous Baseline Adjustments	-	1	-	-	1	-
• Budget Position Transparency	-	-66	-0.7	-	-66	-0.7
• Pro Rata	-	-	-	-	-66	-
<b>Totals, Other Workload Budget Adjustments</b>	<b>\$-</b>	<b>\$29</b>	<b>-0.7</b>	<b>\$-</b>	<b>-\$35</b>	<b>-0.7</b>

\* Dollars in thousands, except in Salary Range. Numbers may not add or match to other statements due to rounding of budget details.

## 0959 California Debt Limit Allocation Committee - Continued

	2015-16*			2016-17*		
	General Fund	Other Funds	Positions	General Fund	Other Funds	Positions
Totals, Workload Budget Adjustments	\$-	\$29	-0.7	\$-	-\$35	-0.7
Totals, Budget Adjustments	\$-	\$29	-0.7	\$-	-\$35	-0.7

### PROGRAM DESCRIPTIONS

#### 0810 - CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE

##### Qualified Residential Rental Project Program:

State and local government agencies and joint powers authorities can issue tax-exempt housing revenue bonds. These bonds assist developers of multifamily rental housing units to acquire land and construct new units or purchase and rehabilitate existing units. The tax-exempt bonds lower the interest rate on a mortgage to be paid by the developers. The developers in turn produce affordable and market rate rental housing for low and very low-income households by reducing rental rates to these individuals and families. Projects that receive an award of bond authority have the right to apply for non-competitive four-percent tax credits.

##### Single-Family Housing Program:

State and local government agencies and joint powers authorities can issue tax-exempt mortgage revenue bonds (MRBs) or mortgage credit certificates (MCCs) to assist first-time homebuyers with purchasing homes. These agencies and authorities may issue MRBs, the proceeds of which back below-market interest rate mortgages. As an alternative to issuing MRBs, state and local government agencies and joint powers authorities may issue MCCs. Homebuyers use the MCCs to reduce their federal tax liability by applying the credit to their net tax due. Homebuyers may purchase single-family homes, either freestanding detached, condominiums or townhouses. Program participants must meet program income limits and must purchase a home that falls within the program's purchase price limitations.

##### Home Improvement and Rehabilitation Bond Program:

State and local government agencies and joint powers authorities can issue MRBs or MCCs to assist homeowners with home improvement financing. These agencies and authorities may issue MRBs, the proceeds of which back below-market interest rate home improvement or qualified rehabilitation loans. As an alternative to issuing MRBs, state and local government agencies and joint powers authorities may issue MCCs. Homeowners use the MCCs to reduce their federal tax liability by applying the credit to their net tax due. Homeowners may improve single-family homes, either freestanding detached, condominiums or townhouses. Program participants must meet program income limits, and in certain cases, must own a home that falls within the program's rehabilitation cost and age-of-home limitations.

##### Extra Credit Home Purchase Program:

State and local government agencies and joint powers authorities can issue MRBs or MCCs to assist teachers, principals and other eligible school staff with purchasing homes. These agencies and authorities may issue MRBs, the proceeds of which back below-market interest rate mortgages. As an alternative to issuing MRBs, state and local governmental agencies and joint powers authorities may issue MCCs. Homebuyers use the MCC to reduce their federal tax liability by applying the credit to their net tax due.

##### Industrial Development Bond Project Program:

Small-Issue Industrial Development Bonds (IDBs) are tax-exempt private activity bonds that are issued through state and local government agencies to assist manufacturing facilities finance capital expenditures. IDBs offer interest rate savings to small and midsize manufacturers in contrast to conventional loans. When used by manufacturers, IDBs serve to retain and create new jobs within their communities.

##### Exempt Facility Program:

Exempt Facility Bonds are tax-exempt private activity bonds that are issued by state and local government agencies to finance solid waste disposal and waste recycling facilities. The tax-exempt bonds provide facility owners with low-cost financing in the form of below-market interest rate loans. The interest rate savings enable the project owners to maintain lower customer rates or minimize customer rate increases, while at the same time assisting the communities they serve meet their mandated requirements to protect and enhance the environment.

##### Student Loan Program:

Student Loan Bonds are tax-exempt private activity bonds issued by authorized agencies for the purpose of either financing direct loans to college students and their parents or purchasing bundles of already-originated loans on the secondary market. When used for direct lending programs, tax-exempt bond allocation allows lenders to pass on interest rate savings to financially needy students via below-market interest rate loans. Financially needy students are borrowers for whom the cost to attend college exceeds their ability to pay, as determined by their school's financial aid office.

##### Beginning Farmer Program:

Beginning Farmer Bonds are tax-exempt private activity bonds that are issued through state and local government agencies to back below-market interest rate financing for eligible agricultural land, construction/improvements, breeder livestock and equipment for qualified farmers. Eligibility, permissible items and loan limits are set by the United States Internal Revenue Code. Under the Program, a conduit bond issuer applies to the Committee for an allocation of Beginning Farmer Bonds. If the Committee approves the allocation, the issuer then brings together farmers, financial institutions, contract sellers or

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**0959 California Debt Limit Allocation Committee - Continued**

investors to negotiate terms of a transaction. The issuer then sells the bonds to finance the loan, sale or investment.

**Qualified Public Educational Facility Bond Program:**

Qualified Public Educational Facility Bonds (QPEF's) are tax-exempt private activity bonds that are issued by state and local government agencies to finance the construction, renovation, and furnishing of primary and secondary school facilities. This form of financing will reduce the cost of financing for schools as interest earned by the lender will be tax exempt.

**Qualified Energy Conservation Bond Program:**

Qualified Energy Conservation Bonds (QECBs) may be issued as either tax-exempt private activity bonds or governmental purpose taxable bonds. When issued as a governmental purpose taxable bond, QECBs provide the issuer with either a direct or tax credit interest subsidy. QECBs may be issued to finance a broad array of qualified conservation purposes such as capital expenditures, research facilities and research grant programs, mass commuting facilities, public education campaigns, and demonstration projects. There is no sunset date for this program.

**DETAILED EXPENDITURES BY PROGRAM**

		<u>2014-15*</u>	<u>2015-16*</u>	<u>2016-17*</u>
<b>PROGRAM REQUIREMENTS</b>				
<b>0810</b>	<b>CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE</b>			
<b>State Operations:</b>				
0169	California Debt Limit Allocation Committee Fund	<u>\$1,356</u>	<u>\$1,493</u>	<u>\$1,429</u>
	<b>Totals, State Operations</b>	<b>\$1,356</b>	<b>\$1,493</b>	<b>\$1,429</b>
<b>TOTALS, EXPENDITURES</b>				
	State Operations	<u>1,356</u>	<u>1,493</u>	<u>1,429</u>
	<b>Totals, Expenditures</b>	<b>\$1,356</b>	<b>\$1,493</b>	<b>\$1,429</b>

**EXPENDITURES BY CATEGORY**

	1 State Operations	Positions			Expenditures		
		2014-15	2015-16	2016-17	2014-15*	2015-16*	2016-17*
<b>PERSONAL SERVICES</b>							
Baseline Positions		9.0	9.0	9.0	\$592	\$592	\$592
Budget Position Transparency		-	-0.7	-0.7	-	-66	-66
Total Adjustments		<u>-0.3</u>	<u>-</u>	<u>-</u>	<u>-22</u>	<u>15</u>	<u>15</u>
<b>Net Totals, Salaries and Wages</b>		<b>8.7</b>	<b>8.3</b>	<b>8.3</b>	<b>\$570</b>	<b>\$541</b>	<b>\$541</b>
Staff Benefits		<u>-</u>	<u>-</u>	<u>-</u>	<u>259</u>	<u>278</u>	<u>280</u>
<b>Totals, Personal Services</b>		<b>8.7</b>	<b>8.3</b>	<b>8.3</b>	<b>\$829</b>	<b>\$819</b>	<b>\$821</b>
<b>OPERATING EXPENSES AND EQUIPMENT</b>					<u>\$527</u>	<u>\$674</u>	<u>\$608</u>
<b>TOTALS, POSITIONS AND EXPENDITURES, ALL FUNDS (State Operations)</b>					<b>\$1,356</b>	<b>\$1,493</b>	<b>\$1,429</b>

**DETAIL OF APPROPRIATIONS AND ADJUSTMENTS**

1 STATE OPERATIONS		2014-15*	2015-16*	2016-17*
<b>0169 California Debt Limit Allocation Committee Fund</b>				
<b>APPROPRIATIONS</b>				
001	Budget Act appropriation	\$1,411	\$1,464	\$1,429
	Allocation for employee compensation	11	15	-
	Allocation for staff benefits	5	8	-
	Budget Position Transparency	-	-66	-
	Expenditure By Category Redistribution	-	66	-
	Past year adjustments	1	-	-
	Rounding adjustments	2	1	-

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## 0959 California Debt Limit Allocation Committee - Continued

1 STATE OPERATIONS	2014-15*	2015-16*	2016-17*
Section 3.60 pension contribution adjustment	17	5	-
<b>Totals Available</b>	<b>\$1,447</b>	<b>\$1,493</b>	<b>\$1,429</b>
Unexpended balance, estimated savings	-91	-	-
<b>TOTALS, EXPENDITURES</b>	<b>\$1,356</b>	<b>\$1,493</b>	<b>\$1,429</b>
<b>Total Expenditures, All Funds, (State Operations)</b>	<b>\$1,356</b>	<b>\$1,493</b>	<b>\$1,429</b>

### FUND CONDITION STATEMENTS

	2014-15*	2015-16*	2016-17*
<b>0169 California Debt Limit Allocation Committee Fund <sup>s</sup></b>			
BEGINNING BALANCE	\$3,000	\$2,617	\$4,196
Prior Year Adjustments	2	-	-
Adjusted Beginning Balance	\$3,002	\$2,617	\$4,196
REVENUES, TRANSFERS, AND OTHER ADJUSTMENTS			
Revenues:			
4129200 Other Regulatory Fees	963	700	700
4150500 Interest Income - Interfund Loans	-	366	-
4163000 Investment Income - Surplus Money Investments	7	7	7
Transfers and Other Adjustments			
Loan Repayment from the General Fund (0001) to California Debt Limit Allocation Committee Fund (0169) per Provision 2, Item 0959-001-0169, Budget Act of 2013	-	2,000	-
Total Revenues, Transfers, and Other Adjustments	\$970	\$3,073	\$707
Total Resources	\$3,972	\$5,690	\$4,903
EXPENDITURE AND EXPENDITURE ADJUSTMENTS			
Expenditures:			
0959 California Debt Limit Allocation Committee (State Operations)	1,354	1,492	1,428
8880 Financial Information System for California (State Operations)	1	2	1
Total Expenditures and Expenditure Adjustments	\$1,355	\$1,494	\$1,429
FUND BALANCE	\$2,617	\$4,196	\$3,474
Reserve for economic uncertainties	2,617	4,196	3,474

### CHANGES IN AUTHORIZED POSITIONS

	Positions			Expenditures		
	2014-15	2015-16	2016-17	2014-15*	2015-16*	2016-17*
<b>Baseline Positions</b>	9.0	9.0	9.0	\$592	\$592	\$592
Budget Position Transparency	-	-0.7	-0.7	-	-66	-66
<b>Salary and Other Adjustments</b>	-0.3	-	-	-22	15	15
<b>Totals, Adjustments</b>	<b>-0.3</b>	<b>-0.7</b>	<b>-0.7</b>	<b>-\$22</b>	<b>-\$51</b>	<b>-\$51</b>
<b>TOTALS, SALARIES AND WAGES</b>	<b>8.7</b>	<b>8.3</b>	<b>8.3</b>	<b>\$570</b>	<b>\$541</b>	<b>\$541</b>

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