

# THE BOND BUYER

## PAB volume caps decline in New York, 4 other states

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This year will be a challenging time to grow the issuance of tax-exempt private activity bonds because New York and four other states have had their annual volume caps reduced and other states are getting increases of no more than 1.6%.

The challenge will be biggest in the three states that were found by the Council of Development Finance Agencies to be closest to using their 2018 limits — California, New York and Massachusetts.

### 2020 PAB volume cap gainers



Source: Bond Buyer research

California began 2018 with no unused volume cap and New York only had \$3.3 million, according to CDFR.

The 2020 limits may constrain those states as they seek to finance multifamily housing bonds, single-family mortgage revenue bonds and qualified student loan bonds.

California and New York have both been using much of their multifamily housing PAB volume cap for mixed income multifamily apartment towers where at least 20% are for households with 50% or less of area median income.

The California Debt Limit Allocation Committee wants to allocate \$300 million of the state's 2020 PABs to a high-speed rail project by Virgin Train USA to provide service between Victorville, California, and Las Vegas. The committee allocated \$300 million to the project in October. Other parts of the financing will come from the U. S. Department of Transportation and the state of Nevada's volume cap allocation.

Nevada's volume cap for 2020 is \$323.4 million, an increase of only \$1.64 million.

Most states do not use their entire annual allocation for PABs issuance.

The minimum volume cap allocation this year is \$321.775 million, up by \$5 million from 2019. That's the cap for 18 states and the District of Columbia. It is a 1.6% annual increase.

Only five states have more than \$10 million in additional volume cap this year, with Texas the top gainer at \$38.55 million for a 2020 volume cap of just over \$3 billion at \$3,044,567,505.

Florida followed in second with a \$24.5 million increase to \$2,255,162.

The remaining top five were Arizona with an increase of \$12.67 million, North Carolina up by \$11.18 million and Georgia at \$11.16 million more.

Rounding out the top 10 increases are Washington state with \$9.56 million, Colorado with \$7.08 million, South Carolina at \$7.78 million, Tennessee at \$6.04 million and Utah at \$5.5 million.

California ranked No. 11 in new PAB authority and is gaining only \$5.3 million, with its overall cap at \$4,148,783,415. That's a minuscule increase of only 0.1% for the nation's most populous state.

The annual caps are determined by a formula announced by the Internal Revenue that uses annual state population estimates from the U.S. Census Bureau.

The IRS [announced in November](#) that the 2020 volume cap will be based on a state's population multiplied by 105, the same formula as the previous year.

The 2019 state population estimates [were released by the Census Bureau](#) last week. The nation's population grew by only 1,552,022 people between July 1, 2018 and July 1, 2019, or 0.5%, to 328.2 million, according to the Census Bureau.

California led the nation in net domestic migration with 203,414 people moving to other states. That reduced the state's overall population growth to 50,635.

That, in turn, led to only a \$5,316,675 increase in the state's volume cap for issuing PABs.

All five states that are facing lower volume caps suffered from domestic migration with residents moving to other states.

New York was second behind California in domestic migration with 180,649 people moving to other states followed by Illinois which had 104,986, New Jersey at 48,946, Massachusetts at 30,274 and Louisiana at 26,045.

New York lost 76,790 people overall and is the nation's top volume cap loser with a reduction of just over \$8 million. New York's 2020 volume cap is just over \$2 billion at \$2,042,623,905, a drop of 0.4%.

The second-largest loser in volume cap is Illinois with a drop of \$5.38 million to \$1.33 billion.

Louisiana lost \$1.14 million in volume cap to \$488.12 million.

New Jersey's volume cap is down by \$402,675 to \$932,629,950.

The other volume cap reduction is in Connecticut, which is declining by \$654,000 to \$374.36 million.

Although the IRS won't announce the state-by-state volume caps until sometime in March, the service did announce the 2020 formula in November.

The Bond Buyer used the IRS formula and the new census numbers to calculate the 2020 volume caps.

The framework for issuing tax exempt PABs was established in the Revenue and Expenditure Control Act of 1968. Over time the number of eligible purposes or

projects for which they can be used has gradually increased to 22 from 12, according to the nonpartisan Congressional Research Service.

Thirteen of those 22 activities are subject to annual state volume caps. Among them are multifamily housing bonds, single-family mortgage revenue bonds and qualified student loan bonds.

Others include small issue bonds, redevelopment bonds, exempt facility bonds such as water and sewage facilities, hazardous waste facilities and other utility facilities.

Among the PABs not subject to volume caps are those financing airports, docks, wharves and projects for nonprofit 501(c)(3) organizations such as hospitals and universities.