



# CDFA Annual Volume Cap Report



**Prepared by:**  
Council of Development Finance Agencies

**An Analysis of 2018**  
Private Activity Bond & Volume Cap Trends

**Released October 2019**

# CDFA Annual Volume Cap Report



Every year since 2005, the Council of Development Finance Agencies (CDFA) has collected and analyzed national volume cap data as reported by managing state agencies. The CDFA Volume Cap Report represents a vital service to the development finance industry and CDFA members, as this information is critical to understanding and evaluating the efficiencies, effectiveness, costs, and benefits of private activity bonds. The results of our 2018 research are contained in the following report.

To compile the data, CDFA surveyed and interviewed representatives from each state's volume cap allocating and issuing authorities. The data represents the best available figures as reported by each state to CDFA.

As a leader in the development finance industry, CDFA serves as the principal source for private activity bond volume cap data, reporting, and trends. Through CDFA's online National Volume Cap Map, comprehensive volume cap data can be found online at [www.cdfa.net](http://www.cdfa.net). Users can search, sort, and compare data from all 50 states and the District of Columbia looking back to 2005.

## About Volume Cap

Private activity bonds (PABs) are revenue-backed bonds issued by a state or local authority on behalf of a private project, such as the expansion of a small manufacturer or hospital. When these bonds are issued for one of several defined purposes, they are deemed "qualified," making them exempt from federal income taxes. The tax exemption enables the project to access capital at a lower interest rate than could otherwise be achieved, thereby facilitating a larger or more secure project.

The federally-mandated volume cap limits the maximum issuance allowed for most categories of qualified PABs.<sup>1</sup> Qualified 501(c)(3) bonds are a notable exception, along with Veterans' Mortgage Revenue Bonds and some Exempt Facilities bonds. Other categories, including Small Issue Bonds, Single-Family Mortgage Revenue Bonds, and most Exempt Facilities Bonds are subject to federal volume cap.

In 2018, the volume cap for each state was equal to either \$105 per capita or \$311,375,000 – whichever was greater.<sup>2</sup> Each state has the authority to sub-allocate its volume cap among agencies, municipalities, or private activity bond categories. In order to issue qualified PABs in cap-subject categories, an issuer generally must apply to the appropriate agency to receive permission to use the volume cap. Cap that is not used by the end of the

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<sup>1</sup> For details on which bonds are subject to volume cap, see *Tax-Exempt Private Activity Bonds: Compliance Guide* by the U.S. Internal Revenue Service, available at [www.irs.gov/pub/irs-pdf/p4078.pdf](http://www.irs.gov/pub/irs-pdf/p4078.pdf).

<sup>2</sup> <https://www.irs.gov/pub/irs-drop/rp-17-58.pdf>

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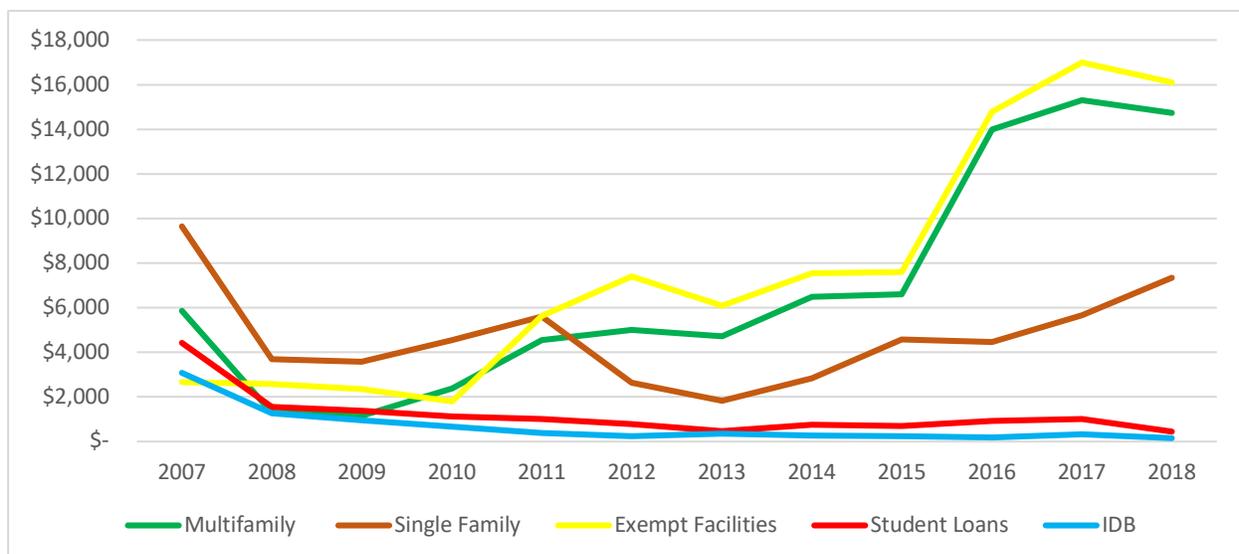
year may be carried forward for use in one of the next three years, or it can be converted into Mortgage Credit Certificates. A state's current volume cap can therefore generally be defined as its new allocation plus the carryforward from its last three years, minus any allocation converted into mortgage credit certificates.

## Overall Statistics and Observations

In 2018, the 50 states and the District of Columbia received \$37.1 billion in new volume cap allocation, an increase of nearly \$1.8 billion from 2017. States carried forward \$53.1 billion in allocation from 2015-2017, bringing the total national volume cap capacity to \$89.72 billion. After peaking at \$97.36 billion in 2016, over the last two years, total national capacity has been similar to the 2013-2015 average of \$89.78 billion.

Total private activity bond issuance slightly decreased from \$24.86 billion in 2017 to \$24.14 billion in 2018. The \$24.14 billion issued in 2018 is the fourth-highest issuance total ever recorded since CDFA started tracking private activity bond issuance in 2005, falling \$4.33 billion short of the record \$28.47 billion issued in 2007. Multi and Single-Family Housing Bond issuance increased by \$1.11 billion in 2018, climbing from a combined \$20.98 billion in 2017 to \$22.09 billion in 2018. Despite a marginal decline in 2018, the overall issuance of Exempt Facility bonds has increased markedly over the last four years.

**Figure 1. National Private Activity Bond Issuance by Category**

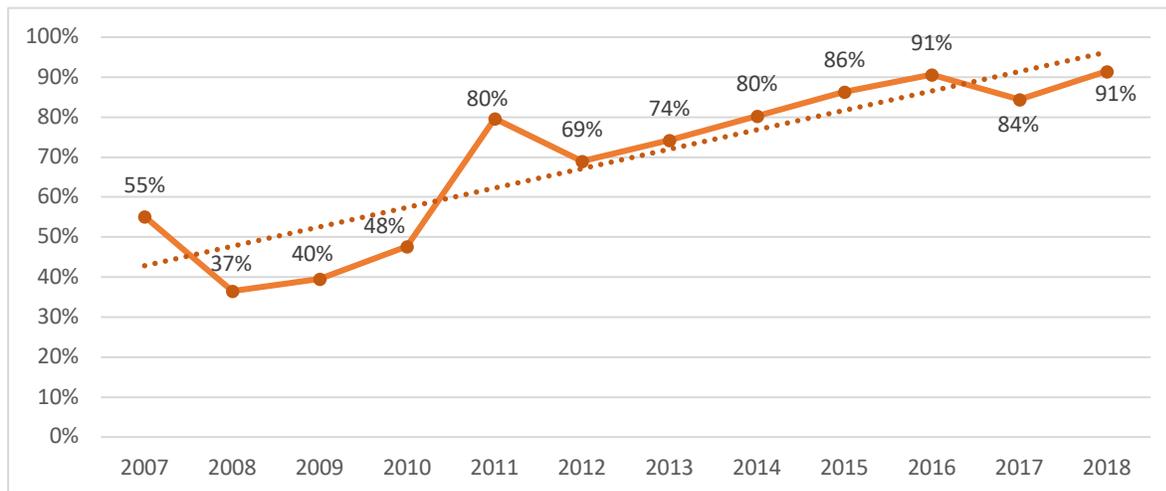


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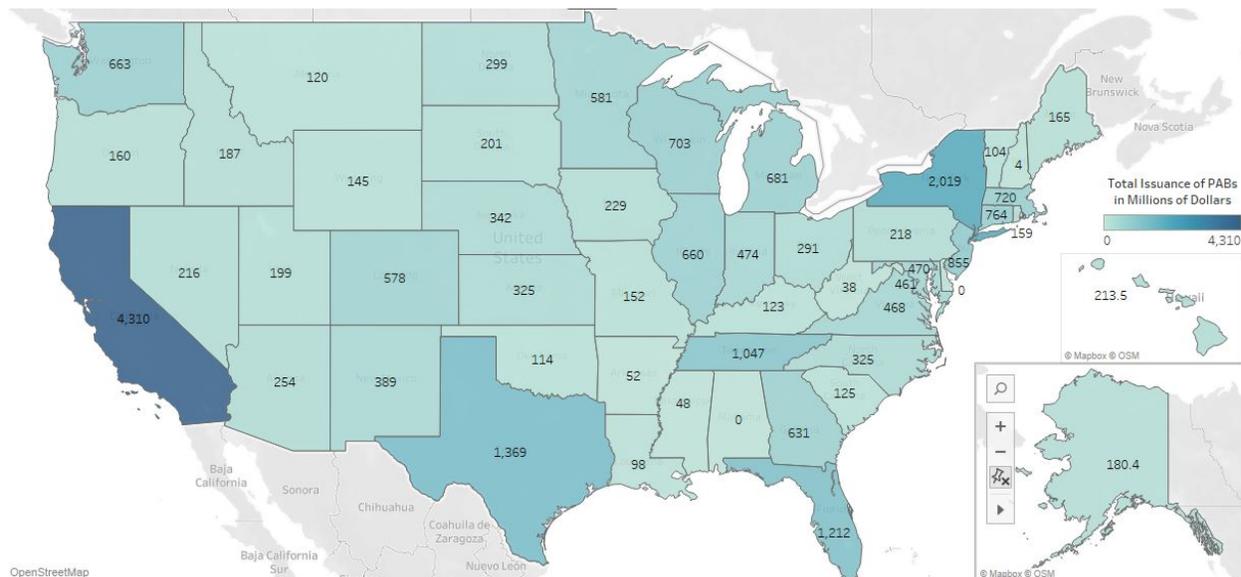
Several categories of private activity bonds experienced decreases in issuance when compared to 2017 levels. After a sharp increase in issuance from 2015-2017, Exempt Facility bond issuance decreased by 5.6 percent in 2018. Multi-Family issuance experienced a similarly dramatic increase from 2015-2017 but decreased by 3.7 percent in 2018. Mortgage Revenue bonds (also called Single-Family Housing bonds) were the only major cap-subject private activity bond category tracked by CDFA that experienced an increase in issuance in 2018. The issuance of single-family housing bonds reached \$7.35 billion in 2018, an increase of nearly 30 percent from 2017.

**Figure 2. Multi & Single-Family Housing Issuance as a Percentage of Total PAB Issuance**



Multi-Family Housing and Single-Family Housing Bonds have constituted an ever-increasing share of total cap-subject private activity bond issuance. Multi- and Single-Family Housing Bonds accounted for 91 percent of total private activity bond issuance in 2018. This increase continues a trend that began in 2013 of Multi- and Single-Family Housing Bonds accounting for greater than 80 percent of all cap-subject private activity bond issuance.

**Figure 3. Private Activity Bond Issuance by State**



Total PAB issuance as a percentage of both total issuing capacity and annual volume cap allocation remained about the same. The percentage of total capacity issued hovered around 27 percent in 2018, as it did in 2017. The year 2018 marks just the fourth time in 13 years that issuance surpassed 25 percent of total capacity. States used 65 percent of their allocation in 2018, slightly less than in 2017 when states used 70 percent of their allocation.

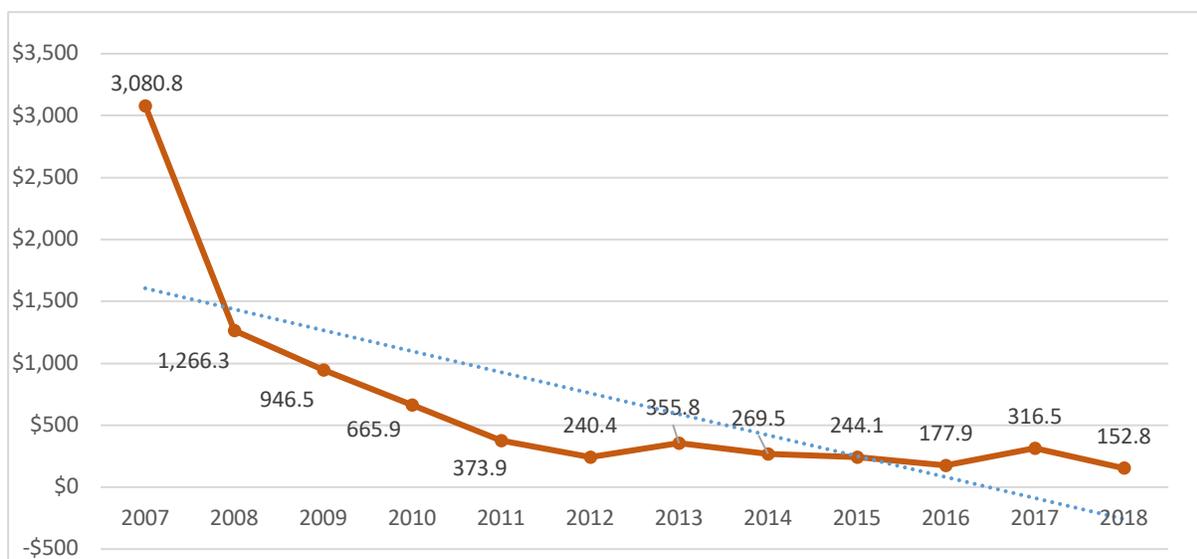
Issuance in several states fluctuated from 2017 to 2018. Arizona issued only \$89 million in 2017 but reported issuing \$254 million in 2018, \$235 million of which were Exempt Facilities bonds. Colorado, after issuing \$723 million in PABs in 2017, carried forward roughly \$865 million to 2018 – only to issue \$578 million that year. Pennsylvania reported a decline in issuance from \$848 million in 2017 to \$218 million in 2018.

California has led the nation in total PAB issuance for the last four years. In 2018, the Golden State issued \$4.31 billion, up from \$4.13 billion in 2017. Only four other states eclipsed the \$1 billion mark in 2018: New York issued \$2.02 billion, Texas issued \$1.37 billion, Florida issued \$1.21 billion, and Tennessee issued \$1.05 billion.

## Industrial Development Bonds

Industrial Development Bonds (IDBs), also known as Industrial Revenue Bonds, are a type of qualified small issue bond that offers a critical source of low-cost financing for small manufacturers. IDBs can support expansion and investment in existing manufacturing facilities, as well as the development of new facilities and the purchase of new machinery and equipment. Current rules limit IDBs to \$10 million and place substantial restrictions on who can use the bonds and how proceeds can be used concerning expansion. In 2018, a total of \$152.8 million in IDBs were issued, dropping nearly 52 percent from their 2017 total of \$316.5 million.

**Figure 4. National IDB Issuance in Millions of Dollars**



The Commonwealth of Massachusetts issued the most IDBs in 2018 with \$30.28 million, continuing to be among the top issuers of this category over the last few years. Wisconsin was the second-highest issuer of IDBs at \$28 million, followed by Pennsylvania at \$25.8 million; Georgia's \$18.43 million; Indiana's \$14.4 million; and Iowa's \$13.27 million. Idaho, after issuing \$27.6 million in 2017, made less use of IDBs in 2018 with an issuance total of only \$6.38 million. Six states in 2018 issued more than \$10 million in IDBs, which are shown in Table 1.

**Table 1. IDB Issuance, Top States**

State	IDB Issuance
Massachusetts	\$30.28M
Wisconsin	\$27.97M
Pennsylvania	\$25.80M
Georgia	\$18.43M
Indiana	\$14.40M
Iowa	\$13.26M

Overall, IDB issuance in 2018 was the lowest ever recorded since CDFA began tracking issuance in 2005, dropping to \$152.8 million. The trend line in Figure 4 shows the prolonged decline in the issuance of this crucial category of bonds. The 2018 IDB issuance totals are 88 percent lower than they were a decade ago. CDFA continues to monitor the issuance and usage of IDBs closely, as CDFA-sponsored legislation to modernize the regulations governing IDBs and aggie bonds is awaiting introduction into the U.S.

House of Representatives and U.S. Senate (see CDFA's Legislative Efforts on Tax-Exempt Bonds below).

## CDFA's Legislative Efforts and Recommendations for PAB Reform

Qualified Private Activity Bonds have offered state and local governments an effective and efficient means for supporting infrastructure, affordable housing, education, and commercial development for over 30 years. Unfortunately, despite the significant economic and financial changes that have occurred throughout the U.S. during that time period, the rules and regulations governing the usage of PABs have remained largely unchanged.

Several PAB categories would benefit from legislative reforms that take into account the advanced state of the American economy, as well as the current challenges state and local governments, face in funding public infrastructure improvements and development. CDFA's own Modernizing Agricultural and Manufacturing Bonds Act would modernize the internal Revenue Code (IRC) in the following ways:

1. *Expand the definition of a manufacturing facility to include both tangible and intangible production;*
2. *Eliminate the restrictions on "Functionally Related and Subordinate Facilities," so that financing is focused on operationally necessary expansion rather than on arcane rules around whether one type of facility room or another can be financed;*
3. *Increase the maximum bond size limitation (from \$10 million to \$30 million) and increase the capital expenditure limitation (from \$20 million to \$40 million);*
4. *Increase the amount of bond proceeds that may be used by a first-time farmer to acquire land for farming purposes from \$450,000 to \$543,800;*
5. *Repeal the separate dollar limitation on the use of bond proceeds for depreciable property; and*

6. *Modify the definition of “substantial farmland” to determine farm size by reference to the average – instead of the median – size of a farm in the county in which the farm is located.*

Alongside reforms to IDBs, CDFA supports the expansion of qualified PABs to finance public facility projects involving schools, hospitals, courts, fire stations, and universities. While the development and maintenance of public facilities has historically been funded by governments through the issuance of GO bonds, the significant, present-day costs associated with public facility projects have forced many cash-strapped governments to forgo regular facility upgrades and improvements. As a result, America’s public buildings are in a state of historic disrepair. By expanding qualified PABs to include public facilities, cash-strapped governments would be able to engage the private sector through public-private partnerships (P3s), lowering both the upfront project costs and the long-term facility maintenance costs. The *Public Buildings Renewal Act* would expand qualified PABs by creating a new category of Exempt Facility Bonds called “Qualified Government Buildings.” The passage of the *Public Buildings Renewal Act* would enable Exempt Facility Bonds to finance the development and maintenance of elementary schools, university facilities, public libraries, courts, hospitals, and public safety facilities like police and fire stations.

Ultimately, improving the IRC as it relates to the usage and regulation of PABs would be considerably beneficial for states and communities across the nation. PABs provide borrowers with efficient, low-cost capital to support project development, and the cost of PABs to the federal government in the form of foregone tax revenue is incredibly small. CDFA and its members stand willing to advise Congress and the Administration on pending and future PAB-related legislation.

CDFA will continue to lead these efforts and more to ensure the continued preservation of PABs. You can find out more about the Council’s ongoing efforts—and lend your support—at [www.cdfa.net](http://www.cdfa.net).

## Acknowledgments

CDFA would like to thank all of the state staff who volunteered their time and responded to the Annual Volume Cap Survey. In addition, CDFA would like to thank Peter Lawrence, Director, Public Policy & Government Relations with Novogradac & Company LLP for assisting in the collection of state data. We greatly appreciate their efforts and could not produce this report without them.



The Council of Development Finance Agencies is a national association dedicated to the advancement of development finance concerns and interests. CDFA is comprised of the nation's leading and most knowledgeable members of the development finance community representing public, private and non-profit entities alike. For more information about CDFA, visit [www.cdfa.net](http://www.cdfa.net) or email [info@cdfa.net](mailto:info@cdfa.net).

Toby Rittner, President & CEO  
Council of Development Finance Agencies  
100 E. Broad St., Suite 1200  
Columbus, OH 43215

Authored by:  
Tim Fisher  
Director, Government & External Affairs

Malcolm Guy  
Coordinator, Government & External Affairs

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# C DFA Annual Volume Cap Report



2018 Volume Cap Allocation and Private Activity Bond Issuance in Millions of Dollars

State	Reporting Agency	Start of Year Allocation			Private Activity Bond Issuance by Category							End of Year Allocation		
		New Cap	Carry-forward 2015-2017	Total Capacity	Exempt Facilities	Multifamily Housing**	Mortgage Revenue	Student Loans	IDB	Aggie	Total Issuance of PABs	Mortgage Credit Certificates	Expiring Cap from 2015	Carry-forward to 2019
AL	State Industrial Development Authority	511.85	1,327.45	1,839.30	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	425.32	1,413.98
AK	State Bond Committee	311.38	NR	NR	12.60	12.60	167.78	NR	NR	NR	180.38	0.00	NR	NR
AZ	Finance Authority	736.71	419.09	1,155.80	235.50	175.50	18.50	NR	NR	NR	254.00	18.50	NR	894.59
AR	Development Finance Authority	315.45	859.08	1,174.53	51.50	51.50	0.00	0.00	0.00	0.00	51.50	263.95	35.57	823.51
CA	Debt Limit Allocation Committee	4,151.35	1,501.60	5,652.95	4,302.13	4,001.81	0.00	0.00	7.60	0.00	4,309.73	286.25	NR	NR
CO	Department of Local Affairs	588.75	868.35	1,457.10	450.36	450.36	123.37	0.00	0.00	4.41	578.14	0.00	0.00	878.96
CT	Office of Policy & Management	376.80	545.90	922.70	63.20	56.20	674.80	25.60	0.00	0.00	763.60	0.00	0.00	116.70
DE	Department of Finance	310.71	852.90	1,163.60	0.00	0.00	0.00	0.00	0.00	0.00	0.00	286.50	0.00	877.10
DC	Revenue Bond Program	311.40	479.19	997.73	360.90	360.90	100.00	0.00	0.00	0.00	460.90	0.00	51.50	0.00
FL	Division of Bond Finance	2,203.36	1,543.21	3,746.57	651.03	530.03	560.86	NR	NR	NR	1,211.89	210.00	NR	1,842.78
GA	Department of Community Affairs	1,095.10	2,144.02	3,239.12	612.58	557.08	0.00	0.00	18.43	0.00	631.01	661.20	661.20	1,542.10
HI	Department of Budget & Finance	310.71	349.15	659.86	213.53	213.53	0.00	0.00	0.00	0.00	213.53	147.19	0.00	204.67
ID	Department of Commerce	311.38	837.18	1,148.56	0.00	NR	181.10	NR	6.38	NR	187.48	175.90	0.61	842.83
IL	Governor's Office of Management & Budget	1,344.21	2,206.16	3,550.37	625.00	625.00	0.00	0.00	0.00	34.50	659.50	0.00	0.00	2,206.10
IN	Finance Authority	700.00	997.70	1,607.70	156.20	156.20	303.40	0.00	14.40	0.00	474.00	0.00	0.00	840.00
IA	Finance Authority	330.30	522.50	852.80	54.25	54.25	115.00	26.00	13.26	20.83	229.34	120.19	NR	500.62
KS	Department of Commerce	310.71	843.20	1,153.90	49.00	18.80	261.70	0.00	0.00	14.60	325.30	0.00	0.00	820.70
KY	Private Activity Bond Allocation Committee	467.69	1,323.25	1,792.43	118.90	106.90	0.00	0.00	4.59	0.00	123.49	143.50	0.00	1,306.35
LA	Office of the Governor	491.85	1,370.24	1,862.09	87.00	84.50	11.19	0.00	0.00	0.00	98.19	0.00	369.31	1,394.86

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ME	State Housing Authority	311.31	834.72	1,146.10	0.00	0.00	154.43	10.40	0.00	0.00	164.83	0.00	0.00	0.00
MD	Department of Commerce	635.48	1,668.67	2,221.58	401.17	401.17	69.00	NR	NR	NR	470.17	72.00	10.76	1,668.65
MA	Executive Office for Administration & Finance	720.28	0.00	720.28	515.00	515.00	20.00	155.00	30.28	NR	720.28	NR	0.00	0.00
MI	Department of Treasury	1,046.04	2,855.34	3,901.38	185.46	185.46	495.71	NR	NR	NR	681.17	NR	576.50	2,797.73
MN	Department of Management & Budget	585.54	361.04	946.58	396.09	364.58	174.82	10.00	0.00	0.00	580.91	0.00	0.00	365.68
MS	Development Authority	313.33	828.84	1,142.17	48.40	48.40	NR	NR	NR	NR	48.40	NR	NR	808.69
MO	Department of Economic Development	641.92	1,644.64	2,286.57	20.70	20.70	125.00	NR	4.00	2.16	151.86	2.96	NR	1,755.56
MT	Department of Administration	310.71	882.20	1,192.90	0.00	NR	120.30	NR	NR	NR	120.30	48.00	151.30	873.30
NE	Investment Finance Authority	310.71	824.90	1,135.60	12.00	12.00	328.50	0.00	0.00	1.00	341.50	100.00	0.00	694.10
NV	Department of Business & Industry	314.80	480.15	794.95	216.04	169.00	0.00	0.00	0.00	0.00	216.04	31.18	0.39	578.34
NH	Development Authority	311.30	249.70	405.40	4.40	NR	NR	NR	NR	NR	4.40	NR	NR	400.90
NJ	Department of Treasury	945.59	1,040.63	1,986.22	329.30	308.50	418.69	107.35	NR	NR	855.34	NR	90.39	1,319.50
NM	State Board of Finance	311.38	516.54	827.92	324.81	324.81	63.76	0.00	0.00	0.00	388.57	0.00	18.60	809.77
NY	Division of the Budget	2,084.19	3.30	2,087.51	1,819.00	1,819.00	200.00	NR	NR	NR	2,019.00	NR	NR	68.50
NC	Department of Commerce	1,078.71	0.00	1,078.71	135.36	135.36	189.86	NR	NR	NR	325.22	0.00	0.00	888.85
ND	Governor's Office	310.71	768.00	1,078.70	69.20	9.20	229.90	NR	NR	NR	299.10	0.00	0.00	779.60
OH	Development Services Agency	1,165.90	2,757.89	3,923.75	146.59	146.59	144.26	0.00	0.00	0.00	290.85	800.00	2.30	2,830.61
OK	State Treasurer's Office	412.74	1,054.11	1,466.85	69.37	69.37	44.31	NR	NR	NR	113.68	30.80	297.50	1,150.67
OR	State Treasury	434.99	994.61	1,429.60	159.90	54.90	0.00	0.00	0.00	0.00	159.90	0.00	0.00	756.18
PA	Department of Community & Economic Development	1,344.58	2,779.63	4,124.08	185.55	185.55	NR	NR	25.80	6.80	218.15	NR	919.40	2,711.50

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RI	Housing	311.38	581.39	771.39	14.00	14.00	70.00	74.94	0.00	0.00	158.94	80.00	9.20	NR
SC	State Fiscal Accountability Authority	527.23	1,433.40	1,961.00	55.10	55.10	70.00	0.00	0.00	0.00	125.10	118.30	260.70	1,368.30
SD	Governor's Office	310.71	678.30	989.01	9.65	9.65	183.71	NR	0.00	7.25	200.61	171.23	0.00	617.17
TN	Department of Economic & Community Development	710.85	1,498.18	2,209.03	335.73	335.73	710.85	NR	NR	NR	1,046.58	NR	NR	1,246.16
TX	Bond Review Board	2,971.98	3,309.41	6,281.39	1,218.68	780.13	150.00	0.00	0.00	0.00	1,368.68	578.42	474.67	3,859.64
UT	Department of Workforce Services	325.70	136.60	462.30	199.31	199.31	0.00	0.00	0.00	0.00	199.31	0.00	0.00	462.30
VT	State Treasurer's Office	310.70	827.10	1,137.80	0.00	NR	66.00	38.20	0.10	NR	104.30	60.00	154.60	819.00
VA	Department of Housing & Community Development	889.35	2,042.23	2,931.58	467.72	417.72	NR	NR	NR	NR	467.72	659.10	0.00	1,804.76
WA	Department of Commerce	777.60	264.67	1,042.27	563.32	549.32	98.19	0.00	0.00	1.30	662.81	0.00	0.00	439.49
WV	Economic Development Authority	310.71	429.90	740.60	2.75	2.75	35.00	0.00	0.00	0.00	37.75	0.00	81.60	444.80
WI	Economic Development Corporation	608.52	1,490.15	2,098.67	149.58	148.48	525.46	0.00	27.97	0.00	703.01	0.00	0.00	1,395.67
WY	Governor's Office	310.71	909.91	1,220.62	0.00	NR	144.99	NR	NR	NR	144.99	NR	156.52	919.10
National Totals		37,135.36	53,136.32	89,719.62	16,097.86	14,736.94	7,350.44	447.49	152.81	92.85	24,141.45	5,065.17	4,747.94	51,140.37

**Notes**

NR = Not Reported

\*\*Multifamily housing bonds are an allowable use of exempt facilities bonds, and multifamily housing issuance is also reflected in the totals for the exempt facilities category.