

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE

February 21, 2007

DETERMINATION AND ADOPTION OF THE 2007 STATE CEILING ON QUALIFIED PRIVATE ACTIVITY BONDS

(Agenda Item No. 4.)

ACTION: Adopt the 2007 State Ceiling on qualified private activity bonds.

BACKGROUND: Section 146 of the Internal Revenue Code (the “Code”) limits the amount of qualified (tax-exempt) private activity bond debt that may be issued in a state during a calendar year (“annual State Ceiling”). Section 146(d) of the Code was amended by H.R. 5662, the “Community Renewal Tax Relief Act of 2000 (the “Act”),” to specify that beginning in calendar year 2002 the limit shall be the greater of \$75 multiplied by a state’s population or \$225 million. The Act further specifies that beginning in calendar year 2003 the volume limit may be adjusted annually for inflation. Pursuant to Revenue Procedure 2005-70 published by the Internal Revenue Service, the volume limit on qualified private activity bonds adjusted for inflation for calendar year 2007 is **\$85** multiplied by the state’s population.

DISCUSSION:

Section 146(j) of the Code further requires that the calculation of the annual State Ceiling be based on the most recent resident population estimate released by the U. S. Bureau of the Census before the beginning of the calendar year. On December 22, 2006, the U.S. Census Bureau issued press release #CB06-187 reporting California’s estimated population as **36,457,549**. This is a .9% increase from the population estimate of 36,132,147 used to set the 2006 State Ceiling. Inflation and population results in a new bond volume cap of \$3,098,891,665. In terms of dollars, this is a \$208,319,905 increase over the 2006 State Ceiling.

Section 8869.84 of the California Government Code and Section 3 of the Committee’s Procedures Implementing the Allocation of the State Ceiling on Qualified Private Activity Bonds require the Committee to determine and announce the annual State Ceiling as soon as is practicable after the start of each calendar year.

COMMENTS:

1. The Internal Revenue Service has announced that the 2007 volume limit on qualified private activity bonds adjusted for inflation is **\$85** multiplied by a state’s population.
2. The U.S. Census Bureau has reported that California’s estimated population is **36,457,549**.
3. The Committee must determine and announce the 2007 annual State Ceiling as soon as is practicable after the start of the calendar year.
4. Based on the above, the California 2007 State Ceiling on qualified private activity bonds is **\$3,098,891,665** (calculated as \$85 x 36,457,549).

RECOMMENDATION: Adopt the attached resolution establishing the 2007 State Ceiling on qualified private activity bonds at **\$3,098,891,665**.

Prepared by Richard Fischer.

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE

RESOLUTION NO. 07-1

**RESOLUTION ADOPTING THE 2007 STATE CEILING ON
QUALIFIED PRIVATE ACTIVITY BONDS**

WHEREAS, the California Debt Limit Allocation Committee (the "Committee") is authorized by Chapter 11.8, commencing with Section 8869.80, of the California Government Code ("State Code") to implement the Federal Tax Reform Act of 1986, 26 U.S.C. Sections 141, et seq. ("Federal Code"), as amended, which establishes a unified volume ceiling ("State Ceiling") on the aggregate amount of Qualified Private Activity Bonds which can be issued in each state; and

WHEREAS, the Committee is directed by the State Code to establish the annual State Ceiling as soon as practicable after the beginning of the calendar year; and

WHEREAS, the Internal Revenue Service Revenue Procedure 2005-70 announced that for calendar year 2007 the State Ceiling for qualified private activity bonds adjusted for inflation is \$85 multiplied by the state population, and

WHEREAS, the U. S. Bureau of the Census, in press release #CB06-187, dated December 22, 2006, estimated the State of California's population as 36,457,549;

NOW, THEREFORE, the California Debt Limit Allocation Committee resolves as follows:

Section 1. The 2007 State Ceiling on Qualified Private Activity Bonds is hereby adopted as **\$3,098,891,665.**

Section 2. This Resolution shall take effect immediately upon its adoption.

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