



Original Research:
CDFFA 2011 National
Volume Cap Report

Released July 2012



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The Council of Development Finance Agencies (CDFA), in order to provide an important service to the development finance industry and its members, has collected 2011 private-activity bond volume cap data.

To compile the data, CDFA surveyed and interviewed representatives from each state's allocating authority. The data represents the most accurate volume cap numbers as reported by each state to CDFA, or the numbers posted in the states' year-end private-activity bond reports.

As a leader in the development finance industry, CDFA serves as the principal source for private-activity bond volume cap data, reporting, and trends. Comprehensive volume cap data can be found online at www.cdfa.net. Users can search, sort, and compare data from all fifty states and the District of Columbia looking back several years.

Due to factors outside of CDFA's control, a few states have elected not to submit complete data. CDFA will continue to request data and will update the online National Volume Cap Map accordingly.

About Volume Cap

Qualified private activity bonds are tax-exempt bonds issued by a state or local government for a qualified private purpose. The issuance of certain qualified private activity bonds is subject to the federally mandated volume cap. The federal government provides a set allocation to each state: in 2011, the volume cap for each state was equal to the greater of \$95 per capita or \$277.8 million. Each state may allocate their volume cap among private activity bond categories and subordinate jurisdictions by whatever procedure they choose. Allocatees may elect to carry forward eligible, unused volume cap space for up to three years.

General Statistics and Findings

The total dollar amount of private activity bonds issued throughout the U.S. in 2011 decreased compared to 2010. In 2011, \$12.8 billion of PABs were issued. This is a \$1.8 billion, or 13%, decrease from the \$14.6 billion issued in 2010. The dollar amount of 2011 issuance is therefore more in line with the \$13.7 billion from 2008 and the \$11.9 billion from 2009, and 2010 appears as more of an outlier.

The \$12.8 billion in PAB issuance represents 41% of states' 2011 allocation of volume cap, and just 15% of states' total available capacity, which also includes previous years' carryforward. This usage rate is the lowest seen in recent years. In 2010, states utilized 21% of their total available capacity and 48% of their starting allocation amount. During



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2007, a banner year for PABs, states utilized 58% of their total available capacity and 101% of their starting cap allocation amount.¹ Several years' of limited issuance have built states' total capacity significantly—2011 saw \$32.1 billion more in initial capacity than in 2008—so the continuing decrease in this usage rate is not surprising.

The dollar amount of carryforward abandoned at the end of 2011 increased from 2010. Volume cap is primarily abandoned when an allocation remains unused at the end of the three-year eligibility window. At the end of 2011, states released \$6.6 billion of volume cap, primarily from expiring 2008 allocation. States abandoned \$4.3 billion in volume cap at the end of 2010, and the amount of abandoned volume cap therefore increased by \$2.3 billion, or 53%, in 2011. This number will likely continue to rise for the foreseeable future, as states' issuance of PABs is not keeping pace with capacity.

Looking forward, carryforward of volume cap at the end of 2011 was given as \$54.2 billion. States will therefore have approximately \$85 billion in total PAB volume cap capacity for 2012, which will be a 2% increase over the capacity for 2011.

The decrease in PAB issuance from 2010 to 2011 is disappointing, but far from surprising. The issuance of municipal bonds overall was at a 10-year low in 2011, as only \$287.7 billion of bonds were issued. This was more than a one-third decrease from 2010, more than double the drop seen in the issuance of volume cap-subject PABs.² The issuance of PABs actually fared somewhat better in comparison.

Industrial Development Bond Trends

Industrial Development Bonds (IDBs), issued by state and local authorities, provide a crucial source of low-cost financing for small to medium-sized manufacturers. IDBs have offered this core sector of the American economy much needed capital access support for decades.

The issuance of IDBs, as with other PABs, decreased throughout the country in 2011. States reported just \$373.9 million in issuance for these bonds. The 2011 issuance of IDBs is significantly less than the \$665.9 million recorded in 2010. In fact, 2011 is the fourth consecutive year that issuance of IDBs has decreased at the national level, down from a high of \$3.1 billion in 2007.

The overall trend for IDB issuance continues to conceal a great deal of variability at the state level. A number of traditionally active states dropped their issuance by half or more from 2010 to 2011, and the biggest decreases are noted below. However, approximately a third of the states actually witnessed a rise in their issuance of IDBs in

¹ States can use more than 100% of the amount of that year's allocation because PAB issuance can be attributed to any year's volume cap that is available, whether through elected carryforward or as a new allocation.

² See *The Bond Buyer*, "A Decade of Municipal Bond Finance." Available at <http://www.bondbuyer.com/marketstatistics/>



Original Research:

CDFA 2011 National Volume Cap Report

2011, and the gains suggest that several states likely issued for one or more additional projects in 2011 than in 2010.

The reasons for the decreased issuance of IDBs are complex. The factors contributing to the overall decrease of PABs and municipal bonds in 2011 certainly affected IDBs as well. Several states provided additional insights to the limited issuance in their areas. The provided concerns include:

- a) Limited interest rate spread between tax-exempt financing and other financing options provides too little benefit, and
- b) Relatively low caps on project size, \$10 million, and capital expenditures, \$20 million in a six-year window, place too great a restriction on potential projects.

The first concern will eventually be addressed in the market, and the second concern would be addressed by CDFA's *American Manufacturing Bond Finance Act of 2012*.

States that issued the highest volume of IDBs in 2011:

1. Arizona	\$100.6 million
2. Pennsylvania	\$40.4 million
3. Florida	\$29.7 million
4. Georgia	\$19.0 million
5. Indiana	\$18.5 million

States with the largest drop-off in volume of IDBs in 2011 over 2010³:

1. Virginia	\$1.5 million	(\$115.8 million in 2010)
2. Massachusetts	\$9.9 million	(\$91.3 million in 2010)
3. Pennsylvania	\$40.4 million	(\$77.2 million in 2010)
4. Wisconsin	\$9.8 million	(\$46.5 million in 2010)
5. California	\$13.7 million	(\$45.0 million in 2010)

States with the largest increase in volume of IDBs in 2011 over 2010⁴:

1. Arizona	\$100.6 million	(\$4.2 million in 2010)
2. Texas	\$13.3 million	(\$3.4 million in 2010)
3. Indiana	\$18.5 million	(\$10.9 million in 2010)
4. Colorado	\$9.0 million	(\$4.0 million in 2010)
5. Minnesota	\$4.8 million	(\$0.0 million in 2010)

³ Only states reporting IDB issuance in both 2011 and 2010 are included. Nevada did not report IDB issuance in 2011 after issuing \$46.1 million in 2010.

⁴ Only states reporting IDB issuance in both 2011 and 2010 are included. Florida and New York did not report IDB issuance in 2010, but issued \$29.7 million and \$12.2 million, respectively, in 2011.



CDFA's Legislative Efforts on Tax-Exempt Bonds

State and local governments have been able to use tax-exempt bonds to catalyze investment in business, industry, and infrastructure for over 30 years. In 1986, Congress heavily regulated bonds and placed limitations on the types of projects eligible for tax-exempt financing. CDFA was part of the 1986 discussion, and the Council has continued to advocate for improvements to the tax-exempt bond program since that time.

Passage of CDFA legislation in 2006 to increase the capital expenditure limit from \$10 million to \$20 million for IDBs was a contributing factor to higher issuance levels in 2007 and 2008. CDFA was successful in passing new legislation to expand the definition of manufacturing for 2009 and 2010 to include production of intangible property, a change targeted at biotech and high-tech firms. In addition, the 25% limitation on directly related and subordinate facilities was eliminated for these years.

In 2011, tax-exempt bonds were threatened by proposals from the Administration and from Congress, including both the deficit reduction committee and tax reform. CDFA led the development finance industry in standing tall against these threats, meeting with numerous Congressional offices and publishing *Built by Bonds*, the definitive argument for the use of tax-exempt bonds to provide lower-cost capital for infrastructure, manufacturers, and economic development. CDFA was successful in 2011, as the proposals to repeal or limit the tax exemption were withdrawn. Should future tax reform discussions could again threaten the status of tax-exempt bonds, CDFA is again prepared to lead this charge.

To strengthen and improve the use of PABs, and particularly IDBs, CDFA proposed the *American Manufacturing Bond Finance Act of 2012*. This legislation, which is being discussed with Congress, seeks to implement seven specific reforms that would make IDBs a stronger and more effective tool for small- to mid-sized American manufacturers. These reforms address raising the project size to \$20 million, doubling the capital expenditures limitation, expanding the definition of manufacturing, and more. With the reforms of the *American Manufacturing Bond Finance Act* in place, manufacturers could again look to IDBs to access low-cost capital, enabling plant construction and expansion, and yielding new American manufacturing jobs.

CDFA will continue these efforts and more to ensure the preservation of tax-exempt bonds. You can find out more about the Council's ongoing efforts—and lend your support—at www.cdfa.net.



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2011 Volume Cap Allocation and Private Activity Bond Issuance in Millions of Dollars														
State	Allocating Agency	Start of Year Allocation			PAB Issuance by Category							End of Year Allocation		
		New Cap	Carry-forward 2008-10	Total Capacity	Exempt Facilities	Multifamily Housing ^a	Mortgage Revenue Bonds	IDBs	Student Loans	Other Issuance ^b	Total PAB Issuance	Mortgage Credit Certificates	Carryforward Abandoned	Carryforward to 2012
AL	State IDA	454.1	1,117.8	1,571.8	28.5	6.7	0.0	7.2	0.0	0.0	35.7	155.9	196.9	1,183.4
AK	Municipal Bond Bank Auth.	277.8	NR	277.8 ^c	0.0	0.0	71.4	0.0	0.0	0.0	71.4	NR	NR	277.8 ^c
AR	ADFA	277.8	750.8	1,028.6	0.0	0.0	80.0	8.5	0.0	0.0	88.5	0.0	174.7	765.4
AZ	ACA	607.2	265.2	872.5	0.0	0.0	0.0	100.6	0.0	0.0	100.6	0.0	178.2	9.9
CA	CDLAC	3,539.1	6,102.0	9,641.0	2,171.5	2,128.0	0.0	13.7	0.0	0.0	2,185.2	452.0	799.8	6,157.0
CO	Local Affairs	477.8	955.1	1,432.9	12.4	12.4	148.2	9.0	0.0	0.7	170.3	25.0	108.0	1,129.6
CT	Policy & Management	339.5	498.2	837.7	64.0	0.0	242.9	4.4	0.0	0.0	311.3	0.0	0.0	526.4
DC	Revenue Bond Program	277.8	146.7	424.5	0.0	0.0	144.4	0.0	0.0	0.0	144.4	0.0	60.0	134.2
DE	Finance	277.8	614.1	892.0	15.7	15.7	188.0	0.0	0.0	0.0	203.7	0.0	69.1	619.1
FL	Bond Finance	1,786.1	4,489.0	6,275.1	60.5	60.5	0.0	29.7	0.0	0.0	90.2	0.0	921.5	4,356.1
GA	Comm. Affairs	920.3	1,521.4	2,441.7	112.0	0.0	0.0	19.0	0.0	0.0	131.0	NR	NR	789.3 ^c
HI ^d	Budget & Finance	277.8	327.3	605.1	103.8	103.8	45.1	0.0	0.0	0.0	148.9	102.3	50.0	199.6
IA	IFA	289.4	611.1	900.5	0.0	0.0	127.0	4.6	175.2	28.5	335.4	0.0	16.2	565.2
ID	Commerce	277.8	761.9	1,039.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	214.8	824.9
IL	Management & Budget	400.0	673.0	1,073.0	107.0	107.0	104.0	0.0	0.0	0.0	211.0	0.0	22.0	1,112.1
IN	IFA	615.9	675.3	1,291.2	9.1	0.0	216.8	18.5	0.0	52.1	296.5	160.0	0.0	1,051.5
KS	Commerce	277.8	728.5	1,006.4	0.0	0.0	0.0	3.8	0.0	0.0	3.8	0.0	192.0	810.5
KY	KPABAC	412.2	482.8	895.1	398.2	0.0	100.0	0.0	0.0	0.0	498.2	50.0	0.0	895.1
LA	Bond Commission	430.7	978.8	1,409.4	1.2	0.0	7.5	0.0	0.0	0.0	8.7	20.0	209.3	1,166.2
MA	Administration & Finance	622.0	537.2	1,159.3	261.1	261.1	84.4	9.9	102.5	0.0	457.9	0.0	0.0	701.4
MD	Business & Economic Dev.	548.5	1,218.4	1,766.9	0.0	0.0	19.4	0.0	0.0	0.0	19.4	0.0	100.0	1,224.1
ME	MaineHousing	277.8	752.6	1,030.4	24.0	0.0	80.0	0.0	0.0	0.0	104.0	0.0	128.7	797.7
MI	Treasury	938.9	2,485.2	3,424.1	0.0	0.0	0.0	4.4	0.0	0.0	4.4	0.0	703.9	2,619.1
MN	Management and Budget	503.9	717.3	1,221.2	0.0	0.0	344.3	4.8	110.0	1.2	460.3	0.0	13.4	737.1
MO	Economic Dev.	569.0	960.9	1,529.8	121.8	121.8	201.6	13.2	0.0	2.8	339.4	0.0	60.0	1,129.0
MT	Administration	277.8	804.2	1,082.0	0.0	0.0	61.8	0.0	0.0	0.0	61.8	12.0	183.3	824.9
MS ^e	MDA	281.9	NR	281.9 ^c	NR	NR	NR	NR	NR	NR	NR	NR	NR	NR
NC ^e	Commerce	905.9	2,280.1	3,186.0	0.0	0.0	0.0	4.0	0.0	26.0	30.0	NR	NR	NR
ND	Industrial Commission	277.8	782.1	1,059.9	31.5	0.0	112.5	0.0	0.0	0.0	144.0	0.0	149.0	766.9



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NE	NIFA	277.8	769.6	1,047.4	0.0	0.0	153.4	13.1	0.0	0.0	166.5	90.2	0.0	790.7
NH	NHBFA	277.8	615.1	892.9	0.0	0.0	155.1	1.8	0.0	0.0	156.9	0.0	59.3	676.7
NJ	Public Finance	835.2	972.8	1,808.0	70.5	36.5	382.7	0.0	309.0	17.1	779.4	0.0	65.6	736.4
NM	Board of Finance	277.8	324.2	602.0	0.0	0.0	110.8	0.0	0.0	0.0	110.8	NR	50.1	459.6
NY	Budget	1,840.9	959.3	2,800.2	1,378.9	1,318.9	8.5	12.2	0.0	0.0	1,399.5	0.0	0.0	1,246.7
NV ^e	Business & Industry Development	277.8	NR	277.8 ^c	NR	NR	NR	NR	NR	NR	NR	NR	NR	NR
OH	Bond Advisor's Office	1,095.9	2,791.3	3,887.2	29.0	0.0	52.9	2.5	0.0	0.0	84.4	0.0	174.7	2,909.1
OK	Treasury	356.4	706.4	1,062.8	0.0	0.0	42.0	0.0	0.0	0.0	42.0	10.0	0.0	865.6
OR	DCED	364.0	892.6	1,256.6	43.8	31.6	106.8	6.0	0.0	0.0	156.6	20.0	164.8	915.0
PA	RI Housing & RISLA	1,206.7	1,786.0	2,992.7	80.0	0.0	427.7	40.4	0.0	3.5	551.6	0.0	100.0	2,340.9
RI	Budget & Control Board	277.8	573.6	851.4	26.1	26.1	35.0	0.0	0.0	0.0	61.1	0.0	94.1	730.9
SC	Governor	439.4	999.5	1,438.9	0.0	0.0	70.7	3.3	0.0	0.0	74.0	0.0	231.5	1,133.5
SD	Economic & Comm. Dev.	277.8	780.6	1,058.4	0.0	0.0	176.6	0.0	0.0	0.4	177.1	0.0	66.0	815.3
TN ^e	Bond Review Board	602.9	NR	602.9 ^c	14.6	14.6	0.0	4.1	75.0	0.0	93.7	NR	NR	NR
TX	Economic Development	2,388.8	3,300.8	5,689.6	155.1	69.9	573.2	13.3	125.0	0.0	866.6	344.0	520.4	2,951.3
UT	Housing & Comm. Dev.	277.8	19.9	297.7	0.0	0.0	116.7	5.5	91.7	15.0	228.9	0.0	0.0	0.8
VA	Treasurer	760.1	1,135.7	1,895.8	92.7	92.7	361.6	1.5	0.0	0.0	455.8	0.0	0.0	1,440.0
VT	Commerce	277.8	631.0	908.8	0.0	0.0	60.7	2.5	15.0	0.0	78.2	0.0	56.3	759.6
WA	WEDC	638.8	1,118.3	1,757.1	151.1	151.1	219.0	0.0	0.0	0.5	370.6	80.0	0.0	1,306.5
WI	WVEDA & WVHDF	540.3	1,297.4	1,837.6	0.0	0.0	54.0	9.8	0.0	0.0	63.8	0.0	389.2	1,384.6
WV	Governor	277.8	637.8	915.7	63.4	0.0	2.0	2.7	0.0	0.0	68.1	0.0	0.0	724.1
WY		277.8	629.1	907.0	0.0	0.0	117.7	0.0	0.0	0.0	117.7	0.0	114.4	674.9
	National Totals	31,267.8	53,177.9	83,036.6	5,627.5	4,558.4	5,606.4	373.9	1,003.4	147.8	12,759.3	1,521.4	6,637.2	54,235.8

Notes

NR = Not Reported

^a 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.

^b Other issuance includes redevelopment bonds, agricultural bonds, and special categories of cap-subject PABs, as reported.

^c These totals do not reflect carryforward from 2008-10 or abandoned carryforward, which were not reported by this state.

^d 50% of Hawaii's volume cap allocation belongs to City and Counties of Honolulu and Counties of Kauai, Maui, and Hawaii. Honolulu retained their \$104.3M, remaining \$34.6M was returned to the state and carried forward to 2012.

^e Data is incomplete for these states. Mississippi and Nevada elected not to respond to the survey altogether.