

CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE

Public Benefit Analysis Extra Credit Home Purchase Program Pool

2002 Summary

State and local governmental agencies and joint powers authorities can issue tax-exempt mortgage revenue bonds (MRBs) or mortgage credit certificates (MCCs) to assist teachers, principals and other credentialed school staff purchase homes. These agencies and authorities may issue MRBs, the proceeds of which back below market interest rate mortgages. As an alternative to issuing MRBs, state and local governmental agencies and joint powers authorities may issue MCCs. Homebuyers use the MCC to reduce their federal tax liability by applying the credit to their net tax due. Homebuyers may purchase single-family homes, either free-standing detached homes, condominiums or townhouses. Participants must be employed at a low-performing school (a California K-12 public school that is ranked in the bottom 50% of all the schools based on the most recent Academic Performance Index (API), i.e. schools receiving an API Statewide Ranking of 1, 2, 3, 4 or 5) and be willing to make a commitment to stay at that school for at least three years. In addition, Program participants must meet program income limits and must purchase a home that falls within the program's purchase price limitations. Spearheaded by State Treasurer Philip Angelides, this program was created to address the clear link that has been established between the lack of credentialed teachers and low performing schools.

The teacher shortage has contributed to the already acute problem of attracting qualified teachers to low performing schools, which are often located in urban and poor school districts. The Extra Credit Home Purchase Program (ECHPP) targets a scarce public resource to those schools struggling the most, and to those teachers and principals who are fully qualified to help those schools achieve success.

The California Debt Limit Allocation Committee is responsible for administering California's annual tax-exempt private activity bond program, known as "the annual State ceiling". For calendar year 2002, California's State ceiling is \$2.587 billion. Each year the Committee divides the annual State ceiling among several bond programs, known as "Program Pools", including the ECHPP Pool. For calendar year 2002, the Committee reserved approximately 4.8%, or \$125 million of the State ceiling for the ECHPP Pool. The \$125 million of bond authority was allocated in one allocation round.

The Committee awarded a total of \$98 million to the ECHPP in the Third Allocation Round of 2002. Of this amount, \$95 million was allocated to Mortgage Revenue Bond Programs and \$3 million was allocated to Mortgage Credit Certificate Programs. These allocations will assist approximately 516 teachers and principals purchase homes, of which approximately 47 will purchase new homes and approximately 469 will purchase existing homes.

SUMMARY OF ALLOCATIONS

Mortgage Revenue Bond Programs

AMOUNT ALLOCATED	ESTIMATED NUMBER & DESCRIPTION OF PUBLIC BENEFITS
\$95,000,000	500 Total number of eligible credentialed school staff assisted 460 Total number of loans to homebuyers purchasing existing homes 40 Total number of loans to homebuyers purchasing newly constructed homes (8% of total)

Mortgage Credit Certificate Programs

AMOUNT ALLOCATED	ESTIMATED NUMBER & DESCRIPTION OF PUBLIC BENEFITS
\$3,000,000	16 Total number of eligible credentialed school staff assisted 9 Total number of MCCs to homebuyers purchasing existing homes 7 Total number of MCCs to homebuyers purchasing newly constructed homes (1% of total)

TOTAL EXTRA CREDIT HOME PURCHASE PROGRAM

AMOUNT ALLOCATED	ESTIMATED NUMBER & DESCRIPTION OF PUBLIC BENEFITS
<u>\$98,000,000</u>	516 Total number of eligible credentialed school staff assisted 469 Total number of loans and MCCs to homebuyers purchasing existing home 47 Total number of loans and MCCs to homebuyers purchasing newly constructed homes (9% of total)