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I N   S E N A T E

April 8, 2010

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Introduced by Sen. ESPADA -- (at request of the New York State Housing Finance Agency) -- read twice and ordered printed, and when printed to be committed to the Committee on Housing, Construction and Community Development

AN ACT relating to redistributing 2009 bond volume allocations made pursuant to section 146 of the federal tax reform act of 1986, in relation to allocation of the unified state bond volume ceiling, and in relation to enacting the private activity bond allocation act of 2010 and providing for the expiration of certain provisions thereof

THE PEOPLE OF THE STATE OF NEW YORK, REPRESENTED IN SENATE AND ASSEMBLY, DO ENACT AS FOLLOWS:

1     Section 1. Short title. This act shall be known and may be cited as  
2     the "private activity bond allocation act of 2010".  
3     S 2. Legislative findings and declaration. The legislature hereby  
4     finds and declares that the federal tax reform act of 1986 established a  
5     statewide bond volume ceiling on the issuance of certain tax exempt  
6     private activity bonds and notes and, under certain circumstances,  
7     governmental use bonds and notes issued by the state and its public  
8     authorities, local governments, agencies which issue on behalf of local  
9     governments, and certain other issuers. The federal tax reform act  
10    establishes a formula for the allocation of the bond volume ceiling  
11    which was subject to temporary modification by gubernatorial executive  
12    order until December 31, 1987. That act also permits state legislatures  
13    to establish, by statute, an alternative formula for allocating the  
14    volume ceiling. Bonds and notes subject to the volume ceiling require an  
15    allocation from the state's annual volume ceiling in order to qualify  
16    for federal tax exemption.  
17    It is hereby declared to be the policy of the state to maximize the  
18    public benefit through the issuance of private activity bonds for the  
19    purposes of, among other things, allocating a fair share of the bond  
20    volume ceiling upon initial allocation and from a bond reserve to local  
21    agencies and for needs identified by local governments; providing hous-  
22    ing and promoting economic development; job creation; an economical  
23    energy supply; and resource recovery and to provide for an orderly and

EXPLANATION--Matter in ITALICS (underscored) is new; matter in brackets  
[ ] is old law to be omitted.

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efficient volume ceiling allocation process for state and local agencies by establishing an alternative formula for making such allocations.

S 3. Definitions. As used in this act, unless the context requires otherwise:

1. "Bonds" means bonds, notes or other obligations.

2. "Carryforward" means an amount of unused private activity bond ceiling available to an issuer pursuant to an election filed with the internal revenue service pursuant to section 146(f) of the code.

3. "Code" means the internal revenue code of 1986, as amended.

4. "Commissioner" means the commissioner of the New York state department of economic development.

5. "Covered bonds" means those tax exempt private activity bonds and that portion of the non-qualified amount of an issue of governmental use bonds for which an allocation of the statewide ceiling is required for the interest earned by holders of such bonds to be excluded from the gross income of such holders for federal income tax purposes under the code.

6. "Director" means the director of the New York state division of the budget.

7. "Issuer" means a local agency, state agency or other issuer.

8. "Local agency" means an industrial development agency established or operating pursuant to article 18-A of the general municipal law, the Troy industrial development authority and the Auburn industrial development authority.

9. "Other issuer" means any agency, political subdivision or other entity, other than a local agency or state agency, that is authorized to issue covered bonds.

10. "Qualified small issue bonds" means qualified small issue bonds, as defined in section 144(a) of the code.

11. "State agency" means the state of New York, the New York state energy research and development authority, the New York job development authority, the New York state environmental facilities corporation, the New York state urban development corporation and its subsidiaries, the Battery Park city authority, the port authority of New York and New Jersey, the power authority of the state of New York, the dormitory authority of the state of New York, the New York state housing finance agency, the state of New York mortgage agency, and any other public benefit corporation or public authority designated by the governor for the purposes of this act.

12. "Statewide ceiling" means for any calendar year the highest state ceiling (as such term is used in section 146 of the code) applicable to New York state.

13. "Future allocations" means allocations of statewide ceiling for up to two future years.

14. "Multi-year housing development project" means a project (a) which qualifies for covered bonds; (b) which is to be constructed over two or more years and (c) in which at least twenty percent of the dwelling units will be occupied by persons and families of low income.

S 4. Local agency set-aside. A set-aside of statewide ceiling for local agencies for any calendar year shall be an amount which bears the same ratio to one-third of the statewide ceiling as the population of the jurisdiction of such local agency bears to the population of the entire state. The commissioner shall administer allocations of such set-aside to local agencies.

S 5. State agency set-aside. A set-aside of statewide ceiling for all state agencies for any calendar year shall be one-third of the statewide

1 ceiling. The director shall administer allocations of such set-aside to  
2 state agencies and may grant an allocation to any state agency upon  
3 receipt of an application in such form as the director shall require.

4 S 6. Statewide bond reserve. One-third of the statewide ceiling is  
5 hereby set aside as a statewide bond reserve to be administered by the  
6 director.

7 1. Allocation of the statewide bond reserve among state agencies,  
8 local agencies and other issuers. The director shall transfer a portion  
9 of the statewide bond reserve to the commissioner for allocation to and  
10 use by local agencies and other issuers in accordance with the terms of  
11 this section. The remainder of the statewide bond reserve may be allo-  
12 cated by the director to state agencies in accordance with the terms of  
13 this section.

14 2. Allocation of statewide bond reserve to local agencies or other  
15 issuers.

16 (a) Local agencies or other issuers may at any time apply to the  
17 commissioner for an allocation from the statewide bond reserve. Such  
18 application shall demonstrate:

19 (i) that the requested allocation is required under the code for the  
20 interest earned on the bonds to be excluded from the gross income of  
21 bondholders for federal income tax purposes;

22 (ii) that the local agency's remaining unused allocation provided  
23 pursuant to section four of this act, and other issuer's remaining  
24 unused allocation, or any available carryforward will be insufficient  
25 for the specific project or projects for which the reserve allocation is  
26 requested; and

27 (iii) that, except for those allocations made pursuant to section  
28 twelve of this act to enable carryforward elections, the requested allo-  
29 cation is reasonably expected to be used during the calendar year, and  
30 the requested future allocation is reasonably expected to be used in the  
31 calendar year to which the future allocation relates.

32 (b) In reviewing and approving or disapproving applications, the  
33 commissioner shall exercise discretion to ensure an equitable distrib-  
34 ution of allocations from the statewide bond reserve to local agencies  
35 and other issuers. Prior to making a determination on such applications,  
36 the commissioner shall notify and seek the recommendation of the presi-  
37 dent and chief executive officer of the New York state housing finance  
38 agency in the case of an application related to the issuance of multi-  
39 family housing or mortgage revenue bonds, and in the case of other  
40 requests, such state officers, departments, divisions and agencies as  
41 the commissioner deems appropriate.

42 (c) Applications for allocations shall be made in such form and  
43 contain such information and reports as the commissioner shall require.

44 3. Allocation of statewide bond reserve to state agencies. The direc-  
45 tor may make an allocation from the statewide bond reserve to any state  
46 agency. Before making any allocation of statewide bond reserve to state  
47 agencies the director shall be satisfied:

48 (a) that the allocation is required under the code for the interest  
49 earned on the bonds to be excluded from the gross income of bondholders  
50 for federal income tax purposes;

51 (b) that the state agency's remaining unused allocation provided  
52 pursuant to section five of this act or any available carryforward will  
53 be insufficient to accommodate the specific bond issue or issues for  
54 which the reserve allocation is requested; and

55 (c) that, except for those allocations made pursuant to section twelve  
56 of this act to enable carryforward elections, the requested allocation

1 is reasonably expected to be used during the calendar year, and the  
2 requested future allocation is reasonably expected to be used in the  
3 calendar year to which the future allocation relates.

4 S 7. Access to employment opportunities. 1. All issuers shall require  
5 that any new employment opportunities created in connection with indus-  
6 trial or manufacturing projects financed through the issuance of quali-  
7 fied small issue bonds shall be listed with the New York state depart-  
8 ment of labor and with the one-stop career center established pursuant  
9 to the federal Workforce Investment Act (Pub.L. No. 105-220) serving the  
10 locality in which the employment opportunities are being created. Such  
11 listing shall be in a manner and form prescribed by the commissioner.  
12 All issuers shall further require that for any new employment opportu-  
13 nities created in connection with an industrial or manufacturing project  
14 financed through the issuance of qualified small issue bonds by such  
15 issuer, industrial or manufacturing firms shall first consider persons  
16 eligible to participate in Workforce Investment Act (Pub.L. No. 105-220)  
17 programs who shall be referred to the industrial or manufacturing firm  
18 by one-stop centers in local workforce investment areas or by the  
19 department of labor. Issuers of qualified small issue bonds are required  
20 to monitor compliance with the provisions of this section as prescribed  
21 by the commissioner.

22 2. Nothing in this section shall be construed to require users of  
23 qualified small issue bonds to violate any existing collective bargain-  
24 ing agreement with respect to the hiring of new employees. Failure on  
25 the part of any user of qualified small issue bonds to comply with the  
26 requirements of this section shall not affect the allocation of bonding  
27 authority to the issuer of the bonds or the validity or tax exempt  
28 status of such bonds.

29 S 8. Overlapping jurisdictions. In a geographic area represented by a  
30 county local agency and one or more sub-county local agencies, the allo-  
31 cation granted by section four of this act with respect to such area of  
32 overlapping jurisdiction shall be apportioned one-half to the county  
33 local agency and one-half to the sub-county local agency or agencies.  
34 Where there is a local agency for the benefit of a village within the  
35 geographic area of a town for the benefit of which there is a local  
36 agency, the allocation of the village local agency shall be based on the  
37 population of the geographic area of the village, and the allocation of  
38 the town local agency shall be based upon the population of the  
39 geographic area of the town outside of the village. Notwithstanding the  
40 foregoing, a local agency may surrender all or part of its allocation  
41 for such calendar year to another local agency with an overlapping  
42 jurisdiction. Such surrender shall be made at such time and in such  
43 manner as the commissioner shall prescribe.

44 S 9. Ineligible local agencies. To the extent that any allocation of  
45 the local agency set-aside would be made by this act to a local agency  
46 which is ineligible to receive such allocation under the code or under  
47 regulations interpreting the state volume ceiling provisions of the  
48 code, such allocation shall instead be made to the political subdivision  
49 for whose benefit that local agency was created.

50 S 10. Municipal reallocation. The chief executive officer of any poli-  
51 tical subdivision or, if such political subdivision has no chief execu-  
52 tive officer, the governing board of the political subdivision for the  
53 benefit of which a local agency has been established, may withdraw all  
54 or any portion of the allocation granted by section four of this act to  
55 such local agency. The political subdivision may then reallocate all or  
56 any portion of such allocation, as well as all or any portion of the

allocation received pursuant to section nine of this act, to itself or any other issuer established for the benefit of that political subdivision or may assign all or any portion of the allocation received pursuant to section nine of this act to the local agency created for its benefit. The chief executive officer or governing board of the political subdivision, as the case may be, shall notify the commissioner of any such reallocation.

S 11. Future allocations for multi-year housing development projects.

1. In addition to other powers granted under this act, the commissioner is authorized to make the following future allocations of statewide ceiling for any multi-year housing development project for which the commissioner also makes an allocation of statewide ceiling for the current year under this act or for which, in the event of expiration of provisions of this act described in section seventeen of this act, an allocation of volume cap for a calendar year subsequent to such expiration shall have been made under section 146 of the code: (a) to local agencies from the local agency set-aside (but only with the approval of the chief executive officer of the political subdivision to which the local agency set-aside relates or the governing body of a political subdivision having no chief executive officer) and (b) to other issuers from that portion, if any, of the statewide bond reserve transferred to the commissioner by the director. Any future allocation made by the commissioner shall constitute an allocation of statewide ceiling for the future year specified by the commissioner and shall be deemed to have been made on the first day of the future year so specified.

2. In addition to other powers granted under this act, the director is authorized to make future allocations of statewide ceiling from the state agency set-aside or from the statewide bond reserve to state agencies for any multi-year housing development project for which the director also makes an allocation of statewide ceiling from the current year under this act or for which, in the event of expiration of provisions of this act described in section seventeen of this act, and allocation of volume cap for a calendar year subsequent to such expiration shall have been made under section 146 of the code, and is authorized to make transfers of the statewide bond reserve to the commissioner for future allocations to other issuers for multi-year housing development projects for which the commissioner has made an allocation of statewide ceiling for the current year. Any such future allocation or transfer of the statewide bond reserve for future allocation made by the director shall constitute an allocation of statewide ceiling or transfer of the statewide bond reserve for the future years specified by the director and shall be deemed to have been made on the first day of the future year so specified.

3. (a) If an allocation made with respect to a multi-year housing development project is not used by October fifteenth of the year to which the allocation relates, the allocation with respect to the then current year shall be subject to recapture in accordance with the provisions of section eleven of this act, and in the event of such a recapture, unless a carryforward election by another issuer shall have been approved by the commissioner or a carryforward election by a state agency shall have been approved by the director, all future allocations made with respect to such project pursuant to subdivision one or two of this section shall be canceled.

(b) The commissioner and the director shall have the authority to make future allocations from recaptured current year allocations and canceled future allocations to multi-year housing development projects in a

manner consistent with the provisions of this act. Any such future allocation shall, unless a carryforward election by another issuer shall have been approved by the commissioner or a carryforward election by a state agency shall have been approved by the director, be canceled if the current year allocation for the project is not used by December 31, 2010.

(c) The commissioner and the director shall establish procedures consistent with the provisions of this act relating to carryforward of future allocations.

4. The aggregate future allocations from either of the two succeeding years shall not exceed six hundred fifty million dollars for each such year.

S 12. Year end allocation recapture. On or before October first of each year, each state agency shall report to the director and each local agency and each other issuer shall report to the commissioner the amount of bonds subject to allocation under this act that will be issued prior to the end of the then current calendar year, and the amount of the issuer's then total allocation that will remain unused. As of October fifteenth of each year, the unused portion of each local agency's and other issuer's then total allocation as reported and the unallocated portion of the set-aside for state agencies shall be recaptured and added to the statewide bond reserve and shall no longer be available to covered bond issuers except as otherwise provided herein. From October fifteenth through the end of the year, each local agency or other issuer having an allocation shall immediately report to the commissioner and each state agency having an allocation shall immediately report to the director any changes to the status of its allocation or the status of projects for which allocations have been made which should affect the timing or likelihood of the issuance of covered bonds therefor. If the commissioner determines that a local agency or other issuer has overestimated the amount of covered bonds subject to allocation that will be issued prior to the end of the calendar year, the commissioner may recapture the amount of the allocation to such local agency or other issuer represented by such overestimation by notice to the local agency or other issuer, and add such allocation to the statewide bond reserve. The director may likewise make such determination and recapture with respect to state agency allocations.

S 13. Allocation carryforward. 1. No local agency or other issuer shall make a carryforward election utilizing any unused allocation (pursuant to section 146(f) of the code) without the prior approval of the commissioner. Likewise no state agency shall make or file such an election, or elect to issue or carryforward mortgage credit certificates, without the prior approval of the director.

2. On or before November fifteenth of each year, each state agency seeking unused statewide ceiling for use in future years shall make a request for an allocation for a carryforward to the director, whose approval shall be required before a carryforward election is filed by or on behalf of any state agency. A later request may also be considered by the director, who may file a carryforward election for any state agency with the consent of such agency.

3. On or before November fifteenth of each year, each local agency or other issuer seeking unused statewide ceiling for use in future years shall make a request for an allocation for a carryforward to the commissioner, whose approval shall be required before a carryforward election is filed by or on behalf of any local or other agency. A later request may also be considered by the commissioner.

1 S 14. New York state bond allocation policy advisory panel. 1. There  
2 is hereby created a policy advisory panel and process to provide policy  
3 advice regarding the priorities for distribution of the statewide ceiling.  
4

5 2. The panel shall consist of five members, one designee being  
6 appointed by each of the following: the governor, the temporary presi-  
7 dent of the senate, the speaker of the assembly, the minority leader of  
8 the senate and the minority leader of the assembly. The designee of the  
9 governor shall chair the panel. The panel shall monitor the allocation  
10 process through the year, and in that regard, the division of the budget  
11 and the department of economic development shall assist and cooperate  
12 with the panel as provided in this section. The advisory process shall  
13 operate through the issuance of advisory opinions by members of the  
14 panel as provided in subdivisions six and seven of this section. A meet-  
15 ing may be held at the call of the chair with the unanimous consent of  
16 the members.

17 3. (a) Upon receipt of a request for allocation or a request for  
18 approval of a carryforward election from the statewide reserve from a  
19 local agency or other issuer, the commissioner shall, within five work-  
20 ing days, notify the panel of such request and provide the panel with  
21 copies of all application materials submitted by the applicant.

22 (b) Upon receipt of a request for allocation or a request for approval  
23 of carryforward election from the statewide reserve from a state agency,  
24 the director shall, within five working days, notify the panel of such  
25 request and provide the panel with copies of all application materials  
26 submitted by the applicant.

27 4. (a) Following receipt of a request for allocation from a local  
28 agency or other issuer, the commissioner shall notify the panel of a  
29 decision to approve or exclude from further consideration such request,  
30 and the commissioner shall state the reasons. Such notification shall be  
31 made with or after the transmittal of the information specified in  
32 subdivision three of this section and at least five working days before  
33 formal notification is made to the applicant.

34 (b) Following receipt of a request for allocation from a state agency,  
35 the director shall notify the panel of a decision to approve or exclude  
36 from further consideration such request, and shall state the reasons.  
37 Such notification shall be made with or after the transmission of the  
38 information specified in subdivision three of this section and at least  
39 five working days before formal notification is made to the state agen-  
40 cy.

41 5. The requirements of subdivisions three and four of this section  
42 shall not apply to adjustments to allocations due to bond sizing chang-  
43 es.

44 6. In the event that any decision to approve or to exclude from  
45 further consideration a request for allocation is made within ten work-  
46 ing days of the end of the calendar year and in the case of all requests  
47 for consent to a carryforward election, the commissioner or director, as  
48 is appropriate, shall provide the panel with the longest possible  
49 advance notification of the action, consistent with the requirements of  
50 the code, and shall, wherever possible, solicit the opinions of the  
51 members of the panel before formally notifying any applicant of the  
52 action. Such notification may be made by means of telephone communi-  
53 cation to the members or by written notice delivered to the Albany  
54 office of the appointing authority of the respective members.

55 7. Upon notification by the director or the commissioner, any member  
56 of the panel may, within five working days, notify the commissioner or

1 the director of any policy objection concerning the expected action. If  
2 three or more members of the panel shall submit policy objections in  
3 writing to the intended action, the commissioner or the director shall  
4 respond in writing to the objection prior to taking the intended action  
5 unless exigent circumstances make it necessary to respond after the  
6 action has been taken.

7 8. On or before the first day of March, in any year, the director  
8 shall report to the members of the New York state bond allocation policy  
9 advisory panel on the actual utilization of volume cap for the issuance  
10 of bonds during the prior calendar year and the amount of such cap allo-  
11 cated for carryforward for future bonds issuance. The report shall  
12 include, for each local agency or other issuer and each state agency the  
13 initial allocation, the amount of bonds issued subject to the allo-  
14 cation, the amount of the issuer's allocation that remained unused, the  
15 allocation of the statewide bond reserve, carryforward allocations and  
16 recapture of allocations. Further, the report shall include projections  
17 regarding private activity bond issuance for state and local issuers for  
18 the calendar year, as well as any recommendations for legislative  
19 action.

20 S 15. Severability. If any clause, sentence, paragraph, section, or  
21 part of this act shall be adjudged by any court of competent jurisdic-  
22 tion to be invalid, such judgment shall not affect, impair, or invali-  
23 date the remainder thereof, but shall be confined in its operation to  
24 the clause, sentence, paragraph, section, or part thereof directly  
25 involved in the controversy in which such judgment shall have been  
26 rendered.

27 S 16. Notwithstanding any provisions of this act to the contrary (1)  
28 provided that a local agency or other issuer certifies to the commis-  
29 sioner on or before October 1, 2010 that it has issued private activity  
30 bonds described in this section and the amount thereof which used state-  
31 wide ceiling, a commitment or allocation of statewide ceiling to a local  
32 agency or other issuer made to or so used by such local agency or other  
33 issuer pursuant to the federal tax reform act of 1986 on or after Janu-  
34 ary 1, 2010 and prior to the effective date of this act, in an amount  
35 which exceeds the local agency set-aside established by section four of  
36 this act, shall be first chargeable to the statewide bond reserve estab-  
37 lished pursuant to section six of this act, and (2) a commitment or  
38 allocation of statewide ceiling to a state agency made to or used by  
39 such agency pursuant to the internal revenue code, as amended, on or  
40 after January 1, 2010 and prior to the effective date of this act, shall  
41 be first chargeable to the state agency set-aside established pursuant  
42 to section five of this act, and, thereafter, to the statewide bond  
43 reserve established by section six of this act.

44 S 17. Nothing contained in this act shall be deemed to supersede,  
45 alter or impair any allocation used by or committed by the director or  
46 commissioner to a state or local agency or other issuer pursuant to the  
47 federal tax reform act of 1986 and prior to the effective date of this  
48 act.

49 S 18. This act shall take effect immediately; provided, however, that  
50 sections three through fourteen of this act shall expire January 1,  
51 2011; except that the provisions of subdivision eight of section four-  
52 teen of this act shall expire March 1, 2011 and the provisions of subdi-  
53 visions two and three of section thirteen of this act shall expire  
54 February 15, 2011, and, provided further that section eleven of this act  
55 shall continue in full force and effect and shall be subject to the



1 applicable provisions of this act notwithstanding the expirations of law  
2 set forth in this section.