

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE

January 26, 2011

DETERMINATION AND ADOPTION OF THE 2011 STATE CEILING ON QUALIFIED PRIVATE ACTIVITY BONDS (Agenda Item No. 10)

ACTION: Adopt the 2011 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 2010-40 published by the Internal Revenue Service, the volume limit on qualified private activity bonds adjusted for inflation for calendar year 2011 is **\$95** 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 21, 2010 the U.S. Census Bureau issued Press Release #CB10 CN-93, reporting California’s population as **37,253,956**. This is a 0.8% increase from the population estimate of 36,961,664 used to set the 2010 State Ceiling. Inflation and population changes result in a new bond volume cap of **\$3,539,125,820**. In terms of dollars, this is a \$212,576,060 increase over the 2010 State Ceiling.

Section 8869.84 of the California Government Code and Section 5010 of the Committee’s Regulations Implementing the Allocation of the State Ceiling on Qualified Private Activity Bonds each 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 2011 volume limit on qualified private activity bonds adjusted for inflation is **\$95** multiplied by a state’s population.
2. The U.S. Census Bureau has reported that California’s population is **37,253,956**.
3. The Committee must determine and announce the 2011 annual State Ceiling as soon as is practicable after the start of the calendar year.
4. Based on the above, the California 2011 State Ceiling on qualified private activity bonds is **\$3,539,125,820** (calculated as $95 \times 37,253,956$).

RECOMMENDATION: Adopt the attached resolution establishing the 2011 State Ceiling for qualified private activity bonds at **\$3,539,125,820**.

Prepared by Misti Armstrong and Richard Fischer

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE

RESOLUTION NO. 11-01

**RESOLUTION ADOPTING THE 2011 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 2010-40 announced that for calendar year 2011, the State Ceiling for qualified private activity bonds adjusted for inflation is \$95 multiplied by the state population; and

WHEREAS, the U. S. Bureau of the Census, in Press Release #CB10-CN-93, dated December 21, 2010, reported the State of California’s population as 37,253,956.

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

Section 1. The 2011 State Ceiling on Qualified Private Activity Bonds is hereby adopted as **\$3,539,125,820**; and

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

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